
A Public Value Framework for Directing Public Finance

Insights from the implementation of
Colombia's National Development Plan

by Mariana Mazzucato, Jose Alejandro Coronado,
Leyner Mosquera, Andres Osorio and Ana Steiner

Policy Report – December 2024



Institute for
Innovation and
Public Purpose

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About the Institute for Innovation and Public Purpose

The Institute for Innovation and Public Purpose (IIPP) at University College London (UCL) brings together cutting-edge academic theory with teaching and policy practice, to rethink the role of the State in tackling some of the biggest challenges facing society.

IIPP works with partners to develop a framework which challenges traditional economic thinking, with the goal of creating, nurturing and evaluating public value in order to achieve growth that is innovation-led, inclusive and sustainable. This requires rethinking the underlying economics that have informed the education of global public servants and the design of government policies.

IIPP's work feeds into innovation and industrial policy, financial reform, institutional change and sustainable development. A key pillar of IIPP's research is its understanding of markets as outcomes of the interactions between different actors. In this context, public policy should not be seen as simply fixing market failures, but also as actively shaping and co-creating markets. Re-focusing and designing public organisations around mission-led, public purpose aims will help tackle the grand challenges facing the 21st century.

IIPP is uniquely structured to ensure that this groundbreaking academic research is harnessed to tackle real world policy challenges. It does this through its high-quality teaching programme, along with its growing global network of partners, and the ambitious policy practice programme.

IIPP is a department within UCL – and part of The Bartlett, ranking number one in the world for architecture and the built environment in the world.

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The insights presented in this report are the result of research that included a review of academic literature, analysis of policy documents, working-level meetings, and semi-structured interviews with key stakeholders.

1. Introduction

The Government of Colombia's National Development Plan (NDP) for 2022–2026 – entitled “*Colombia, potencia mundial de la vida*” – brings human and planetary wellbeing to the centre of the country's economic development agenda. While this agenda has the potential to put Colombia on a path to sustainable and inclusive growth, successful implementation will require fundamental changes to how the government operates.

To set Colombia on a path of economic development that truly prioritises “life”, a new framework is needed to define, measure and maximise the public value of public resources, which goes beyond maximising revenue and minimising cost. This new framework requires a mission-oriented, whole-of-government and cross-sectoral approach that coordinates the actions of a wide array of economic actors (Mazzucato, 2018b & 2021).

Within the Colombian government, key institutions that manage assets and finance on behalf of the state include the Special Assets Society (SAE), which holds assets seized on the basis of illicit activity, the Bicentennial Group (BC), a portfolio of 13 financial institutions, and Colombia Compra Eficiente (CCE), which manages public procurement. The substantial resources that these institutions are responsible for are not currently being deployed in a way that realises their full potential to advance the NDP's goals.

This report focuses on how a new public value framework and a mission-oriented approach to coordinating investments across government and across sectors could be applied to these three institutions, thereby positioning the country to realise the NDP's vision for a more just, equitable and sustainable future.

Most information used for this report was found through bibliography research as well as semi-structured interviews with key stakeholders. The research team conducted 12 semi structured interviews, both virtual and on-site, with various institutions from the public and private sector as well as civil society. The organizations were: SAE; the National Planning Department; the Ministries of Finance, Environment and Sustainable Development, and Mines and Energy; Grupo Bicenentario; Colombia Compra Eficiente; the President's Office Compliance Unit; Banco Agrario; FINAGRO (Fondo para el Financiamiento del Sector Agropecuario); Fondo Nacional de Garantias; COCOMACIA; and directives at the Center on Global Economy and Governance and at the Faculty of Government at Universidad de los Andes.

2. Colombia's economic development agenda

2.1 National Development Plan 2022–2026: A new roadmap for development

The National Development Plan (NDP) 2022–2026, adopted under the Law 2294 of 2023, sets a roadmap for Colombia to emerge as a pioneer in the protection of life. By identifying social welfare and environmental sustainability as core priorities of economic development, this plan challenges traditional economic thinking. It is predicated on the understanding that long-term economic resilience is inseparable from environmental sustainability and social justice, and that the state has a vital role to play in bringing economic, social and environmental goals into alignment.

Moving beyond a GDP-centric paradigm, the plan outlines a comprehensive notion of growth that equally weighs environmental stewardship and social well-being. It commits to five “axes of transformation”: orienting land use planning around water, guaranteeing human security and social justice, upholding the human right to food, aligning productive activities with climate action and phasing out dependence on extractive activities, and enabling regional convergence (National Planning Department, 2023a). The NDP aims to correct historical injustices and prevent further exclusion of marginalised populations, while fostering a productive transformation that is underpinned by a harmonious coexistence with nature. It challenges the traditional emphasis on extractive industries and export-led growth as drivers of economic development, instead focusing on economic transformation through innovation, sustainable development and territorial equity. It envisions a diversified economy that leverages Colombia's rich biodiversity and human capital.

2.2 Valuing the popular economy and the wellbeing of people

Under the second pillar of the NDP development is understood as a process that must include recognition of informal work in the “popular economy”, including the work of women. This is a long-standing issue in Colombia, where the share of the informal sector in employment is 55.8 per cent (as of April 2024), with stark differences between regions (DANE, 2024). The concept of the popular economy

is defined as a set of economic activities in informal or semi-formal sectors of the economy that are characterised by self-employment, micro and small businesses, and the production and provision of subsistence services. These activities are carried out mainly by people who lack access to formal employment or work in precarious conditions. Within the popular economy are a variety of activities, ranging from street vending and subsistence agriculture to artisanal production and repair services. The NDP aims to democratise economic opportunities through initiatives such as access to credit and business development services. These measures are designed to uplift underserved communities, integrate them into the national economy, and better enable them to contribute to and benefit from Colombia's development trajectory. While economic policies have sought to combat informality, Colombia's new roadmap seeks to value and support this segment of the population, recognising that the popular economy provides essential goods and services to the economy, and has the potential to generate employment, foster entrepreneurship, and stimulate economic diversification (National Planning Department, 2023a).

The NDP also prioritises investments in comprehensive education reforms, healthcare accessibility, and workforce development. These initiatives are designed not only to equip individuals with skills and knowledge for the modern economy, but also to foster a healthier, happier, more educated populace, free from discrimination and exclusion, that can contribute more effectively to and benefit from economic growth (National Planning Department, 2023a). By setting specific targets in these areas, the NDP aims to measure the progress of economic development according to a set of indicators that extends beyond GDP to encompass social justice.

2.3 Industrial strategy as an engine of growth

The fourth pillar of the NDP recognises the need for technological upgrading and reindustrialisation, responding to a premature process of deindustrialisation that has hindered Colombia's productive potential (National Planning Department, 2023b; Rodrik, 2016). Colombia is lagging on key indicators of productivity, innovation and investment. For example, in 2020, Colombia's investment in R&D was only 0.29 per cent of its GDP, significantly lower than the global average of about 1.95 per cent, and well below regional leaders such as Brazil, which invested 1.15 per cent of its GDP in R&D (UNESCO Institute for Statistics, 2015). Furthermore, Colombia's economy remains heavily reliant on primary goods exports (such as oil, coffee and coal), with limited diversification into higher value-

added industries. The benefits of Colombia's economic activity are distributed unequally across the country, contributing to patterns of regional divergence that the NDP aims to address (ECLAC, 2022; WTO, 2023).

Colombia's reindustrialisation policy, "CONPES 4129", is intended as a catalyst for sustainable and inclusive growth. The policy marked a shift in the role of the state from fixing market failures to enable productivity, to shaping production according to national policy priorities (Mazzucato, 2013). This strategy underscores innovation and sustainability as key drivers of growth, advocating for green industry initiatives and the adoption of digital technologies and infrastructure to support economic diversification, foster globally competitive industries, and reduce reliance on traditional extractive industries. CONPES 4129 seeks to diversify the country's industrial base, not just in manufacturing, but also in services that support industrialisation, such as logistics and digital services (National Planning Department, 2023b).

CONPES 4129 emphasises that the country's reindustrialisation must be centred around the bioeconomy and respect for nature. The policy focuses on achieving decarbonisation, consolidating climate-resilient territories, halting deforestation and transforming key ecosystems. It paves the way for new sectors to thrive and leverage territorial economic potential, while maintaining a harmonious relationship with nature (National Planning Department, 2023b).

This strategy has a strong place- and stakeholder-based lens that aims to foster bottom-up solutions that respond to the specific opportunities and needs of different regions, segments of the popular economy, and types of companies. It recognises that sustainable and inclusive economic growth requires the formation of public-private and public-popular partnerships that produce shared value.

Successfully reorienting the economy around the protection of life, humanity and nature requires a more nuanced understanding of the role of government ministries and institutions in maximising public value. This is particularly true for public institutions responsible for managing state assets and finance, which have traditionally focused on maximising financial returns and minimising costs, rather than on maximising public value in line with overarching government priorities.

3. A new approach to public value

There are different conceptual frameworks for defining what public value means among academics and policy practitioners. Traditional approaches focus on private sector actors as the dominant value creators and limit the state's role to market failure correction and seeking "value for money". A more nuanced understanding of public value refers to the value that is created collectively by the public sector, the private sector and civil society based on the social and environmental outcomes that governments are seeking to achieve. This conceptualisation moves beyond seeing the state's role as one of fixing market failures to embrace its role in shaping markets and directing growth, and beyond efficiency and cost to consider social and environmental outcomes (Mazzucato, 2023a; Moore, 1995; Ostrom, 1990).

The traditional approach to public value focuses mainly on welfare improvements through the correction of market failures – instances where markets are unable to provide maximal welfare to their participants. According to this logic, markets fail to provide maximal welfare only in very specific cases, termed market failures (e.g., contexts where incomplete information or externalities exist). From this perspective, societal goals are implicitly defined by the market through the aggregation of citizen preferences. For example, if society valued environmental services, a market for environmental services would emerge. The price at which such services would sell, in the absence of externalities and other market imperfections, would correspond to the value society collectively assigns to environmental services. This approach relegates governments to a responsive, narrow role, limiting their potential to shape markets that deliver better outcomes for people and the planet.

Within this framework, public policy is justified if the welfare created exceeds the cost of the intervention. This idea is captured by the concept of 'value for money' (VfM), which focuses on the optimal use of public resources to achieve public objectives, based on a set of principles that constitute "effective" public administration, including efficiency, accountability, and equity (Glendinning, 1988; Goddard, 1989; Jørgensen and Bozeman, 2007).¹ VfM is operationalised through a family of evaluation methods, the most common of which is cost-benefit analysis (CBA). The dominance of CBA and its variants in institutional policy

¹ An example of this is recent literature that attempts to build a taxonomy of "public values" and assess how the digital transformation of the public sector impacts the set of values (Bannister & Connolly 2014; Twizeyimana & Andersson 2019; Ada Scupola & Ines Mergel 2022). See also OECD (2019).

making has been extensively questioned due to their reductionist approach to value, which is often expressed solely in monetary terms (Bozeman, 2002). While calculation methods and discounting techniques have been developed to help practitioners account for a broader range of 'non-market' values and interests in programme and policy interventions, these considerations remain peripheral (Boardman et al., 2022).

A theory of public value that addresses these limitations must begin with a conception of the public good not merely as a corrective response to failure, but as an objective in itself, one that is only achievable through a collective process of value creation. According to the "economics of the common good", the state is a co-creator of value, in conjunction with other economic actors (Mazzucato, 2018b & 2023; Mazzucato and Ryan-Collins, 2022).

This framework emphasises the importance of the state's role in setting a clear direction and encouraging private, public and civil society actors to collaborate, innovate and invest through mutualistic relationships to achieve common goals and produce shared value. Accordingly, the state is responsible for shaping and creating markets rather than simply fixing them, and for defining objectives that reflect priorities that are collectively valued by society. Ideally, the state should have the political legitimacy to establish social goals (or "missions") and to direct markets towards their achievement (Mazzucato and Ryan-Collins, 2022).

Instead of viewing markets as abstract entities that function independently, they should be understood as outcomes shaped by interactions among public, private and civil society actors (Mazzucato, 2018b & 2023b; Polanyi, 1944). This understanding of public value provides a framework for designing and evaluating the impact of government actions not merely in terms of efficiency and short-term gains but also in terms of their contributions to long-term societal and environmental well-being.

3.1 Maximising public value through a mission-oriented approach

This collective process of value creation can benefit from a mission-oriented approach (see Box 1) to coordinate diverse actors around shared goals (Mazzucato, 2021 & 2018c). By establishing missions that aim to address challenges like climate change, access to clean water and food security, the state can set a clear direction for growth and coordinate investments from across government and across sectors. Missions help to coordinate public sector actors

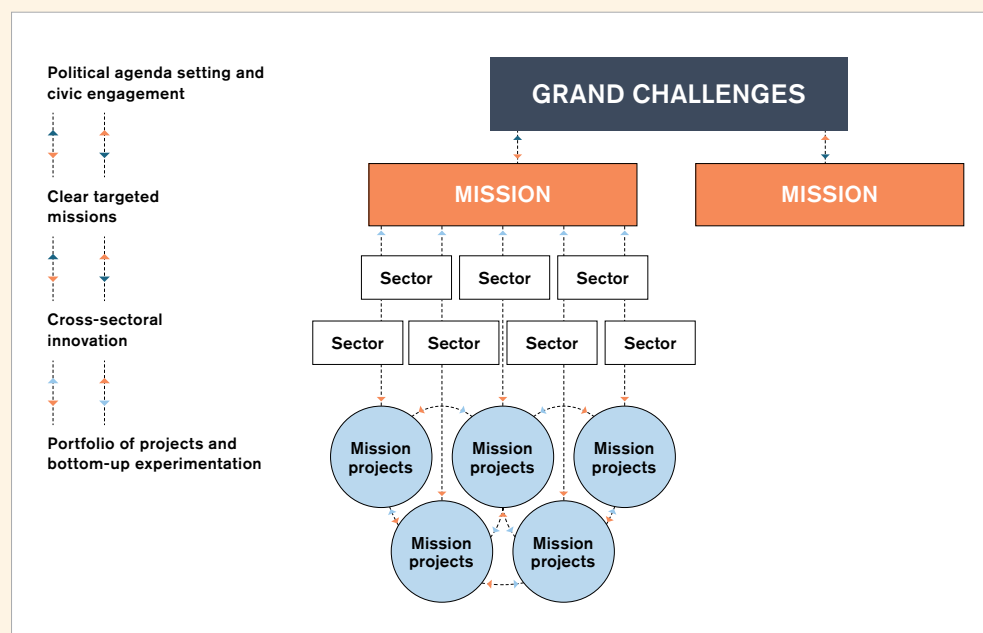
around shared goals. They also create market opportunities that drive business investment and innovation aligned with public policy goals (Mazzucato, 2018a).

This approach is particularly relevant to industrial strategy. According to this approach, instead of picking sectors or technologies to support, governments pick missions that require cross-sectoral innovation, investment and transformation (Mazzucato et al, 2024). While Colombia's reindustrialisation policy does include elements of this approach, it could go further in terms of defining clear, measurable, cross-sectoral and cross-ministerial goals.

Box 1: A mission-oriented approach

Missions can turn challenges into pathways for investment and market opportunities for businesses.

Figure 1. A mission map (Mazzucato, 2018a)



Grand challenges are difficult but important, systemic, and society-wide problems that do not have obvious solutions. The United Nations' Sustainable Development Goals (SDGs), to which all 191 United Nations member states signed on, represent an attempt to articulate the world's 17 most pressing challenges.

Missions are concrete goals that, if achieved, will help to tackle a grand challenge. Missions set a clear direction for the actors and sectors whose investment, innovation and effort is required to develop solutions. To mobilise as much cross-sectoral collaboration as possible, missions should focus less on economic outcomes and more on societal and environmental outcomes. Missions can help transform complex challenges, such as the SDGs and their 169 targets, into clear investment pathways.

Sectors are the segments of the economy that need to be involved in developing solutions to specific missions, generally in collaboration with one another.

Projects are activities or programmes that solve particular problems and, in so doing, help to achieve the broader mission. Examples could include a research and development (R&D) programme focused on developing a new product, service or process that could contribute to mission success.

This box draws on Mazzucato 2018a and has been reproduced with permission.

Missions are ambitious long-term goals that are only achievable through interactions between actors, and through a portfolio of projects that collectively aim to produce transformative change. Simple CBA approaches cannot properly capture progress towards the achievement of missions. Therefore, under this approach it is necessary to rethink conventional methods for measuring public value. Even evaluation frameworks that have been designed to allow for consideration of a wider array of factors may continue to be constrained by assumptions that limit mission orientation and public value maximisation (see Box 2 for an example).

An alternative to CBA is to use multi-criteria analysis (MCA) to produce a decision matrix of indicators that can serve as a dashboard, allowing policymakers to exercise judgment in shaping policies and directing investments based on high amounts of heterogeneous information. MCA techniques can be used to identify a single most preferred option, to rank options, to short-list a limited number of options for subsequent detailed appraisal, or simply to distinguish acceptable from unacceptable possibilities using multi-dimensional selection criteria. Employing MCA can help to establish preferences between options by reference to an explicit set of identified objectives (Dodgson et al., 2009). An advantage of MCA is that it allows for the assessment of information

that cannot be compressed into a monetary valuation. Indicators should be selected on the basis of defined public policy goals or missions.

The measurement of public value has two objectives. On one hand, it facilitates decision-making ex-ante, meaning it allows policymakers to distinguish between alternative investments or policies. On the other hand, it serves to produce evidence ex-post of the success or failure of a specific investment or policy, facilitating learning and accountability.

Box 2. Lessons from the UK on the limits of the Social Value Act

The social value paradigm in the UK, introduced by the Public Services (Social Value) Act 2013, marked a significant shift because it allowed public bodies to consider the broader social, environmental, and economic benefits of their spending decisions. The aim was to move beyond the traditional focus on cost-efficiency and incorporate values that could benefit the local community.

However, this paradigm has limitations. First, social value is generally treated as a peripheral, additional benefit rather than as central to products and services being delivered. Second, social value commitments tend to be ad-hoc and lack strategic alignment with wider goals. Third, a continued reliance on quantitative metrics oversimplifies the complex and multifaceted nature of social impact, ignoring the qualitative aspects of value.

Despite its positive intentions, the social value paradigm continues to reflect a market-fixing approach rather than a market-shaping one. It aims to extract marginally better outcomes from processes that remain centred on price and efficiency. In contrast, a public value approach that emphasises mission-orientation and market-shaping would seek to align public spending with broader societal goals (Mazzucato and Wainwright, 2024).

In Colombia, the Directorate for Monitoring and Evaluation of Public Policies (DSEPP) is engaged in prioritising cross-cutting indicators to track the execution of the NDP; for example, through the Multidimensional Poverty Index (MPI). The MPI was first conceived at the municipal level in the 2011 NDP. It aims to measure poverty based on five dimensions: education, childhood and youth, health, work and household, and public utilities access. Under each of these dimensions, a set of indicators are to be monitored at the household level. A household is considered poor when it is deprived

of 33.33 per cent of such indicators. Given that the NDP is targeting national indicators associated with each of dimensions, the MPI serves as a general tool for measuring the progress of the plan's implementation.

Realising the potential of Colombia's economic development agenda not only requires a different conceptualisation of public value but also a different way of working, within and across government ministries and institutions, and between the public and private sectors and civil society.

4. Applying a new public value framework to the implementation of Colombia's National Development Plan

4.1 A whole-of-government approach to value creation

To maximise the public value of public resources, a whole-of-government approach is needed in which governmental ministries and other public institutions work collaboratively towards shared objectives rather than operating in isolated silos (Mazzucato, 2018c).

Missions can help to coordinate policies, tools and institutions across government to ensure that the whole is greater than the sum of its parts, but this requires a centralised approach to governance with clear mechanisms for inter-agency communication and coordination, in which each ministry and government actor aligns its priorities with overarching, shared missions that sit above ministries, and measures its success according to shared indicators (Mazzucato et al, 2024). All levels of government, from local to national, should be engaged in this process. By aligning the efforts of various ministries and public institutions around common missions, governments can drive systemic change.

However, coordination failures remain common in Colombia and continue to hinder tangible progress. Breaking down silos and achieving greater inter-agency alignment will require political will, consensus-building, and improved accountability and transparency. Government attention has focused on setting ambitious goals, but effective cooperation and alignment around the implementation of these goals should also become a priority or these goals may remain out of reach.

Importantly, a whole-of-government approach means aligning key tools and institutions with overarching missions. This report focuses on three public institutions that are responsible for managing public assets, public finance and public procurement.

4.2 The Special Assets Society

The Special Assets Society (SAE) is a mixed-economy society – a company with both private and public capital – with majority ownership by the government.

It manages assets that are going through seizure and forfeiture processes. Historically, SAE has focused on monetising these assets, either through rental (in the case of real estate) or liquidation, with the revenue divided among the Government of Colombia's general budget, the attorney general's office, and the judicial branch.

4.2.1 A new approach to public value maximisation

Under the current government, SAE has taken steps to shift from its previous focus on maximising revenue to a new focus on maximising public value in alignment with broader government goals. SAE's mission and vision were modified to include the concept of public value with an emphasis on democratising asset ownership for the creation of social, environmental and economic value.

SAE's conceptualisation of public value recognises the potential for public value to be co-created by state, private sector, and civil society actors, and emphasises the importance of the popular economy. This notion of public value places particular emphasis on the role of “public-popular” partnerships, viewing community and social organisations not just as beneficiaries but as co-creators of value and contributors to economic growth and social well-being.

By emphasising the democratisation of assets and the inclusion of the popular economy, SAE's approach to public value maximisation can potentially contribute to the NDP's goals of addressing historical inequities, which would foster economic and social inclusion and regional convergence. It also has the potential to contribute to the NDP goals of adopting a more sustainable approach to water and land management and accelerating climate action (see Box 3).

One of SAE's priorities is to help address the concentration of wealth in Colombia, which stems from a history of dispossession, particularly of land, by ensuring that the means of production – and of generating social, economic and environmental value – are accessible to communities and popular economy actors. This implies a shift from a model based on rentier activities to one based on productive activities that provide agency to popular economy actors.

According to this conception, the public value of the assets managed by SAE only materialises once popular economy actors combine these assets with their work as a source of added value. SAE has established three dimensions of public value measurement: the direct impact of its activities on achieving the objectives of the NDP (for example, the direct effect of assigning a piece of land to a household on

the land GINI of a municipality); the indirect dynamic effects on the recipient (such as what happens to the household's income if it uses the land to grow and sell agricultural produce); and the spillover effects (for example, improvements to food security in region as a result of local agricultural production).

The agency aims to have an impact at both the microeconomic and macroeconomic levels, helping to shape the direction of economic growth (Mazzucato and Ryan-Collins, 2022). Notably, SAE's approach prioritises pre-distribution, and not just redistribution, as a tool to combat poverty and inequality.

Box 3: The role of SAE in supporting the goals of the NDP

- 1. Land reform and agrarian development:** By reallocating rural assets for agrarian reform, SAE supports sustainable rural development, directly impacting agricultural productivity and rural community livelihoods (Agencia Nacional de Tierras, 2024).
- 2. Supporting popular economy models:** SAE is involved in initiatives that bolster local economies through the strategic use of assets in community-oriented projects. This can include the development of community centres, local marketplaces, and infrastructure that supports small-scale industries and cooperatives.
- 3. Health and anti-drug policies:** The redirection of resources from seized assets to fund health initiatives, particularly in areas heavily affected by drug trafficking, aligns with public health and safety components of the NDP (Caracol Radio, 2023).

4.2.2 Key challenges and opportunities

SAE's new approach to defining and maximising public value demonstrates a sophisticated understanding of how public assets can drive systemic change. While SAE has taken significant steps to align its operations with the principles of public value creation, several challenges and gaps demand further attention.

First, while SAE's public value framework is aligned with the high-level goals of the NDP, such as empowering the popular economy, it is not oriented around specific NDP goals or missions (such as specific targets related to regional convergence, environmental conservation or the human right to food). SAE could consider **organising its projects into thematic clusters that correspond**

with clear missions drawn from NDP, creating a portfolio approach and fostering learning across projects. Orienting SAE's asset management around NDP goals that apply beyond SAE would also facilitate a whole-of-government approach, creating alignment with other government actors' investments, policies and programmes that could complement those of SAE. One example of a mission-oriented approach to asset management is described in Box 4.

Box 4. Lessons from the Camden Community Wealth Fund

The London Borough of Camden's new Community Wealth Fund was set up to help Camden achieve two of its four "Renewal Missions":

1. "By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow"; and
2. "By 2025, every young person has access to economic opportunity that enables them to be safe and secure" (Camden Renewal Commission, 2024).

The fund also aims to reverse the trend of economic value being generated within the borough and extracted out. The £30m investment fund offers repayable loans and equity finance complemented by non-financial support (for example, capacity building and access to workspace) for projects to citizens, local businesses and community organisations that might otherwise struggle to access finance, with a focus on projects that aim to advance one of these two missions (Camden Renewal Commission, 2024).

Camden's Renewal Missions were established through a consultative process informed by the Camden Renewal Commission, which Professor Mazzucato co-chaired with Georgia Gould, former leader of Camden Council and now a member of the UK Parliament and parliamentary secretary (see [Renewal Commission, 2021](#) for more information).

The Community Wealth Fund was informed by the UCL Institute for Innovation and Public Purpose (IIPP), which emphasised the importance of the following principles:

1. Orienting investments around clear mission statements that correspond with overarching government goals.
2. Complementing, rather than replicating, other government programmes and sources of investment. This can be done, for example, by building

local knowledge and expertise, seeking a combination of financial returns and mission impact, acting as a patient long-term investor, and prioritising inclusive finance that is accessible to those who generally face barriers to accessing capital.

3. Engaging citizens in the Community Wealth Fund's governance to ensure it serves local needs and is seen as a legitimate vehicle for collective value creation. This can be achieved through a combination of consultation in the design phase, an ongoing advisory function potentially with seats on a governing board, and direct participation in investment decisions.
4. Adopting a monitoring and evaluation framework that goes beyond static financial metrics and individual project evaluation to include a range of social and environmental indicators of mission outcomes as well as intermediate milestones, and of dynamic, economy-wide spillover effects measured across projects (Mazzucato et al., 2022).

Many of these design principles are also relevant to SAE's approach to asset management.

The second challenge is that SAE's current approach focuses on only some assets and some forms of asset management. Its public value framework applies to assets that are designated as part of a strategic portfolio based on requests from other government actors. This approach is reactive, relying on collaborations initiated by other government actors and requiring a flexible approach to shape these collaborations in alignment with wider goals. This limits the scope and ambition of SAE's activities. Instead, SAE could proactively **identify assets based on their potential to contribute to NDP goals** and seek out partnerships with other government actors on this basis. SAE could also consider a wider toolkit of options for asset management, beyond asset transfer, to ensure that its strategy is optimised based on mission goals. This could include the use of assets to support credit access (for example, by transferring assets to the Fondo Nacional de Garantías to act as collateral for guaranteeing loans).

Third, developing a **robust monitoring and evaluation system** to track the progress and impact of initiatives will be central SAE's public value maximisation efforts. This system should focus not only on accountability but also on creating feedback loops to facilitate learning and continuous improvement. Importantly, it will need to include a wide range of interacting indicators, as many NDP goals cannot be compressed into a single valuation measure. These indicators should

not only shed light on the extent to which long-term mission goals have been achieved; they should also include indicators of intermediate progress to enable collective learning and adaptation. Specifically, SAE should consider employing **multi-criteria analysis** to establish preferences between project options, ensuring that each project is evaluated against its potential contribution to the NDP's missions. This approach will facilitate more informed decision-making and ensure that public value creation is aligned with national priorities.

To contribute to the wider legitimacy and accountability of SAE's approach to asset management, a **transparent approach to reporting on plans, results and lessons** could be adopted. This could include regular publication of detailed reports on managed assets, investment decisions and generated impact.

Fourth, SAE cannot realise the full public value potential of its assets on its own. Notably, it will be important to **collaborate with other government actors to ensure comprehensive, wrap-around support for beneficiaries**. Making assets productive in ways that benefit recipients and their wider community requires more than just an asset transfer. It could include capacity-building programmes that empower communities to manage and sustain their assets over the long term, including in the face of potential economic shocks and environmental changes, as well as programmes to incentivise and support local entrepreneurs to leverage assets in innovative ways that address local development needs, giving rise to new, sustainable business models aligned with NDP goals. It could also require direct financial support aligned with beneficiary and community needs, as well as demand-side measures (for example, through public procurement policies) to shape markets that align with NDP goals, create demand for community-level production and facilitate market access for popular economy actors.

More broadly, it will not be straightforward to operationalise collaborative relationships and ensure that SAE's definition of public value aligns with the diverse needs and expectations of all stakeholders. SAE should work with its partners to develop **new frameworks for facilitating effective collaborations with actors in the popular economy, the wider private sector and other governmental agencies**. These frameworks should prioritise equity, ensure that all parties have a meaningful voice in decision-making processes and build a sense of collective ownership of outcomes among diverse stakeholders. This could include a role for community-level stakeholders in the governance of relevant assets, enabling them to actively participate in defining how assets are allocated and how projects using these assets are funded or developed to ensure that they respond to local needs.

Fifth, given the trailblazing nature of SAE's public value approach and the complexity of the stakeholder relationships required for it to succeed, SAE could consider launching **pilot projects to test and refine its approach**, using these projects as learning opportunities to improve and scale successful models.

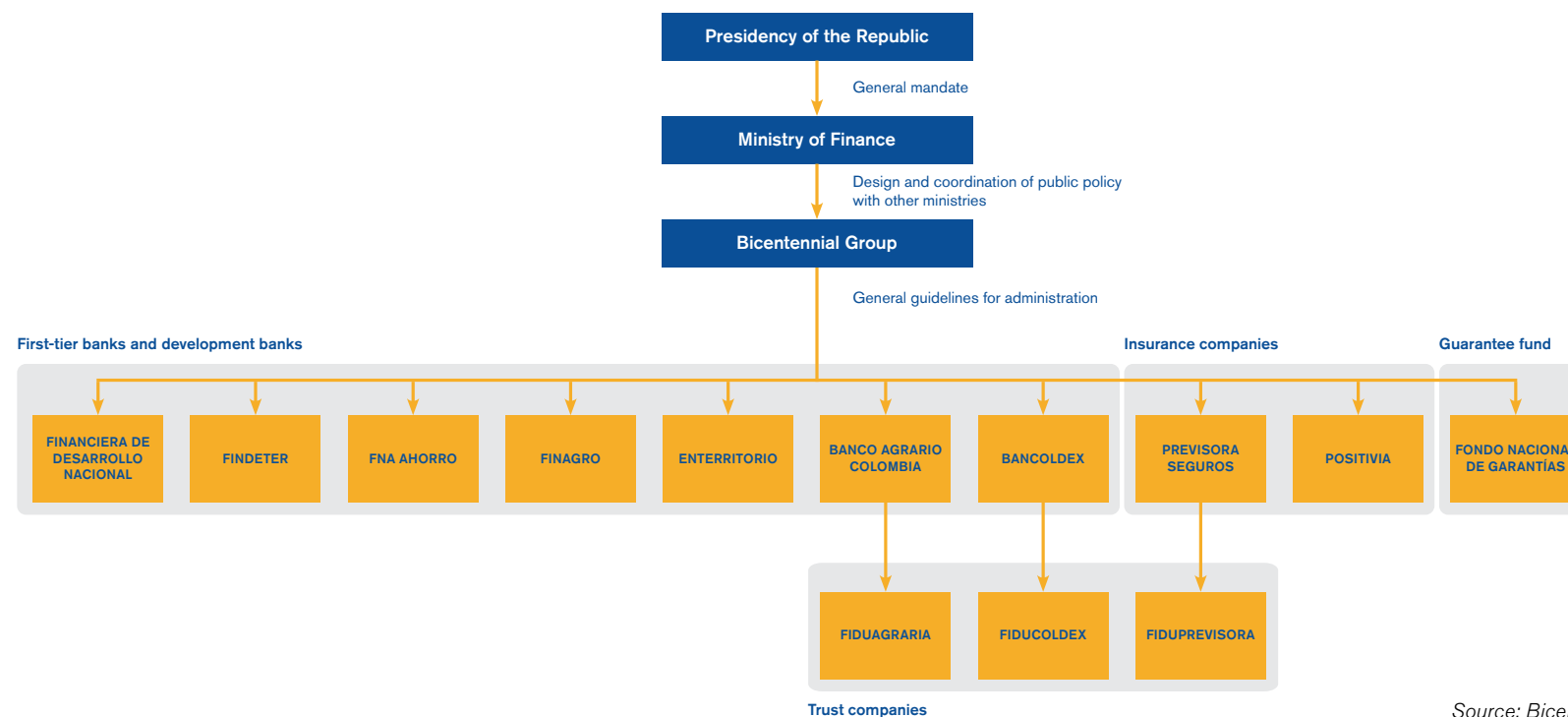
More broadly, there is **potential to apply the public value framework pioneered by SAE across other government actors**, which would help foster a collective approach to public value creation. Notably, the National Planning Department (DNP) and the President's Office could refine and promote the adoption of this model government-wide. Given its role in coordinating implementation of national policy priorities, the DNP is well placed to apply a public value framework holistically to inform whole-of-government implementation and evaluate progress against NDP goals. The President's Office could play a role in championing this approach and promoting uptake across government.

4.3 The Bicentennial Group

The Bicentennial Group is a holding company that reports to the Ministry of Finance and Public Credit. It is composed of 13 (at the time of writing) financial institutions, majority ownership of which is held by the Colombian Government, with state participation ranging from 65.3 per cent (Finagro) to 99.99 per cent (Banco Agrario). The Bicentennial Group was created to strengthen and coordinate public financial entities in Colombia. It aims to promote economic and social development and facilitate access to financing for strategic projects that generate employment in diverse sectors of the economy and improve quality of life. Figure 2 displays the composition and governance structure of the group. The group consists of the following companies: Bancóldex, Findeter, Banco Agrario, FDN, Enterritorio, Finagro, FNG, Fiduagraria, Fiducoldex, Fiduprevisara, Fondo Nacional del Ahorro, Previsora, and Positiva Compañía de Seguros.

The Bicentennial Group offers a significant opportunity for aligning the mandates and strategies of the institutions within its portfolio with the goals of the NDP (Mazzucato and Gasperin, 2023; Mazzucato, 2023a; Mazzucato and Semieniuk, 2018).

Figure 2. Bicentennial Group governance model



Source: Bicentennial Group

4.3.1 Mission-oriented public financial institutions

A new model of development that prioritises environmental resilience and social justice requires a new approach to public finance. Public development banks and other public finance institutions play a vital role in advancing sustainable and inclusive economic development. They can provide the patient long-term capital that is often necessary for financing large-scale infrastructure projects, fostering innovation and supporting cross-sectoral transformation. They can direct public finance towards critical policy goals, and crowd in private-sector investment, ideally sharing not only risks but also rewards (Mazzucato, 2023a; Mazzucato and Macfarlane, 2024). Mazzucato and Penna, 2016; Semieniuk, et. al, 2021). In doing so, they can shape markets and direct economic activities toward socially desirable outcomes, such as sustainable development and social equity. They can also provide counter-cyclical funding during economic downturns, helping to stabilise the economy (Griffith-Jones and Ocampo, 2018).

Colombia's Ministry of Finance and Public Credit has advanced reforms to the Bicentennial Group to create better alignment with NDP goals by improving access to financial products; for example, through interest rate subsidies and guarantees to encourage public banks, private banks, and other players (such as fintech, cooperative and microfinance companies) to serve the interests of those who typically struggle to access capital in the popular economy. There is also a focus on enhancing alignment between Bicentennial Group members, standardising corporate governance practices, and improving alignment with overarching policy goals.

One of the Bicentennial Group's initiatives, aimed at expanding access to financial services for segments of the population historically underserved by the financial sector, is "Un credito para conocernos – CREO" (A Credit to Know Us). This programme is a collaborative initiative designed by the entities of the Bicentennial Group, the Ministry of Finance and Public Credit, the Ministry of Agriculture and Rural Development, the Ministry of Commerce, Industry, and Tourism, and the Banca de las Oportunidades, funded primarily from the General Budget of the Nation (Ministry of Finance and Public Credit, 2023a). It aims to support microbusinesses in the popular economy by facilitating access to financing with favourable conditions. This programme provides financing to microbusinesses in both urban and rural areas, offering the resources necessary for their operation and growth. Furthermore, it promotes financial inclusion and business strengthening, establishing a solid foundation for future financial relationships and economic development. By providing subsidised financial products, including through low interest rates and guarantees, the CREO

programme aims to make one million loans available to the urban and rural segments of the popular economy during the current administration (see Box 5) (Ministry of Finance and Public Credit, 2023b; Ministry of Finance and Public Credit, 2023c).

Box 5: CREO

The Ministry of Finance and Public Credit, together with the Bicentennial Group, launched the Financial Inclusion Programme for the Popular Economy. The programme aims to remove historical inequalities and generate accessible and flexible financing as a key lever to enhance capacity building, improve financial well-being and transform the living conditions of the popular economy.

Street vendors, shopkeepers and low-income agricultural producers need access to financing and financial capabilities to grow their businesses or productive projects. Many of them are vulnerable to loan sharking. For this reason, the National Government seeks to provide alternatives that serve as gateways to the financial system. It acts as the "friendly guarantor" for loan beneficiaries. The CREO initiative is based on four central pillars:

1. Opportunities for credit access for those traditionally underserved;
2. Promotion of group and associative financing methodologies;
3. On-site management and support for the population; and
4. Building financial capacities within the popular economy (Ministry of Finance and Public Credit, 2023a).

However, implementation has been slower than anticipated and has faced several challenges – ranging from low appetite for credit and fear of losing collateral in the event of default, to inflation and rising interest rates (Banco de la República, 2023; Banco Agrario, 2023). According to Bancóldex data, as of June 2024, the CREO 1.0 credit line had disbursed COP 6,614 million (USD 1.65 million), benefiting approximately 2,427 micro-businesses in Colombia. During the second half of 2024, the bank launched the CREO 2.0 line with a fund of COP 180,000 million (USD 45 million), including incentives for interest rate reduction and capital repayment.

The Bicentennial Group is also seeking to scale up sustainable finance; for example, through the issuance of green bonds and investments in building local capacity for green technologies like solar panels (Bancóldex, 2022; Banco Agrario, n.d.).

4.3.2 Key challenges and opportunities

Although the Bicentennial Group has made important strides in aligning finance with public policy goals, several challenges remain. More could be done to align the design of the institutions within the Bicentennial Group and the tools available to them with the overarching goals of the NDP.

First, **coordination between government actors** is important. For example, the Bicentennial Group could benefit from greater alignment with other government actors that are well positioned to deliver programmes focused on building the capacity of recipients of public financing to absorb and deploy financing. The use of tools like public procurement to create local demand for locally produced goods and services could reduce risk and improve outcomes for recipients.

The Bicentennial Group could further enhance its use of **guarantee funds and collateral** to support the work of second-tier banks. Guarantee funds can play a pivotal role in mitigating risks for lenders, thereby encouraging greater access to credit for underserved sectors, including small and medium-sized enterprises (SMEs) and initiatives focused on sustainable and inclusive economic development. A characteristic of the loans extended to the popular economy is their small amount. One asset could potentially serve as collateral for a bundle of loans to the popular economy. The National Guarantees Fund already targets projects that lack collateral, but this support could be strengthened through collaboration with SAE. SAE could make some of its assets available to serve as collateral for projects financed by the Bicentennial Group in cooperation with the National Guarantees Fund.

Monitoring and evaluation vary across Bicentennial Group entities. For example, Bancóldex actively collaborates with the National Planning Department (DNP) and other entities to ensure that its programme indicators are aligned with the National Development Plan (NDP). Bancóldex has also integrated new measurement criteria into its information systems and leverages both internal and external databases. However, it still faces difficulties measuring critical variables such as race and age and gathering data on key sectors such as the care economy. Banco Agrario has a business intelligence and analytics team that gathers data on the impact of its products and services to inform decision making, while Finagro implements the balanced scorecard methodology to monitor progress in line with its objectives, including access to financing for small producers and the contracting of agricultural insurance. Both organisations face challenges with data capture in rural contexts, especially in areas with conflict and digital connectivity issues. While these entities to some extent seek to align

their indicators with PND objectives, they do not have a formal collaboration with the DNP to design indicators. The Bicentennial Group could benefit from a more consistent approach to defining and measuring public value, gathering data, and fostering continuous learning and improvement across its members, aligned with NDP goals. In this regard, it could consider adopting a public value framework like that of SAE.

Regulatory frameworks also present challenges. Currently, first-tier public development banks are regulated by the Financial Superintendency under commercial bank standards, which do not adequately reflect their function as entities oriented toward economic development. The Financial Superintendency tracks the portfolio risk of these entities and imposes processes within the organisation if it identifies a risk that has the potential to erode the financial viability of the institution. Processes of this kind demand resources from members of the group, which disincentivises the opening of credit lines for higher-risk investments. Consequently, banks are penalised for acting consistently with their mandates to extend long term patient finance and to serve policy goals such as responding to the needs of historically excluded segments of the population. Consideration could be given to reforming the regulatory framework for Bicentennial Group members, to recognise their national and regional development objectives and their role in fostering sustainable and equitable economic growth.

The **definition of the popular economy** presents another challenge. Although the NDP defines the popular economy as “the commercial trades and occupations (production, distribution, and marketing of goods and services) and non-commercial activities (domestic or community) developed by low-scale economic units (personal, family, microbusinesses or microenterprises) in any economic sector” (National Planning Department, 2023a), this definition has led to confusion within entities of the Bicentennial Group when designing new programmes and financial products. This definition could be clarified to better focus Bicentennial Group efforts, and those of other government actors, around NDP goals. This definition should be both inclusive, reflecting the diverse activities and actors within the popular economy, and practical for policy implementation. To ensure that the definition resonates with local stakeholders and is widely accepted, it could be refined collaboratively with input from different government agencies, civil society organisations, academic institutions, and representatives from the popular economy itself.

4.4 Public Procurement

Colombia Compra Eficiente (CCE) is the agency responsible for strengthening and modernising public procurement management in Colombia. The agency's main objectives are to promote efficiency, transparency, and competitiveness in the acquisition of goods and services by public entities (Colombia Compra Eficiente, 2024). More recently, in line with the 2022-2026 NDP, CCE has sought to expand access to procurement opportunities for a more diverse group of suppliers, including popular economy actors, microenterprises and small businesses (National Planning Department, 2023c).

4.4.1 Mission-oriented public procurement

Public procurement has traditionally focused on maximising efficiency and minimising risk and cost, with the consequence that procurement decisions have tended to ignore policy alignment and have not accounted for the spillovers generated by public spending. However, procurement can create new market opportunities for businesses and popular economy actors aligned with national policy goals, acting as a catalyst for innovation and investment (Mazzucato and Wainwright, 2024). A framework for a new economics of procurement, developed in Mazzucato and Wainwright (2024), is described in Box 6.

Box 6: A new economics of procurement

A new economics of procurement, centred around public value, would encourage procurement practitioners to:

1. Focus on mission outcomes
2. Build coalitions that emphasise learning over accountability
3. Create a diverse ecosystem of suppliers
4. Use strong conditionality mechanisms to structure private sector partnerships
5. Evaluate wider economic outcomes

From Mazzucato and Wainwright, 2024.

Under a mission-oriented approach, public procurement seeks to shape markets to achieve long-term missions, and to maximise public value rather than social value, which tends to function as a short-term, peripheral, and ad hoc consideration (Mazzucato and Wainwright, 2024). (See Table 1). This perspective

underscores procurement's potential to not only meet immediate needs but also generate lasting economic and social benefits, fostering a resilient and inclusive economy (World Bank, 2023; Mazzucato and Wainwright, 2024).

Table 1: Comparative Approaches in Public Procurement: Social Value vs. Public Value

Social Value	Public Value
Technocratic	→ Political and participative
Static market analysis	→ Dynamic market analysis
Understand value through the common lens of monetisation	→ Weigh up multiple and sometimes conflicting forms of value
Focus on what will be delivered	→ Focused on who will deliver it

Source: Authors' construction based on Mazzucato and Wainwright (2024)

In Colombia, public procurement is undergoing changes that could better position it as a tool for achieving NDP goals. CCE is aiming to democratise public purchases and contracting by favouring the entry of new suppliers. Reforms, such as those mentioned in the DNP, have aimed to democratise access to public markets by allowing smaller entities like microenterprises and associations from the popular economy to participate in government contracts.

Procurement Law 80 has historically prioritised contractors with significant resources due to financial solvency and guarantee requirements. As a result, public procurement in Colombia has been disproportionately concentrated in Bogotá, Antioquia, and Valle del Cauca, where most of the population is located and most GDP is produced; accordingly, it has not benefited all regions or segments of the population. The NDP modified some articles of Law 80 of 1993 (Colombian Government, 1993). For example, it extended provisions for contracting with traditional Indigenous authorities, which were previously restricted to health, education and housing projects. It also enables engagement of Indigenous councils (governmental bodies within Indigenous communities), public-popular associations (associations that bring together state and popular economy actors in a particular territory with the objective of solving communal essential needs), and community action committees (non-profit organisations with a social, civic, popular and communal character with legal recognition that are formed by members of a community with the objective of solving communal needs), in development projects (National Planning Department, 2024; Ministry

of Interior, 2018). These changes have created new procurement opportunities for marginalised communities that would previously have struggled to compete for procurement opportunities.

More broadly, CCE is seeking to strategically link public spending with national development challenges such as the energy transition and social cohesion. In 2023, the National Development Plan made changes to the contracting system to align purchasing decisions with development objectives and public value creation (Legis Editors, 2023). CCE's Institutional Strategic Plan identifies six priorities (Agencia Nacional de Contratación Pública, 2023):

1. **Popular and community economy:** Promoting small-scale production units in any economic sector.
2. **Colombia without hunger:** Using food purchase as a lever for fighting hunger and improving the population's quality of life.
3. **Transparency:** Promoting the use of information and access to public data.
4. **Environment and energy transition:** Implementing guidelines and instruments to include environmental sustainability criteria in the purchasing system.
5. **Education:** Strengthening the capacities of public procurement and contracting system actors.
6. **Total peace:** In accordance with the peace policy of the National Government, ensuring that people subject to special constitutional protection and affected by poverty can participate in procurement opportunities.

This approach seeks to redefine the role of public procurement in promoting fair and inclusive economic development and improve inter-institutional collaboration.

4.4.2 Key challenges and opportunities

While the CCE has made significant strides in shifting to a mission-oriented, market shaping approach to procurement, some challenges remain.

One challenge is that popular economy actors lack specific characteristics to be competitive in public tenders. Notably, they often lack the **economies of scale and expertise** necessary not only to compete for but also to deliver on large procurement contracts. This is exacerbated by demand aggregation. Some procurement opportunities have been consolidated via parent associations or community action boards – for example, in the context of implementing school

feeding systems in remote areas of the country (National Planning Department, 2023c). While the reindustrialisation policy and the NDP (in line with the peace process) aim to incentivise local agricultural production networks that generate regional income flow, their success is inhibited by the challenges that small businesses face in competing for contracts.

Public procurement can create regional markets for small agricultural producers, but to enable the popular economy to compete for these opportunities, additional support is necessary – including for technological upgrading and to facilitate joint bids that offer integrated production from multiple local producers, enabling the popular economy to win larger-scale procurement contracts. The ongoing work of CCE's Subdirectorato of Market Studies and Strategic Supply to characterise the different actors in the popular economy and identify potential business opportunities will be important to further expand access to procurement opportunities (National Planning Department, 2023c). **Collaboration with other government agencies** will also be important, including to provide access to finance, and to assets that could enable new or expanded businesses, as well as capacity building support to enable popular economy actors to participate in public tenders.

Contracting guidelines could be further modified to reflect the reality that the popular economy faces compared to traditional companies. Procurement contracts require firms to have liquidity since they must be able to fulfil their contractual obligations in cases of delayed payment. Agents in the popular economy typically fail to meet this condition since they lack a stable cashflow or readily available liquid assets. The NDP proposes to shift away from commercial intermediaries in the agricultural sector and enable direct contracting with agricultural producers, which could enable more value to be captured by these smaller producers². However, small agricultural producers on their own could fail to meet financial requirements for procurement contracts. The government should therefore advance measures to enable members of the popular economy to fulfil financial conditions or amend contracting guidelines to make it easier for them to compete.

The popular economy is highly variable. Therefore, making procurement opportunities accessible to popular economy actors requires a much more customised and contextual approach to contracting, which is more resource-intensive.

² This makes sense since intermediaries are able to extract value from agricultural value chains when there is technological disparity with producers (Gaudin & Padilla Pérez, 2020)

Specific procurement programs may need to be created to align with existing productive capabilities in the popular economy. For example, CCE created the Comprehensive Cleaning and Cafeteria Service in public entities. These services are typically performed by women from the popular economy, hence the expectation was that members of the popular economy would be the most common bidders. The program generated an increase of 28% in the number of awarded providers and a 79% increase in the number of bidders, many of whom were from the popular economy. Investments in CCE's capacity to shape market opportunities for specific segments of the popular economy will continue to be important.

Further changes to **procurement laws** could be considered, focusing on better enabling strategic mission alignment and on reducing barriers to entry. Despite recent changes, assumptions may still be embedded in existing laws or in how they are interpreted and implemented, that curtail public value maximisation and mission alignment (see Box 2 for an example from the UK).

CCE's approach to **monitoring and evaluation** should also evolve to support the shift towards shaping markets in alignment with NDP policy goals, aligning accountability mechanisms with this strategic orientation and facilitating ongoing learning and adaptation. Similar to the suggestion in the previous section, CCE could draw lessons from SAE's work to develop a framework for defining, measuring and maximising public value. For example, metrics could track not only the participation rates of disadvantaged segments of the population in public procurement and the volume of contracts awarded to them, but also the direct and indirect market shaping and spillover effects of procurement contracts relative to the social, environmental and local economic development goals of the NDP.

As argued in the previous section, a clear, concise, and concrete **definition of the popular economy** is important to create coherence across different policies that aim to support it.

4.5 The role of symbiotic relationships in maximising public value

In addition to aligning government institutions and tools around NDP goals, the effective implementation of the NDP also requires public–private collaboration to align with these goals. This means that government actors should design more symbiotic relationships between the public and private sectors based on shared goals, with a view to maximising public value, not just private value. Such

relationships are foundational for fostering an economy that grows in an inclusive and sustainable manner (Mazzucato, 2013; 2018b).

These relationships depend on clear regulatory frameworks that establish guardrails for private sector activity and market shaping policies (including strategic public procurement) that open opportunities for businesses that align with national development objectives. They also rely on strong conditionalities in public–private contracts that require businesses benefiting from an asset transfer from SAE, public financing from the Bicentennial Group, public procurement contracts, or other public funding or support to, for example, make key products and services accessible and affordable to the people they could benefit, meet clear standards related to NDP priorities (including fair treatment of workers and sustainable business practices), share knowledge and profits, and reinvest profits in productive activities such as worker training and research and development (Mazzucato and Rodrik, 2023).

In Colombia, the relationship with popular economy actors requires special attention. The NDP envisions a model of economic development in which all market participants, including those operating on a smaller scale or within the informal economy, contribute to and benefit from sustainable economic growth (National Planning Department, 2023c).

For popular economy actors to be effectively integrated into the broader economic landscape, they must be valued in the design of public policies, tools and institutions. This may require complementary measures to support and empower popular economy actors to engage with the government and other private sector actors in a way that meets their needs and contributes to national policy goals. These measures could include, for example, enabling the formation of cooperatives and collective enterprises to help smaller economic actors pool resources, share risks, and enhance their bargaining power in the market, while also facilitating access to financial services and to market opportunities that individual small producers or informal businesses might struggle to access alone. Governments can support the formation and success of these business models through capacity building in areas such as supply chain logistics and sustainable business and land use practices, to enable cooperatives to access broader markets and align with policy goals. In Colombia, the Bicentennial Group has an important role to play in making finance available through microloans, grants or investment in infrastructure that supports the collective activities of these groups. Such measures could help to overcome the structural barriers that often sideline the popular economy from mainstream economic activities (Ostrom, 1990; Yunus, 2010, Porter & Kramer, 2011). This is not about helping small businesses

because they are small or operating informally, but rather about ensuring differential support for businesses that can contribute to national policy priorities that consider their size, technological maturity and economic context.

Box 7: Cooperatives in Colombian coffee production

The success of associative models in Colombia's coffee production sector provides a compelling blueprint that can be replicated. Colombian coffee is renowned worldwide, partly due to the cooperative movements that have been integral to the industry's growth. Cooperatives manage everything from pooling coffee to achieve consistent quality, to jointly marketing products, to investing in community welfare and infrastructure. The National Federation of Coffee Growers of Colombia has played a pivotal role in this respect, helping to stabilise coffee prices and providing technical assistance to improve cultivation practices. This approach can contribute to growth that is equitable and rooted in principles of social justice and environmental stewardship (Fridell, 2007).

5. Conclusion

The NDP 2022–2026 sets out an ambitious agenda for Colombia, aiming to align economic development with social justice and environmental sustainability. While the plan's vision is both comprehensive and transformative, its successful implementation will require a whole-of-government approach that brings all government ministries and agencies into alignment with the NDP's goals and reforms the design of key institutions and tools to better support the achievement of these goals, grounded in a new framework for defining, measuring and maximising public value.

To realise the NDP's potential, the Government of Colombia should apply a public value framework to the management of public assets and finance, including SAE's management of assets, the Bicentennial Group's management of public finance, and Colombia Compra Eficiente's management of public procurement. A public value framework can enable more strategic, mission-oriented decisions, continuous learning and adaptation, improved coordination between these and other public sector actors, more mutualistic relationships between public, private and popular economy actors, and improved public accountability.

The new approach to economic development that has been set out in the NDP could put Colombia on a path to sustainable, inclusive economic growth, leading to better outcomes for people and the planet – but only if an equally ambitious approach is taken to how it is operationalised. This requires public sector actors to rethink how they work together, how they design their governance frameworks, tools, and monitoring and evaluation structures, and how they partner with private sector and popular economy actors.

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