SNIP EXPERIENCES IN POST-PANDEMIC RECOVERY THROUGH SUSTAINABLE AND RESILIENT PUBLIC INVESTMENT
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Abbreviations

BMZ. German Federal Ministry for Economic Cooperation and Development
CABEI. Central American Bank for Economic Integration
CAF. Development Bank of Latin America
CCA. Climate change adaptation
CONPES. Economic and Social Policy Council (Colombia)
COSEFIN. Council of Finance Ministers of Central America, Panama and the Dominican Republic
DGIP. Directorate General for Public Investment
DPI. Investment Planning Directorate (Panama)
DRM. Disaster risk management
ECLAC. Economic Commission for Latin America and the Caribbean
EPI. Public investment entity
FONPLATA. Financial Fund for the Development of the River Plate Basin
FOPROMID. Civil Protection and Disaster Prevention and Mitigation Fund (El Salvador)
GDP. Gross domestic product
GIDRM. Global Initiative on Disaster Risk Management
GIZ. Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ICAP. Central American Institute of Public Administration
IDB. Inter-American Development Bank
IMF. International Monetary Fund
INCENTIVA. Central American Initiative for Public Investment with Added Value
Invierte.pe. National Multi-Year Investment Planning and Management System of Peru
IOARR. Investments for Optimisation, Marginal Expansion, Replacement and Rehabilitation
MIDEPLAN. Ministry of National Planning and Economic Policy (Costa Rica)
OPP. Planning and Budget Office (Uruguay)
PIP. Public investment project
PPP. Public-private partnership
RIDASICC. Disaster Risk Reduction and Sustainable and Inclusive Adaptation to Climate Change
SDGs. Sustainable Development Goals
SEGEPLAN. Planning Office of the Presidency (Guatemala)
SGR. General Royalties System (Colombia)
SNIP. National Public Investment System
USD. United States dollar
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Introduction

Under the Global Initiative on Disaster Risk Management (GIDRM), created by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, efforts are being made to improve disaster risk management (DRM) and support the implementation of the Sendai Framework for Disaster Risk Reduction.

While there is a greater awareness about the complexity of risks, they are not always effectively addressed in development planning. Shortcomings in the way risk is managed jeopardise the achievement of the goals set out in the Sendai Framework, the 2030 Agenda for Sustainable Development, the Paris Agreement and the New Urban Agenda because disasters directly impact development gains in the long term and reduce countries’ development opportunities.

Moreover, the COVID-19 pandemic has had significant socio-economic repercussions worldwide. The impact has been particularly severe in the Latin American and Caribbean region and has exacerbated existing inequalities.

In this context, governments have taken measures to boost public investment and reverse the impacts of the crisis on employment, human capital and productivity (IMF, 2021). Public investment in resilient infrastructure has emerged as a critical pillar of recovery during and after the COVID-19 pandemic as public investment projects (PIPs) stimulate direct and indirect job creation and promote private investment.

Therefore, it is crucial to understand, document, share and learn from the experiences of the region’s National Public Investment Systems (SNIPs) for the post-pandemic recovery in the Latin American and Caribbean region and explore how the question of incorporating DRM and climate change adaptation (CCA) into public investment has been addressed in these experiences.

This report seeks to document the measures and adjustments made by the SNIPs in response to the decisions taken by governments during the COVID-19 pandemic and the economic recovery process and provides recommendations for stimulating economic recovery. It

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1 Términos de Referencia para la contratación de una consultoría para el fortalecimiento de capacidades de la Red de los Sistemas Nacionales de Inversión Pública de América Latina y el Caribe (Red SNIP). P. 2.
addresses aspects related to promoting investment, improving the quality of investment projects, stimulating the economy through public investment, documenting the criteria for prioritising investments to contribute to boosting employment, reducing inequality and gender gaps and enhancing resilience to disasters and the capacity to adapt to climate change.
Chapter 1. National Public Investment Systems in Latin America and the effects of the COVID-19 pandemic

1.1 Overview of SNIPs in Latin America

SNIPs in Latin American countries share common features and pursue the same goal. Therefore, for the purposes of this document, the term ‘SNIPs’ will be used to refer to the institutions, regulations, instruments, processes, procedures and information systems necessary for formulating, evaluating, prioritising, financing, monitoring and implementing PIPs in such a way as to ensure the efficient allocation of resources to the most economically, socially and environmentally profitable investment options.

SNIPs in Latin America encompass processes that are linked across the country’s public investment policy cycle. There are generally at least four main processes:\(^2\)

- Planning
- Budgeting
- Evaluation
- Cross-cutting processes

Planning: this stage involves the development of national and sectoral public investment plans and strategies, which include the estimation of project costs, output indicators and expected results, intersectoral coordination and links between the plan as a whole and national, sectoral and territorial medium-to-long term planning. This phase also includes processes for project identification, formulation and evaluation and steps for determining project feasibility, such as market analysis, environmental impact assessment and the evaluation of technical, legal and institutional aspects.

Budgeting: this stage involves resource allocation and may include the development of multi-year projections so that budget ceilings can be estimated for public investment spending by the entities concerned.

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\(^2\) According to the conceptual framework provided by the Regional Observatory on Planning for Development in Latin America and the Caribbean
Evaluation: this stage refers to *ex post* evaluation and is carried out once the implementation period of the public investment strategy or plan has ended. The aim is to determine the extent to which the goals and objectives established in the plan have been achieved.

Cross-cutting processes: these are processes that might be included in any stage of the public investment policy cycle, such as citizen participation, transparency, accountability and coordination across different levels of government.³

In most cases, SNIPs in Latin America are established within a legal framework that provides support and legal certainty. It defines the institutional structures and functions of the entities related to the system and includes laws, decrees, regulations and instructions that are mandatory for each of the entities concerned. The level of robustness of the SNIP legal framework varies from one country to another; for example, some countries include the mandatory alignment of their investments with the goals of the 2030 Agenda for Sustainable Development in their regulations, while others do not make it mandatory or simply do not include any such requirement.

SNIPs involve various entities, each performing different functions within the system. The main ones are the lead entity, related entities and incorporated entities.

Lead entity: this is the public institution responsible for issuing regulations and instructions and setting processes and procedures for decision-making on public investment. Generally, it performs coordination and leadership functions within the SNIP. In Latin America, these entities are usually the Ministry of Planning or the Ministry of Finance, depending on the country's government structure.

Related entities: these perform horizontal functions in public administration and actively participate in investment process. Examples include authorities, offices and departments responsible for the national budget, national planning, the national accounts, auditing and transparency, among other things.

Incorporated entities: these are public sector entities at any level of government and private sector and civil society organisations that submit investment projects and programmes for

³These cross-cutting processes should be considered when implementing the different stages of the project management cycle as well as in the public investment policy cycle.
approval and government funding. The definition of what an incorporated entity is depends on the regulations in force in each country.

SNIPs have a series of processes for monitoring investments from the start, that is, from the project idea stage, through to implementation and operation and including the verification of results in terms of achieving the project goals and objectives. SNIP processes in Latin America include the following:

- **Direction**: primarily falls to the lead entity, which establishes regulations, procedures and methodologies, provides training and advice and has a digital information subsystem.
- **Coordination**: involves centralising system information and distributing it as required, creating order in the system and ensuring horizontal and vertical coordination.
- **Information**: refers to the specific information required for the system’s own administrative procedures and coordination and also to information for the wider community.
- **Financing**: refers to the economic and financial resources that support and enable the implementation of programmes and projects in order to achieve the objectives set by the SNIPs.

Another priority process within SNIPs is management of the PIP cycle, which includes different stages, such as formulation, technical-financial analysis/ *ex ante* evaluation, prioritisation, selection, project implementation, operation and *ex post* evaluation. There follows a general description of each stage:

- **Formulation**: this stage corresponds to the conceptual development of the project and involves defining the problem to be addressed, identifying solution options and the target population, estimating deficits and determining size, location, etc. Some countries in Latin America are incorporating DRM and CCA analysis in this stage.
- **Ex ante evaluation**: this stage involves a comparison of the costs and benefits the project is expected to generate, if implemented. If the evaluation is conducted from a whole-of-society perspective, it is referred to as social evaluation. Generally, the results of such an evaluation determine the socio-economic profitability of a PIP. Some SNIPs in Latin America use financial evaluation models that do not fully capture the effects that the

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4 According to the Regional Observatory on Planning for Development in Latin America and the Caribbean
project may have on different economic and social entities. However, most of them do include *ex ante* evaluation that they refer to as socio-economic, economic-social or social evaluation and use cost-benefit analysis and cost-effectiveness analysis, depending on the type of project being analysed. Currently, several SNIPs are in the process of incorporating the identification, quantification and/or valuation of costs and benefits associated with DRM and CCA.

- **Project selection and prioritisation:** in this stage, the viability of the PIP is identified based on applicable regulations. If considered viable, it is included in the national budget. Resources are allocated to priority investment proposals in accordance with current public policy, with precedence given to those that benefit the population most.

- **Implementation:** this stage involves the contracting and implementation of the investment project, resulting in its physical construction and delivery. Additionally, this stage includes the physical and financial monitoring of the project to keep check on the progress of the works and activities, compliance with the schedule and the resources used.

- **Ex post evaluation:** this evaluative analysis is conducted once project implementation is completed and usually when the project is already in operation. The purpose of this type of evaluation is to verify whether the results of the investment project are in line with those initially proposed at the formulation stage and in the *ex ante* evaluation.

*Figure 1. Project cycle management*

Source: Prepared by the authors based on information from the Regional Observatory on Planning for Development in Latin America and the Caribbean
In order to operate correctly, the SNIPs have a series of tools and instruments that allow the actors involved to process information on public investments, track their progress and interact in the different stages of the project. Additionally, these tools facilitate the dissemination of materials and provide the general public with full or partial access to information. According to the Regional Observatory on Planning for Development of the Economic Commission for Latin America and the Caribbean (ECLAC), the main instruments available to SNIPs in Latin America include the following:

- **Project bank**: this is an information subsystem tool, whose purpose is to provide the SNIP with an inventory of projects, at whatever stage or phase, so that it has reliable and timely information to support analysis and decision-making processes.

- **Methodologies**: these are tools that support the PIP management cycle. They support the preparation, presentation, prioritisation, selection, monitoring and evaluation of public investment plans, programmes and projects. It is worth mentioning that some countries are incorporating DRM aspects related to CCA into their identification, formulation and evaluation methodologies. Some are conducting studies to incorporate the valuation of costs and benefits associated with the environmental impact generated by a PIP or to determine social costs for project evaluation.

- **Training**: in general terms, this includes courses, seminars, agreements with training entities, the preparation of training materials and technical assistance activities. Within the SNIPs, training is of great importance in changing the culture of public investment management because it provides methodological tools for the officials of institutions involved in the SNIP, which are also made publicly available. This contributes to the specialisation of human capital and the dissemination of knowledge in the field of public investment management within their respective countries.

- **Investment mapping**: this is part of the information systems. It is an information management platform that improves the transparency and efficiency of public investments. It enables citizens to monitor in real-time where and how their government invest resources and provides governments with high-quality information to make decisions, improving the efficiency of their investments.

In general terms, this is how SNIPs in Latin America work. Although each country is sovereign and independent and has its own public policy priorities which may differ, there are many similarities in the structure of their systems. Most SNIPs in Latin America have well-defined legal frameworks, and only a few of them have not yet fully incorporated the commitments of
the 2030 Agenda for Sustainable Development as binding targets. However, some SNIPs have made considerable progress in this regard, including in incorporating DRM aspects related to CCA. The SNIPs are considered to have a well-defined structure that clearly recognises the actors involved – lead entity and related and incorporated entities – which have specific functions assigned to them within the project management cycle.

One area where the region’s countries show less consistency is the instruments used in their operations. For example, some countries do not provide public access to their project banks, and there are differences in training priorities, with some countries focusing on public investment topics and others on subjects relating more specifically to the project management cycle. Some countries lack a platform that provides information on where public resources are being invested. However, the biggest difference among SNIPs in Latin America probably lies in the quantity and quality of the methodologies used to determine the social profitability of a project. While some SNIPs have a robust collection of materials, including general project evaluation methodologies, specific methodologies for sectors or types of project and detailed guidelines and accompanying documents that explain the criteria used for evaluations in depth, others only have very general guidelines and specific methodologies that are out of date and fail to consider topics that are relevant today, such as the incorporation of DRM aspects related to CCA or the valuation of costs and benefits associated with the environmental impact generated by PIPs.

1.2 Overview of the impact of the COVID-19 pandemic in Latin America and the Caribbean

In 2019, countries in Latin America, like those in the rest of the world, faced a situation that they had not envisaged in any of their plans or projections and that undoubtedly put their response capacity to the test. This situation was the global pandemic caused by COVID-19, which triggered a series of adverse effects in all sectors of society, and the repercussions, particularly in terms of economic and social consequences, are expected to continue for some time yet.

Specifically, in Latin American countries, most of which are considered to be developing economies, the problems caused by the pandemic mainly had to be addressed directly by national governments as they have the responsibility of ensuring the security and wellbeing of their citizens.
Some countries were therefore obliged to redirect their investments. Prior to the pandemic, most Latin American countries had planned to allocate resources to economic and productive infrastructure. However, as a result of the events surrounding COVID-19, resources had to be redirected primarily to the health sector for such things as medical products, supplies and equipment, hospital services, public health services and social protection, which covers sick and disability pay and survivor, family and child, unemployment, housing and social exclusion benefits. Figure 2. illustrates health expenditure as a percentage of gross domestic product (GDP) in Latin American and Caribbean countries for the period 2015-2020.

Figure 2. Public health expenditure in Latin American and Caribbean countries, 2015-2020 (% of GDP)

As observed in Figure 2., spending on health saw an increase in 2020 compared to the previous year in 10 of the 14 countries included in this study. The increase ranged from 1.4% in Ecuador to 40% in Peru, with expenditure on social protection in the latter rising from an average of 2.34% of GDP in the period from 2015 to 2019 to 3.39% in 2020. In Ecuador, it increased from 2.68% of GDP in 2019 to 2.72% in 2020. Similarly, countries such as El Salvador, Honduras and

5 Benefits paid to the spouse or dependent of a deceased person
6 The figures are for central government expenditure on health and social protection obtained from the CEPALSTAT Statistical Databases and Publications portal, except in the case of Peru, where they are for general government expenditure as this is the only data available for the country.
the Dominican Republic recorded double-digit increases in 2020 compared to the previous year, with percentages of 29.1%, 30% and 37.9% respectively. The average health expenditure of the countries included in the study was 2.73% of GDP in 2020. For more detailed information on these trends, please refer to Table 1 at the end of the chapter.

Meanwhile, public expenditure on social protection saw increases of up to 244.3% in 2020 compared to 2019.

**Figure 3. Public expenditure on social protection in Latin American and Caribbean countries, 2015-2020 (% of GDP)**

Source: Prepared by the authors based on data from CEPALSTAT

As observed in Figure 3, expenditure on social protection increased in 11 of the 14 countries. For example, Costa Rica experienced an 11.1% increase, while the Dominican Republic recorded a drastic increase of 244.3%. In this country, spending on social protection from 2015 to 2019 averaged 1.6% of GDP but in 2020 increased to 4.75% of GDP, while in Costa Rica it increased from 4.14% of GDP in 2019 to 4.60% in 2020. Ecuador and Guatemala recorded triple-digit increases in 2020 compared to the previous year, with percentages of 193.6% and 115.1% respectively. Average expenditure on social protection for the countries included in the study was 4.23% of GDP in 2020. For more detailed information on these trends, please refer to Table 2 at the end of the chapter.
The measures adopted by most Latin American countries were acceptably effective in terms of controlling the spread of the SARS-CoV-2 virus. They consisted in procuring the necessary equipment, materials and supplies to curb the pandemic, coordinating relations between government, private initiative and society for lockdown when people’s homes became places of work and study for protection and prevention purposes, carrying out campaigns to vaccinate most of the population and conducting robust campaigns to raise awareness about the virus and preventive measures. However, in spite of these efforts, the impact in economic terms was less than favourable, as was to be expected. The economies of Latin American countries have felt the impact of the pandemic, and the redirection of investment has directly affected the productive sectors, leading to a decline in GDP.

In addition to the contingency measures carried out, the national planning systems of Latin America had to implement another series of measures aimed at recovery. These measures varied according to each country's characteristics and priorities, resulting in diverse public policies, although they were all aimed at boosting the productive sectors, employment and investment in social programmes and infrastructure.

Figure 4. shows GDP growth in Latin American countries during the period 2018-2022, reflecting how GDP increased or fell before, during and after the pandemic. As can be seen, most countries exhibit a similar pattern, with ups and downs in the early years and a significant drop in growth from 2019 to 2020, due to the contraction of the global and local economy, business closures and unemployment, among other factors. However, as a result of the pandemic control and economic recovery measures implemented by each country, GDP began to pick up in 2021 and 2022, sometimes even surpassing the growth rates recorded before the COVID-19 pandemic.

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7 This does not mean that there were no problems in implementing them. Most countries encountered constraints in terms of time and capacity, resulting in shortages of supplies, insufficient vaccines, overstretched health care facilities, etc., mainly at the beginning of the pandemic.
8 To implement the measures, they sought different sources of financing, such as tax revenue, private or public-private financing and external debt, among others.
9 'After' is used loosely; strictly speaking, the pandemic is still ongoing.
10 Analysis based on data published on the World Bank’s website.
The measures implemented by Latin American countries have achieved some positive results that have contributed to economic recovery, but there is still a long way to go to reach the expected rate of economic growth. This is a great opportunity to initiate an orderly process, taking advantage of the circumstances generated by the crisis. A key factor in achieving sustained growth that should undoubtedly be part of this orderly process to redefine public investment is a focus on investment projects that deliver greater social profitability. This requires the implementation of effective management processes and rigorous *ex ante* evaluations which also consider the effects of climate change and result in the selection of more resilient projects that promote sustainable economic growth. However, much will depend on whether the SNIPs have the capacities required to achieve this objective.
### Table 1. Expenditure on health as a percentage of GDP in Latin American and Caribbean countries, 2015-2020 (% of GDP)

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<td>4.47</td>
<td>4.72</td>
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<td>5.16</td>
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</table>

**Promedio anual en la Región:** 2.29 2.29 2.35 2.40 2.45 2.73

Source: Prepared by the authors based on data from [CEPALSTAT](https://www.cepal.org)

Note: The figures are for central government expenditure on health, except in the case of Peru, where they are for general government expenditure as this is the only data available.

### Table 2. Expenditure on social protection as a percentage of GDP in Latin American and Caribbean countries, 2015-2020 (% of GDP)

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<td>0.58</td>
<td>0.50</td>
<td>0.36</td>
<td>0.69</td>
<td>0.82</td>
<td>0.55</td>
<td>19.2%</td>
</tr>
<tr>
<td>Panamá</td>
<td>1.00</td>
<td>1.31</td>
<td>1.34</td>
<td>s/d</td>
<td>s/d</td>
<td>1.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td>3.52</td>
<td>3.34</td>
<td>3.50</td>
<td>3.57</td>
<td>3.73</td>
<td>5.04</td>
<td>3.53</td>
<td>35.3%</td>
</tr>
<tr>
<td>Perú</td>
<td>2.93</td>
<td>2.75</td>
<td>2.79</td>
<td>2.62</td>
<td>2.98</td>
<td>4.20</td>
<td>2.81</td>
<td>41.1%</td>
</tr>
<tr>
<td>República Dominicana</td>
<td>1.74</td>
<td>1.67</td>
<td>1.71</td>
<td>1.45</td>
<td>1.38</td>
<td>4.76</td>
<td>1.59</td>
<td>244.3%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>6.29</td>
<td>6.59</td>
<td>7.08</td>
<td>7.26</td>
<td>7.25</td>
<td>4.51</td>
<td>6.90</td>
<td>-37.8%</td>
</tr>
</tbody>
</table>

**Promedio anual en la Región:** 2.88 2.84 2.94 3.00 3.28 4.23

Source: Prepared by the authors based on data from [CEPALSTAT](https://www.cepal.org)

Note: The figures are for central government expenditure on social protection, except in the case of Peru, where they are for general government expenditure as this is the only data available.
Table 3. Annual GDP growth at constant prices (percentage)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>América Latina y el Caribe</td>
<td>1.7</td>
<td>1.1</td>
<td>0.1</td>
<td>-6.8</td>
<td>6.7</td>
<td>3.82</td>
</tr>
<tr>
<td>Chile</td>
<td>3.8</td>
<td>4.0</td>
<td>0.7</td>
<td>-6.1</td>
<td>11.7</td>
<td>2.44</td>
</tr>
<tr>
<td>Colombia</td>
<td>2.3</td>
<td>2.6</td>
<td>3.2</td>
<td>-7.3</td>
<td>11.0</td>
<td>7.50</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>4.8</td>
<td>2.6</td>
<td>2.4</td>
<td>-4.3</td>
<td>7.8</td>
<td>4.40</td>
</tr>
<tr>
<td>Ecuador</td>
<td>3.6</td>
<td>1.3</td>
<td>0.0</td>
<td>-7.8</td>
<td>4.2</td>
<td>2.95</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1.4</td>
<td>2.4</td>
<td>2.4</td>
<td>-7.8</td>
<td>11.2</td>
<td>2.60</td>
</tr>
<tr>
<td>Guatemala</td>
<td>3.1</td>
<td>3.4</td>
<td>4.0</td>
<td>-1.8</td>
<td>8.0</td>
<td>4.00</td>
</tr>
<tr>
<td>Honduras</td>
<td>4.6</td>
<td>3.8</td>
<td>2.7</td>
<td>-9.0</td>
<td>12.5</td>
<td>4.00</td>
</tr>
<tr>
<td>México</td>
<td>2.8</td>
<td>2.2</td>
<td>-0.2</td>
<td>-8.0</td>
<td>4.7</td>
<td>3.06</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>2.5</td>
<td>-3.4</td>
<td>-2.9</td>
<td>-1.8</td>
<td>10.3</td>
<td>3.75</td>
</tr>
<tr>
<td>Panamá</td>
<td>3.3</td>
<td>3.7</td>
<td>3.3</td>
<td>-17.7</td>
<td>15.8</td>
<td>10.81</td>
</tr>
<tr>
<td>Paraguay</td>
<td>4.5</td>
<td>3.2</td>
<td>-0.4</td>
<td>-0.8</td>
<td>4.0</td>
<td>0.08</td>
</tr>
<tr>
<td>Perú</td>
<td>2.7</td>
<td>4.0</td>
<td>2.2</td>
<td>-10.9</td>
<td>13.4</td>
<td>2.70</td>
</tr>
<tr>
<td>República Dominicana</td>
<td>3.9</td>
<td>7.0</td>
<td>5.1</td>
<td>-6.7</td>
<td>12.3</td>
<td>4.86</td>
</tr>
<tr>
<td>Uruguay</td>
<td>3.2</td>
<td>0.2</td>
<td>0.7</td>
<td>-6.3</td>
<td>5.3</td>
<td>4.92</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors based on data from CEPALSTAT
Chapter 2. Analysis of the measures and adjustments taken by the SNIP during the pandemic and in the economic recovery process

As mentioned above, national governments have adopted or are designing measures to spur public investment and reverse the impacts that the crisis caused by the pandemic has had on employment, human capital and productivity (IMF, 2021). Public investment in resilient infrastructure emerges as a critical pillar of post-COVID-19 pandemic recovery as PIPs can boost job creation and promote private investment.

The first phase of this study involved gathering, examining and analysing information publicly available on the official portals of each country regarding institutional, regulatory and methodological components, processes and technological tools. The aim is to increase the efficiency and technical capacity of the SNIPs so that they can contribute to sustainable and resilient post-pandemic economic recovery and advancements in incorporating DRM and CCA into public investment processes.

Based on the initial findings of this research, a questionnaire was developed, as detailed in Figure 5, to obtain an overview of the initiatives carried out in the countries of the region to promote sustainable economic recovery after the COVID-19 pandemic.

A total of 14 of the 16 countries that make up the SNIP Network answered the questionnaire: Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.

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11 Términos de Referencia para la contratación de una consultoría para el fortalecimiento de capacidades de la Red de los Sistemas Nacionales de Inversión Pública de América Latina y el Caribe (Red SNIP). P. 2.
2.1 Summary of findings on adjustments to SNIP components and the post-pandemic economic recovery

According to the findings, adjustments to regulatory frameworks were identified in six countries. Nicaragua and Paraguay recognised the need to make adjustments to make processes more streamlined. Mexico, Panama and Peru reduced project authorisation times, while Uruguay established the new project category – ‘emergency projects’. On the other hand, Costa Rica, Ecuador and Guatemala reported that no adjustments to their regulatory frameworks and/or processes were necessary as they were already prepared to deal with such a contingency.

Nicaragua implemented a prioritisation and management mechanism to shorten the process for including projects in the Public Investment Programme. Emergency projects prioritised by the National Economic Cabinet were exempted from the process of obtaining technical approval from the Directorate General for Public Investment (DGIP). Instead, it issued a letter of no objection to initiate the financial resources management and allocation procedure. In Mexico, review and analysis processes were streamlined to facilitate the registration of investment projects to meet health infrastructure and equipment needs arising from the COVID-19 crisis. At the federal level, the time between registration and budget allocation was reduced from one to two months to as little as one day. Investment projects related to the health crisis were prioritised and classified as emergency projects to address the pandemic. Panama does not
have a public investment law. In situations like the COVID-19 pandemic emergency, the cabinet issues a decree to transfer investment resources to a fund managed by the Public Procurement Directorate, which redistributes the funds required to address needs such as medicines, equipment and the expansion and construction of hospital infrastructure. Measures were taken to expedite procurement processes for supplies and equipment and the authorisation of investment projects, including the construction of a hospital.

In **Paraguay**, project approval processes were streamlined to reduce the processing period within the SNIP from 60 days to 15. **Peru** issued Legislative Decree No. 1486, which established provisions to improve and optimise the implementation of public investments affected by COVID-19. Adjustments were made to the project bank, and methodological instructions were developed to improve the capacities of system operators in areas such as the reactivation of public works, budget management for investments and emergency response, with a focus on current regulations and methodologies, among other aspects.

**Uruguay** created the category of ‘emergency investment project’ for initiatives associated with epidemics, floods, fires and any type or form of catastrophe requiring immediate action by public agencies. To fast-track investment projects aimed at meeting needs arising from the health emergency, they were registered under this budget category. Technical approval was issued for projects deemed necessary for pandemic response in compliance with regulations, and disbursement was immediately triggered. Subsequently, these projects underwent *ex post* evaluation to learn lessons for the future.

**Figure 6. Findings on sustainable post-pandemic economic recovery**

Source: Prepared by the authors based on country interviews
In relation to the Sustainable Development Goals (SDGs), it was seen that 10 countries track the contribution made by investment projects to any of the 17 SDGs, and just two countries, namely Costa Rica and Guatemala, are making efforts to quantify this contribution at the project level.

Costa Rica published its General Methodological Guidelines for the Identification, Formulation and Evaluation of Investment Projects in 2022 for the profile, pre-feasibility and feasibility stages. They set out the methodology for establishing the relationship between a project and the SDGs, with implementation expected to start in 2023. In Guatemala, the SNIP prioritises projects from a social perspective, taking into account the SDGs, based on information recorded by the public investment entity (EPI) at the budget planning phase on how they relate to strategic objectives, the SDGs and general government policy goals, as applicable. Furthermore, according to the SNIP 2023 Regulations, projects submitted to the Planning Office of the Presidency (SEGEPLAN) must be planned using a results-based management approach under the general government policy framework and comply with the policies and guidelines of the relevant sectoral entity.

In the Dominican Republic, resources allocated in the budget can be linked to a SDG. This is done at the investment project formulation stage. Paraguay aligns its projects with the SDGs, but the contribution they make is not quantified. However, work is underway on the National Investment Plan for 2023, where projects are expected to be directly linked down to indicator level so that their contribution to the SDGs can be estimated. To this end, in collaboration with the Inter-American Development Bank (IDB), an assessment process began in 2022 with sectoral ministries to evaluate the status of sectoral indicators, gaps, project readiness, prioritisation processes and financing, among other aspects, and the approval process for projects to be included in the Plan.
2.2. Details of SNIP experiences in post-pandemic recovery through sustainable and resilient public investments

This section provides a more detailed description of the findings set out in Section 2.1 Summary of findings on adjustments to SNIP components and the post-pandemic economic recovery. It also describes other types of contingency and non-contingency measures implemented by countries in connection with public investment since the first pandemic alert and during the economic recovery period.

These measures and mechanisms have been classified as follows:

A. Amendments to the approved public investment budget
B. Changes to SNIP components
C. Mechanisms for stimulating the economy through public investment
D. Key expenditure items of the budget allocated to public investment
E. Criteria for prioritising public investment
F. Sources of internal and external of financing
G. Regional collaboration projects

Table 4 provides an overview by country and type of measures and/or adjustments adopted by the SNIPs to manage the crisis and achieve economic recovery.
Table 4. Measures and adjustments related to public investment adopted by the SNIPs in response to the declaration of the COVID-19 emergency and for post-pandemic economic recovery

<table>
<thead>
<tr>
<th>Measures adopted</th>
<th>Chile</th>
<th>Colombia</th>
<th>Costa Rica</th>
<th>Dominican Rep.</th>
<th>Ecuador</th>
<th>El Salvador</th>
<th>Guatemala</th>
<th>Honduras</th>
<th>Nicaragua</th>
<th>Mexico</th>
<th>Panama</th>
<th>Paraguay</th>
<th>Peru</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to the approved public investment budget during the pandemic</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Changes to SNIP components from 2020 to 2023</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Mechanisms for stimulating the economy through public investment after the pandemic was declared</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Main expenditure items of the budget allocated to public investment during the pandemic</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Public investment prioritisation criteria</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
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<tr>
<td>Internal and/or external sources of financing</td>
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<td>*</td>
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<td>*</td>
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<td>*</td>
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<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors

Based on the information in Table 4, the use of these measures by the region’s countries is described below.

a. Amendments to the approved public investment budget from 2020

To clarify what is meant by the term ‘budget amendment’, the following definitions used by two of the countries, taken from their glossary of budget terms, are provided here:

- They are changes to budget appropriations in terms of the amount, institutional level (supplementary appropriations and transfers of appropriations) and, where applicable, the functional and programmatic level (authorisations and cancellations). Budget amendments may affect the functional and programmatic structure as a result of the removal or incorporation of budget goals (MEF Peru, n.d.b).
- Modifications to the functional, programmatic, administrative and economic structures, budget schedules and increases and reductions in the expenditure budget or corresponding cash flows (SHCP, n.d.).
Budget amendments allow for flexibility in approved budgets.\textsuperscript{12}

**Chile.** Measures to deal with the emergency and promote economic recovery have been financed through the reallocation of spending, resources from the Economic and Social Stabilisation Fund, the sale of Treasury securities, increased revenues as a result of higher copper prices and increased domestic and external debt. The economic and social impact of the pandemic was profound,\textsuperscript{13} and the implementation of investment projects was affected by the restrictions imposed. Resources were reallocated during lockdown to strengthen support programmes for families (DIPRES, 2021, p. 15).

**El Salvador.** In 2020, General Fund resources allocated to PIPs without contractual commitments for works were frozen so that they could be reallocated to address priorities arising from the pandemic. Budget amendments were made to bolster the Civil Protection and Disaster Prevention and Mitigation Fund (FOPROMID)\textsuperscript{14} with an additional USD 657.3 million in 2020 in order to address the effects of the pandemic. This measure was implemented according to the following criteria:

1. To develop projects under the current Annual Public Investment Programme (PAIP) that may require additional resources to contribute to curbing or mitigating the negative impact caused by the COVID-19 health crisis.
2. To implement new projects to prepare for changes in institutional operations.
3. To cover additional needs to strengthen and/or normalise the functioning of institutions directly or indirectly affected by the pandemic and its consequences.

**Guatemala.** The declaration of a state of calamity did not include investment measures; instead, measures were adopted by the Ministry of Public Health and Social Assistance, which relied primarily on current expenditure resources. However, in 2020 and 2021, the General Income and Expenditure Budget was not approved, which meant that the resources required to meet commitments were not available, making it impossible to fully implement planned activities. To implement the budget, it was therefore necessary to provide the ministries with the required funds. This was done through an emergency law to protect Guatemalans from the effects of the COVID-19 pandemic (Decree 12-2020), which authorised an increase of

\textsuperscript{12} https://campus.cger.go.cr/capacitacion/CV-FPF/LST1DocumentosPresupuestarios/132_modificaciones_presupuestarias.html
\textsuperscript{13} (ECLAC, 2021b)
\textsuperscript{14} FOPROMID provides the institutions that make up the National Commission for Civil Protection and Disaster Prevention and Mitigation with resources for disaster prevention or for timely and effective emergency response when required.
GTQ 3,667.5 million in the 2020 budget to minimise the consequences of the pandemic. Additionally, Decrees 13-2020 and 20-2020 authorised further increases to the 2020 budget of GTQ 11 billion and GTQ 5,138.9 million respectively. These decrees empower the Ministry of Public Finance to reprogram and adjust resources to ensure that programmes and projects are implemented in line with projected revenues. Guatemala also suffered the effects of Hurricanes Eta and Iota, which hindered the process of implementing investment projects in the country.

**Honduras.** During the pandemic period, the Public Investment Programme accounted for around 2.1% of GDP in 2020, 1.6% in 2021 and 1.4% in 2022.\(^1\) The implementation of the public investment budget was affected by measures to rationalise public spending for a more efficient use of financial resources under Legislative Decree No. 92-2020. Rationalisation measures involved reducing the budgets of all the institutions of the non-financial public sector, which provided at least 2% of the 2020 general budget. These measures excluded health services, energy, security and defence and projects aimed at economic recovery, such as the construction and supervision of works and agricultural programmes, among others. There was also some project restructuring and redirecting of funds to create new projects specifically aimed at health and food security in rural areas. However, many of the country’s projects were partially suspended due to workplace closures and the impact of Hurricanes Iota and Eta.

**Nicaragua.** Nicaragua focused efforts on the immediate recovery of health services, increasing the capacity of medical units, improving intensive care units and laboratory facilities, ensuring the required medical equipment was available, preventing the spread of the pandemic and continuing to implement public health measures in the country. Public investment resources were also redirected towards the rehabilitation of schools and roads affected by Hurricanes Iota and Eta.

**Panama.** The need for financial resources to deal with the health emergency led the authorities to take the decision to reprogram government investment and operating budgets to reallocate funds to the sectors where they were most needed, such as health care delivery, energy subsidies and the creation of a new programme called Panama Solidario to alleviate the impacts of the crisis and prevent them from exacerbating poverty. These modifications affected

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\(^1\) Estimated figures, based on data from the General Public Investment Reports 2020, 2021 and 2022; implementation up to the last quarter for 2020 and 2021 and up to the third quarter for 2022.
investments and activities set out in the Government Strategic Plan and the Five-Year Investment Plan.

**Paraguay.** Law 6524 declared a state of emergency throughout the national territory, granting the Executive Branch the authority to implement exceptional budgetary, fiscal, administrative, employment protection, economic and financial policy measures to mitigate the effects of the pandemic. The law authorised the Ministry of Finance to make budget amendments to enable government agencies and entities to finance the budgets of the institutions directly involved in the pandemic response. It also authorised the rechannelling of capital expenditure to current expenditure and loans up to a total of USD 1.6 billion.\(^\text{16}\) The biggest increases in budget implementation in 2020, compared to 2019, were recorded by the Ministry of Finance (41.6%), the Ministry of Public Works and Communications (39.7%), the Ministry of Public Health and Social Welfare (26.0%), the President’s Office (15.9%) and the Ministry of Education and Science (7.3%) (Ministerio de Hacienda Paraguay, n.d.b).

**Uruguay.** Starting in March 2020, the government took timely measures in the health sector, ensuring the necessary resources were available to address the new reality facing the world. It implemented a policy aimed at making savings in public spending to channel more funds into the response to the health emergency. A decree\(^\text{17}\) was issued limiting budget implementation for that year to 85% of the 2019 figure for both operating expenses and investment spending. Additionally, investment projects not deemed to be a priority during the pandemic were put on hold and rescheduled to start in 2022 and 2023.

The reallocation of resources is provided for in Uruguay’s legislation, as it operates on five-year budgets, and did not entail an increase in investment expenditure.

b. Changes to SNIP components

For the purposes of this study, SNIP components include regulatory frameworks and legal institutional arrangements, human resources, processes and procedures, methodologies, training, the project bank and financing sources.

- Regulatory framework – laws, regulations, decrees, administrative decisions, orders, etc.

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\(^{16}\) Article 33 of Law No. 6524

• Human resources – team of professionals responsible for managing SNIP processes, project amounts and profiles
• Processes and procedures – set of activities and criteria used to manage the SNIP
• Methodologies – methodological developments for project identification, formulation and evaluation and prioritisation or decision-making mechanisms for the allocation of resources to investment projects
• Training – professionalisation of the team that operates the SNIP
• Project bank and information systems for project management – information platforms or software for the management of public investment administered by the SNIP
• Sources of financing – internal and external

The changes made by the SNIPs from 2020 to the date of this report are intended to contribute to improving the quality of their projects and the operation of the institutions involved. The countries that made structural changes to public investment processes are Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Paraguay, Peru and Uruguay.

Chile. In 2020, Law 20,530 created the Ministry of Social Development. The functions assigned to it include managing the Integrated Investment Project Bank, evaluating investment initiatives, requesting government financing, developing regulations and instructions on evaluation and reporting and providing training for formulators of social programmes and investment projects on project preparation, presentation and evaluation.

As part of the Pro-investment Agenda, Chile’s SNIP is working on updating public investment regulations, instructions and procedures with a view to simplifying procedures for less complex works, with implementation planned for 2023. This is expected to reduce the processing time for smaller projects by up to half. In addition, Circular 33 is being updated to simplify the authorisation process for conservation work. The Ministry of Social Development will be responsible for conservation projects,\textsuperscript{18} and the update aims to improve their technical evaluation and reduce processing times from 2 to 3 months to 15 to 20 days. Implementation of this measure is due to start in January 2023.

Colombia. Decision No. 58 of 2020 made adjustments to the project cycle for PIPs eligible for financing under the General Royalties System (SGR). Priority was given to the health sector, and special requirements and guidelines were established for allocating resources to and approving

\textsuperscript{18} Conservation initiatives are investment projects worth up to 30% of the total cost of the infrastructure in question.
investment projects aimed at addressing the causes of the economic, social and environmental emergency. The aim was to optimise project implementation procedures for direct allocations and the Compensation Fund (40%). General requirements for determining the viability of these projects include: 1. investment project formulated, 2. copy of the administrative decision declaring the state of public calamity, 3. certificate indicating that the investment project is in line with the specific action plan for the emergency and 4. certificate indicating that no other source of financing has been secured or sought for the activities to be financed under the SGR. Steps were also taken to cut the time from project presentation and registration in the investment project bank to project approval, which typically takes around three months under normal conditions.19

Costa Rica. The health emergency was addressed using the regulatory framework for declaring an emergency due to a pandemic. The SNIP did not need to adopt new measures and mechanisms for public investment management as the existing arrangements already provided for addressing emergency situations. Section 1.27 of the Technical Standards for Public Investment (December 2019) on the inclusion of ‘special’ projects to address emergencies caused by disasters establishes that when emergencies caused by natural or human-induced events occur and the response requires the implementation of investment projects, the institution must submit to the Ministry of National Planning and Economic Policy (MIDEPLAN) the relevant information on the projects required for the reconstruction of the area so that they can be registered in the public investment project bank (MIDEPLAN, 2019, p. 15). When registering the project, it must be classified under ‘declaration of emergency’. Other requirements include stating the reason for this classification and indicating the decree declaring the emergency according to Annex I of the Technical Standards (MIDEPLAN, 2019, p. 29). This made it possible to maintain a balance between allocating resources promptly and ensuring rigour in the project formulation process. As a result, the system was agile, sufficient investment funds were made available and the response to the emergency was effective.20

In the reconstruction phase after the emergency, the SNIP must verify that the reconstruction processes comply with the principles of public investment management. Although this process is carried out in practice, it is not regulated in emergency decrees. Additionally, as part of the actions taken by MIDEPLAN to strengthen the components of the SNIP, in 2021, the

Methodology for risk analysis using a multi-hazard approach and probabilistic criteria in PIPs was issued. In 2022, the Technical Standards for Public Investment were updated and are currently in effect. New methodological guides were also published for different stages of project formulation, highlighting the importance of DRM. Finally, in 2023, the weighted average cost of capital (WACC) model for estimating the minimum acceptable rate of return for Costa Rican PIPs was published.

Costa Rica is one of a group of countries undertaking a process to strengthen their methodological tools under the project Disaster Risk Reduction and Sustainable and Inclusive Adaptation to Climate Change (RIDASICC), and it is in the process of discussing and adopting the SNIP bill which will increase the scope of its powers and duties (Tula, 2022).

**Dominican Republic.** During the pandemic period, resources were provided under the General Government Budget Law which authorised the allocation of funds to address emergency situations and/or public calamities up to an amount of 0.5% of nominal GDP. In the SNIP, a temporary code is created to support projects in emergency situations caused by natural or human-induced disasters. Under this category, which was created in 2016 for the response to extreme rainfall events, only minimal descriptive and strategic information is required to expedite the registration of projects aimed at addressing an emergency. To assist the institutions involved, the Directorate General for Public Investment (DGIP) provides technical advice throughout the process on rules and methodologies to ensure smooth implementation. According to statements by the Deputy Minister of Planning of the Ministry of Economy, Planning and Development, a decision was made to spend wisely, ensuring that PIPs complied with the rules and regulations and, most importantly, were properly evaluated. Consequently, every project underwent a series of procedures, which included preparing project documentation and demonstrating social profitability and the rational use of resources to establish that the project was worth investing in (Severino, 2021). Additionally, a rebalancing and realignment of investment projects with an unbalanced budget was carried out. Finally, the Dominican Republic is one of a group of countries undertaking a process to strengthen their methodological tools under the RIDASICC project.

**El Salvador.** In order to cover spending needs to address the emergency, it was necessary to redirect resources allocated in the General Income and Expenditure Budget for the fiscal year 2020. Therefore, the institutions responsible for implementing public investment programmes and projects were instructed to make adjustments in the physical and financial planning of their objectives, results and targets, adapting their budget, operational plan and annual procurement
and contracting plan in order to improve and guarantee the progress of projects under austerity measures and requirements for efficient resource use.\textsuperscript{21} In the case of investment projects, the ordinary process established by the SNIP was followed. However, projects of paramount importance in addressing the pandemic were prioritised and fast-tracked, as warranted by the situation.

Furthermore, in 2020, a pilot project was launched to modernise the SNIP in El Salvador, aiming to transition from management area-based budgeting to results-based budgeting.\textsuperscript{22} The purpose of this initiative is to strengthen budget management for improved resource allocation and a more efficient use of government resources. The change began with the areas of finance, education and health. In 2021, budgeting was based on budget programmes, with financial resources linked to institutional priorities and goals and allocated accordingly. In investment projects, alignment with the country's national planning objectives and the priorities set out in its strategic plans was emphasised.

El Salvador is also one of a group of countries undertaking a process to strengthen their methodological tools under the RIDASICC project.

**Guatemala.** During the period 2020-2023, the SNIP Regulations for the fiscal year 2021 were extended, as a result of amendments to Annex No. 4 of the Regulations.\textsuperscript{23} However, the National Association of Municipalities (ANAM) asked that the entry into effect of the amendments be reconsidered, owing to the atypical situation that year, particularly taking into account the number of mayors having to deal with the COVID-19 pandemic for the first time. As a result, SEGEPLAN decided to gradually phase in the application of the annex so that the necessary training could be provided to the country's municipalities (SEGEPLAN, 2020b).

Additionally, as some departments had to deal with the consequences of Tropical Depression Eta in 2020, measures were taken to safeguard and assist the population. Decree 30-2020 declared a state of public calamity for 10 departments, authorising the procurement of goods, supplies and services to address the situation. SEGEPLAN issued the Specific regulations for the implementation of PIPs associated with the state of calamity as part of the response to the effects of Tropical Depression Eta (Internal Decision No. 53-2020\textsuperscript{24}). They provide a regulatory

\begin{footnotesize}
\textsuperscript{23} Annex 4. Glossary of terms relating to processes for non-capital projects
\textsuperscript{24} https://sistemas.segeplan.gob.gt/sche$sinip/documentos/ACUERDO_INTERNO_53-2020.pdf
\end{footnotesize}
framework for public investment initiatives in order to ensure a timely response to the adverse effects of the emergency, establishing two stages in the response: emergency and reconstruction. They also provide that projects should be submitted and registered in the SNIP, at least at the profile level, using the tag ‘State of Public Calamity due to Eta Depression’ enabled in the Public Investment Information System. If the EPI cannot meet all the requirements established in the SNIP regulations applicable at the time of project submission, it can submit a letter of commitment with the project application, indicating what requirement has not been met and undertaking to submit what is missing to SEGEPLAN at a later date but prior to the start of the project implementation phase. The approval procedure for projects associated with a disaster involves the activation of an indicator to register or re-register projects for reconstruction and replacement. The project is authorised by the National Disaster Risk Reduction Coordination Office (CONRED), and the resources are provided on an exceptional basis by the Ministry of Finance, as occurred in the case of Tropical Depression Eta.

Guatemala is one of a group of countries undertaking a process to strengthen their methodological tools under the RIDASICC project.

**Honduras.** In 2020, new projects were formulated and registered in strict compliance with the General Methodological Guide for the formulation and evaluation of public investment programmes and projects, regardless of the source of financing (internal and/or external), according to Article 113 of the corresponding Budget Implementation Regulations. The legal framework did not provide for flexibility, and this represented a significant challenge in the conditions arising from the pandemic. Officials were working remotely and, in spite of the health emergency, projects continued to be thoroughly evaluated but with a focus on registering and authorising projects urgently. According to information from the Ministry of Finance, 21 Priority Notes were issued in 2020 and 19 in 2021. The new projects were focused on the response to the health emergency, recovery from Hurricanes Eta and Iota and the promotion of productive activities, including support for projects in the Dry Corridor to foster the agricultural sector in that area, such as the Water Security Project in the Honduran Dry Corridor to be implemented by INVEST-H (2020).

In addition, the second phase of technical assistance to update the social discount rate, the social cost of labour and the social cost of foreign exchange reserves was in the process of being implemented, with a view to including them in the General Methodological Guide and applying them in investment projects. Honduras is one of a group of Central American countries undertaking a process to strengthen their methodological tools under the RIDASICC project.
Nicaragua. As mentioned above, with a view to speeding up contracting and implementation processes, a project prioritisation and management mechanism was established to include projects in the Public Investment Programme. Emergency projects prioritised by the National Economic Cabinet were exempted from the process of obtaining technical approval from the DGIP, which instead issued a no-objection letter to initiate the financial resources management and allocation procedure (Gallo, 2022).

Panama. Investment management remained unchanged during the pandemic. In 2020, the Investment Planning Directorate (DPI) of Panama’s Ministry of Economy and Finance prepared the draft public investment budget for 2021 and the proposal for the Five-Year Public Investment Plan to be included in the General Government Plan 2019-2024. Other activities carried out include issuing approvals for 2,781 projects, developing terms of reference on the methodological framework for the estimation of social costs and the social and economic evaluation of investment projects and conducting training sessions on project formulation and evaluation and the use of the project bank tool.

Paraguay. As part of the Government Transformation Agenda, the National Investment Plan is being developed in order to plan public investment in the short and medium term, ensuring that it is aligned with government planning instruments.

The country also has other investment management tools, including:

A. Investment Map + COVID-19 Module Paraguay: this data visualisation platform provides information on the destination and use of public resources. It was developed with non-reimbursable technical assistance from the IDB. The platform consists of four modules: Planning, Budget, Public Investment, COVID-19 Module and Open Data. The public investment module provides information on public resources for the following categories: location, project, SNIP code, contracts and contractors, among others. The data is available for the period from 2013 to 2027.

B. In 2020, Law No. 6490 and its regulations (Decree 4436) concerning the functions of the SNIP were adopted. The Directorate General for Public Investment (DGIP) was created to manage the SNIP. The Pre-investment Fund of Paraguay (FOPREP) was also created. It is managed by the DGIP and provides resources to government agencies and entities subject to the SNIP’s scope of action to enable them to conduct pre-investment

25 https://rindiendocuentas.gov.py/
pre-feasibility and feasibility studies and technical studies for projects registered in the SNIP that have been approved by the Ministry of Finance (Ministerio de Hacienda Paraguay, n.d.b). The Pre-investment Fund is a mechanism that will contribute to improving the quality of investment projects and efficiency in their implementation. The DGIP needs to develop a prioritisation mechanism to select projects deemed feasible for financing. At the time of writing, this was still at the planning stage.

**Peru.** A regulatory package was approved to provide economic stimulus by optimising public investment (Legislative Decree No. 1486). It also included the approval of Investments for Optimisation, Marginal Expansion, Replacement and Rehabilitation (IOARR) and the instructions for registering IOARR associated with a national emergency (COVID-19) in the investment project bank. The approval must be granted while the state of emergency or an extension is in place, using Form No. 07-E – Registration of IOARR during a state of emergency due to the occurrence or imminent danger of a disaster. These investments must be implemented within one year of approval of the technical file or an equivalent document. The deadline can be extended for up to one year upon justification by the investment implementing unit.

Other tools adopted to strengthen the investment cycle include the General Methodological Guidelines for *Ex Post* Evaluation of Investments, the Guidelines for Short-Term *Ex Post* Evaluation, the Technical Note for the Identification and Estimation of Investment Project Maintenance Costs, the Technical Note for the Use of Social Costs in the Social Evaluation of Investment Projects and the Technical Note for the Use of the Social Cost of Carbon in the Social Evaluation of Investment Projects. These tools contribute to ensuring the sustainability of investments and provide guidance on calculating the social benefits and costs of investment projects.

In addition, the Legislative Decree approved the certification of officials and civil servants of the public entities directly involved in the investment cycle phases in order to improve and optimise the implementation of PIPs. To this end, the National Multi-Year Investment Planning

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26 snip.hacienda.gov.py/Snip/Web/portal/prensa/noticias/docs/gacetilla05SNIP2021.pdf  
27 Directorial Decision No. 005-2020-EF/63.01, Directorial Decision No. 004-2019-EF/63.01 and Directorial Decision No. 0002-2023-EF/63.01  
28 Directorial Decision No. 0003-2021-EF/63.01  
29 Directorial Decision No. 0006-2021-EF/63.01
and Management System, also known as Invierte.pe, developed methodological instructions for the training of SNIP operators.

Amendments were made to Legislative Decree No. 1252, which created Invierte.pe, specifically to Articles 5 and 11 on the bodies and functions of the National Multi-Year Investment Planning and Management System and on the monitoring and evaluation of investment projects.

c. Mechanisms for stimulating the economy through public investment

This section provides an overview of the post-pandemic economic stimulus measures implemented by countries in the form of plans, programmes or strategies aimed at boosting the economy, with a focus on public investment.

Chile. In July 2020, Chile’s Step-by-Step Recovery Plan was announced. Its primary objective was to stimulate the economy to recover 1.8 million jobs lost or suspended during the pandemic and create 250,000 new jobs between 2020 and 2022. The plan set out an investment programme involving public works worth over USD 34 billion. It included a portfolio of projects related to social and productive needs, the water crisis, support for municipalities, mobility and integration in cities, road improvement and the construction of roads and bridges, with 30% of the projects contributing to sustainable, low-emissions, climate-smart development. Additionally, the plan aimed to revitalise the concessions programme. Subsequently, in 2022, the government presented the plan ‘Let’s Invest in Chile’ (Pro-investment Agenda), which consisted of 28 measures aiming to increase investment by five percentage points by 2023 and create between 50,000 and 70,000 jobs. In response to challenges faced by the construction sector, such as increased costs in public tenders or bids exceeding the recommended amount, which required re-tendering or even project re-evaluation, exceptional instructions were issued in Decree Order No. 50/2020 for the process of re-evaluation due to cost increases. The purpose of this measure was to improve the implementation of public investment during 2022. It allows for adjustments to the cost of civil works and/or equipment items, provided that it does not exceed 20% of the recommended cost specified by the Ministry of Social Development and Family.

Colombia. The policy for economic stimulus and sustainable and inclusive growth set the objective of developing capacities in households, the productive sector, the institutional framework and digital development in the short and long term through an Action and Monitoring Plan (PAS) spanning six years (2021-2026) and the economic stimulus plan ‘New Commitment for Colombia’s Future’, which proposes funds amounting to approximately
COP 135 trillion in public, private and public-private partnership (PPP) investments to boost the economy and promote sustainable and inclusive growth. They are to be distributed across sectors as follows: 7.2% for housing, 42.4% for transport, 3.9% for education, 26.3% for mining and energy, 4.4% for social inclusion and the remaining 15.8% for agriculture, sports and other areas. The investment pledged in the stimulus plan will contribute to meeting commitments for the following pillars through prioritised projects: job creation, clean and sustainable growth, support for the poor and vulnerable, support for rural areas, peace with legality and health care for Colombians. The National Planning Department (DNP) has the role of providing comprehensive technical assistance throughout the project cycle for initiatives aimed at boosting the economy. Additionally, it is responsible for developing and promoting the use of a methodological tool for incorporating disaster risk analysis, including CCA criteria, into municipal PIPs.

Dominican Republic. The challenge is to increase public investment through PPPs, which are relatively new in the Dominican Republic. The PPP Law was passed in February 2020. The recently created Directorate General for Public-Private Partnerships is responsible for evaluating and determining the suitability of PPP projects. From the perspective of the SNIP, such projects must be evaluated according to applicable methodologies. There are currently 20 projects registered in the project bank, and 13 of them, worth a total of USD 8.6 billion, are under evaluation (DGIP Dominican Republic, 2022, p. 17)

In relation to the above, the Central American Bank for Economic Integration (CABEI) supported the Dominican authorities in the process of designing, structuring and implementing the first PPP project to provide equipment for the Paediatric Oncology Unit of the National Cancer Institute (INCART) and in conducting the feasibility studies for the comprehensive development of the Port of Haina and the improvement of the National District City Hall (ADN) (CABEI, 2022).

Ecuador. The country developed its economic stimulus plan 'Order with a Social Focus', aimed at promoting social spending, reducing gaps and the cost of living and investing in public

30 Economic and Social Policy Council, Document CONPES 4023
The plan prioritises investments related to social welfare, health, education, agriculture and road infrastructure with a view to boosting Ecuador’s economy.32

**Guatemala.** In 2020, the President of the Republic presented the economic stimulus plan ‘Guatemala Moving Forward’, which is an interinstitutional agreement between MINECO, MINFIN, MINEX, BANGUAT, the Municipality of Guatemala, AGEXPORT and FUNDESA, with the aim of attracting more foreign investment and creating new jobs. The goal is to create 2.5 million new jobs by 2030. This strategy has been supported by the IDB and the International Monetary Fund (IMF), which offer technical assistance as it is an instrument that contributes to the implementation of projects that benefit the Guatemalan population (Guatemala no se detiene, 2023a). Several interinstitutional cooperation agreements were signed for the establishment of technical working groups on the following focus areas:

1. Investment
2. Human capital
3. Infrastructure
4. Tourism
5. Agenda on competitiveness and legal certainty for investors

The infrastructure focus area includes measures with short- and medium-term goals, such as creating a fund of USD 3 billion and carrying out 10 reforms of regulations and laws that benefit infrastructure development. It also involves developing a package of projects, conducting pre-investment studies for projects at the idea stage, ensuring transparent bidding processes, building project management capacities and establishing public credit mechanisms to increase investment and strengthen PPP schemes. Initially, 52 initiatives (roads, ports, bridges, overpasses, etc.) have been identified.34

**Honduras.** Starting in 2021, specific projects were formulated to stimulate the economy, focusing on addressing health security and food security in rural areas, to be implemented by institutions in the health and agricultural sectors. To this end, the SNIP provided technical

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33 Ministry of Economy (MINECO), Ministry of Finance (MINFIN), Ministry of Foreign Affairs (MINEX), Bank of Guatemala (BANGUAT), Municipality of Guatemala, Guatemalan Exporters Association (AGEXPORT) and the Foundation for the Development of Guatemala (FUNDESA).
34 https://guatemalanosedetiene.gt/wp-content/uploads/2023/01/Presentacion_Guatemala_No_se_Detiene_General_1_1-1.pdf, pp. 18-22
assistance to project formulators to strengthen their technical capacities and improve the use of methodological tools.

**Mexico.** The Government of Mexico announced an agreement for economic stimulus measures, based on infrastructure investment under 39 projects financed with private capital in the energy, communications, transport, tourism, water, sanitation and environment sectors, totalling MXN 297,344 million. Four criteria were established for project selection: 1. private investment exceeding 50% in each project, 2. projects in the above sectors, 3. benefits, scope, cost and implementation clearly defined for each project and 4. no impact on public debt. Projects were assessed based on their social and economic profitability.\(^{35}\)

**Panama.** In response to the situation faced by the country, adjustments were made to the general government budget in 2020 and 2021, increasing it by PAB 2 billion and PAB 700 million respectively, with PAB 500 million allocated for operating expenses\(^ {36}\) and PAB 1.5 billion for investment. This allowed for a dynamic restructuring of the budget, freezing or reserving the budget of different government entities to make funds available to address the pandemic, which were drawn on as needed. In 2021, PAB 700 million were reserved, PAB 211.1 million for operating expenses and PAB 488.9 million for investment.\(^ {37}\)

**Paraguay.** The Recovery Plan and the Transformation Agenda (2020) were authorised to mitigate the anticipated decline, boost recovery and build a solid basis for growth for the following years. The total amount estimated for the Recovery Plan was USD 2,314.9 million. The recovery was based on three pillars: 1. social protection for sectors still requiring government support (USD 327.6 million), 2. investment and employment, promoting investments with a greater impact on job creation (USD 1,306.6 million) and 3. financing for growth, establishing lines of credit for the most seriously affected sectors of the economy. Under the Transformation Agenda, measures were implemented to strengthen government institutions and adopt best practices in public management.\(^ {38}\) The Agenda’s achievements include the development of the National Investment Plan, mentioned above.


\(^{36}\) These are the expenses incurred in the normal operation of the entity and the discharge of its functions and include staffing, general expenses and transfers.

\(^{37}\) It is assumed that the amounts given are in the local currency: balboas, https://www.prensa.com/impresa/economia/reservan-700-millones-del-presupuesto-de-gasto-de-2021-para-atender-la-pandemia/?utm_source=prensa.com&utm_medium=compartir&utm_campaign=twitter

Peru. Legislative Decree No. 1486 established a regulatory package for economic stimulus which involved improving and optimising public investment processes applicable to all three levels of government (national, regional and local). It included the following: 1. measures to monitor the implementation of IOARR through core implementing groups, 2. use of methodologies such as Building Information Modelling (BIM) in public investment management, 3. certification of Invierte.pe officials, 4. reactivation of contracted projects put on hold as a result of the national emergency declared due to COVID-19, 5. provisions concerning projects on hold in Invierte.pe and 6. amendments to the decree establishing Invierte.pe.

Uruguay. The COVID-19 Solidarity Fund was created to finance government expenditure on protecting the population in the response to the national health emergency. It covers activities related to prevention, mitigation, health care and rehabilitation managed by the National Emergency System and the cost of sick pay and unemployment benefits. In 2021, considering the need to continue implementing pandemic response measures, the scope of this Fund was extended to incorporate new support and mitigation policies in three categories: 40

A. Vulnerable population
B. Health
C. Economic stimulus and employment

In 2020 and 2021, the fund received a total of UYU 94,275 million, and disbursements amounted to UYU 85,784 million.

d. Budget allocations for PIPs during the COVID-19 pandemic

This section describes, in very general terms, the dynamics of budget implementation for PIPs during the 2020-2023 period. The analysis covers Ecuador, Guatemala, Honduras, Nicaragua, Paraguay, Peru and Uruguay. It reveals that investment priorities were mainly focused on road infrastructure, sanitation, housing and power transmission, followed by education and health.

Colombia. Decisions were taken to address the COVID-19 pandemic in the short and medium term. General government budget funds for public investment have seen unprecedented increases since 2021. Investment rose from COP 53 trillion in 2020 to COP 68.3 trillion in 2021 and COP 73.5 trillion in 2022 and is projected to reach COP 74 trillion in 2023 (in 2023 constant

prices). The increase in investment in 2021 and 2022 was mainly used to strengthen existing social programmes and establish the VAT Compensation and Solidarity Income programmes. Additionally, investment was channelled into the transport sector to boost employment. In 2023, the additional investment funds will be focused on comprehensive rural reform, peace building and social sectors such as education and health, among others.

**Dominican Republic.** In 2020, public investment amounted to DOP 60,255 million, which represents 68.6% of the planned budget (DOP 87,896.7 million). This can be attributed to the COVID-19 pandemic and the measures adopted at that time. The amount spent represents 1.3% of GDP and 8.9% of government spending. The budget was allocated to the following strategic sectors: transport (28.4%), health (8.9%), justice (8.8%), energy (8.8%) and education (8.3%).

In 2021, the budget spent on investment represented 65.4% (DOP 50,925.6 million) of the planned amount (DOP 77,810.2 million) and 1% of GDP. The investment budget was allocated to the following strategic sectors: transport (42.1%), housing (16.7%), health (8.6%), irrigation (8.6%) and education (4.6%).

In the implementation of the investment budget, there was a consensus among the ministries to make budget amendments, de-prioritising PIPs and redirecting the funds allocated to them internally to current expenses for vaccine procurement, hospital infrastructure, care centres, educational infrastructure projects, support for virtual working, technological services for school students to maintain some level of teaching at the national level and many other measures to meet needs arising from the pandemic. No urgent modifications were required in SNIP methodological and regulatory components. The mechanism supporting the response to the health emergency did not involve SNIP codes (Hughes, Consultoría “Fortalecimiento de capacidades de la Red SNIP de América Latina y el Caribe (República Dominicana)”, 2022).

**Ecuador.** In 2021, the Annual Investment Plan was for a total of USD 3,341 million, 17% up on the previous year (USD 2,855 million). This expenditure contributed to economic recovery after the impact of the COVID-19 pandemic. For 2022, the government proposed works and projects in the public sector totalling USD 1,871 million, representing a 44% decrease compared to 2021. This reduction was due to a recategorisation of expenditures made by the Ministry of Finance to reorganise public finances. The funds allocated for investment were intended to contribute to five objectives: boosting the country’s development in the medium and long term,
fostering social protection for vulnerable individuals, mitigating the effects of the health crisis caused by COVID-19, stimulating the economy and enhancing economic growth.41

Guatemala. In 2020, the degree of financial implementation of investment projects was 59.48%, and physical implementation 79.38% nationally. Similarly, in 2021, financial implementation was 69.86%, and physical implementation 75.98%. As mentioned earlier, efforts were hampered by difficulties such as the following:

1. The 2020 and 2021 budgets were not approved, resulting in a series of adjustments to project programming according to the annual operational plans of public investment entities and the regulations issued by the Ministry of Finance.
2. A state of calamity was declared due to COVID-19 in March 2020 and remained in effect in 2021.
3. The effects of Tropical Storms Iota and Eta also hindered the process of implementing investment projects in the country.

During the 2020-2023 period, investment was mostly focused on the transport sector. According to public investment figures by implementing entity, this sector accounted for approximately 79.8% of the total budget allocated to investment projects in 2020, 69.5% in 2021 and 55.3% in 2022.42 Consequently, it was recognised that there was a need to invest more capital resources in the water and sanitation, public health, social assistance and urban and rural development sectors.

Honduras. The implementation of public investment was affected by the restrictions imposed by the National Risk Management System (SINAGER) as a result of the health emergency caused by COVID-19 and Tropical Storms Eta and Iota, leading to a deviation from the scheduled activities set out in operational plans. In the period 2020-2021, the degree of implementation averaged 69.9% and 65.9% respectively, in contrast to 84.5%43 in 2019. During these years, investment was mostly directed towards the road sector for the construction and rehabilitation of the country’s main roads, the health sector for projects addressing the COVID-19 health emergency and the social protection sector for investment in human development in the most vulnerable communities. In 2023, public investment is expected to contribute to job creation,

41 https://www.primicias.ec/noticias/economia/inversion-publica-ecuador-finanzas/
42 Note: Calculations made by the authors, based on public investment figures by implementing entity for the years 2020, 2021 and 2022, http://sistemas.segeplan.gob.gt/guest/SNPPKG$PL_DECISION.SECTORIAL?prmEjercicio=2022&prmColumna=SECT_SOL
43 Public Investment Programme, 2023
provide economic stimulus for microenterprises in social sectors and help meet production needs through projects that boost the economy and job creation. In this regard, the largest amount of investment went into the energy sector (36%), followed by the social protection sector (13%), the road sector (10%) for road rehabilitation, construction and expansion, the food security sector (7%) and other sectors (17%).

Nicaragua. Under the Public Investment Programme, total spending in 2020 amounted to NIO 23,863.61 million, representing a 19.4% increase compared to 2019. In 2021, NIO 32,940 million was spent, up 38.03% on 2020. In terms of financing sources, during these two years when the pandemic had the greatest impact, approximately 68% of the budget funds came from external sources (donations and loans). A breakdown by institution shows that the highest budget amount was implemented by the Ministry of Transport and Infrastructure (38.9% in 2020; 42.4% in 2021) for projects involving the rehabilitation and improvement of intercity roads, road construction and improvements, etc., followed by the National Electricity Transmission Company (16%; 8%) mainly for hydroelectric plant rehabilitation, the Nicaraguan Water and Sewerage Company (11%; 9.9%) for drinking water and sewage system projects, and the Ministry of Health (11%; 13.6%) for projects involving hospital construction, replacement, rehabilitation and equipment and laboratory improvement and equipment. Transfers to municipalities accounted for 7.35% of the budget in 2020 and 6.2% in 2021. According to the Ministry of Finance, the spending and investment policy for the year 2023 aims to maintain the Public Investment Programme as a priority instrument for job creation.

Paraguay. In 2020, physical investment reached PYG 8,713 billion, equivalent to 3.6% of GDP, which was 0.7 percentage points higher than the previous year, thanks to additional resources allocated to boost public investment in the economic recovery plan. In 2021, investments amounted to PYG 7,877 billion, representing 2.9% of GDP, a decrease of 0.7 percentage points compared to 2020. The Ministry of Public Works accounted for 76% of total investment in 2020 and 81% in 2021.

Peru. In 2020, at national government level, approximately 80% of the budget was allocated to the following sectors: transport (39%), education (16.2%), agriculture and livestock (8.6%), sanitation (6.6%) and health (5.9%). In 2021 and 2022, the sectors receiving the highest shares

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44 Annual Investment Programme, 2023
45 Source: DGIP, Public Investment Programme, Breakdown by institution, http://www.snip.gob.ni/Portada/PipAnual.aspx
46 (Ministerio de Hacienda Paraguai, n.d.c)
were: transport and communication (46.3%; 36.9%), Presidency and Council of Ministers (12.6%; 18.73%), education (11.1%; 12.3%), agriculture and irrigation (6.7%; 6.4%) and housing, construction and sanitation (4.9%; 5.25%). Spending on health accounted for 4.6% in 2021 and 4.9% in 2022. Overall, transport was prioritised.

**Uruguay.** In 2020, investments by central government and Article 220 entities recorded a real decline of 17.8% and 10.1% respectively, compared to the previous year. This decrease is consistent with the cost-saving measures implemented by all ministries and implementation of Decree No. 90/2020, which sets a cap on both operating and investment expenditure, as mentioned above. The ministries that experienced the greatest reductions were the Ministry of Public Education (-63%), the Ministry of Foreign Affairs (-56%), the Ministry of Public Health (-52%) and the Ministry of Tourism (-48%) (MEF Uruguay, n.d.a, pp. 160-163).

In contrast, in 2021, investments showed a real increase of 16.2%, mainly due to the Ministry of Transport and Public Works, the Ministry of Housing and Territorial Planning and education. These investments contributed to the economic recovery following the negative impact of the 2020 recession (MEF Uruguay, n.d.b, pp. 175-178).

Investment goals were agreed in a timely manner with the Planning and Budget Office (OPP), with requirements to submit financial, economic and social profitability studies in accordance with SNIP regulations. Investments in the following sectors were approved: health (new intensive care units, expansion of hospitals, ventilators), transport (subsidies), Presidency (transfers to the National Emergency System), social development (shelters) and transfers to the productive sector with a focus on micro, small and medium-sized enterprises.

e. Criteria for prioritising public investment

In the context of economic recovery, the priorities of public investment are to stimulate the economy, implement initiatives that promote the recovery of employment levels affected by the economic slowdown, reduce infrastructure gaps, improve access to health care services, promote portfolios of environmentally friendly projects and ensure food security, among other objectives, as described below.

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47 [https://www.gub.uy/ministerio-economia-finanazas/sites/ministerio-economia-finanazas/files/documentos/publicaciones/RDC%202021%20Exposici%C3%B3n%20de%20motivos.pdf](https://www.gub.uy/ministerio-economia-finanazas/sites/ministerio-economia-finanazas/files/documentos/publicaciones/RDC%202021%20Exposici%C3%B3n%20de%20motivos.pdf)
**Chile.** The criteria for prioritising public investment are as follows: 1. initiatives that address infrastructure gaps for territorial development, 2. initiatives that boost economic growth and contribute to economic recovery, 3. initiatives that promote employment and 4. portfolios of environmentally friendly projects.

**El Salvador.** The Medium-Term Public Investment Programme for the period 2022-2026 includes projects aimed at addressing the COVID-19 pandemic, boosting the economy and enhancing resilience to disasters in sectors such as: 1. tourism, 2. transport and telecommunications, 3. agro-industry and 4. water and sanitation. This programme is aligned with the Sectoral Investment Plan for Economic Stimulus and Resilience to Disasters (2021), which was developed with technical assistance from the World Bank. Additionally, the annual Public Investment Programmes for 2022 and 2023 include investment projects that focus on priorities related to early childhood, health, education, public safety, infrastructure, agriculture and the country’s post-pandemic socio-economic recovery. The annual Public Investment Programmes therefore incorporate projects that contribute to these areas.

**Guatemala.** According to the SNIP Conceptual Framework (2019), it is expected that, in the medium term, the project portfolios developed by EPIs will be prioritised based on the K’atun 2032 National Development Plan, the SDGs and the 10 national priorities: 1. poverty reduction and social protection, 2. ensuring access to health care services, 3. managing and ensuring access to water and natural resources, 4. promoting employment and investment, 5. ensuring food and nutritional security, 6. valuation of natural resources in monetary terms, 7. strengthening institutions, security and justice, 8. education, 9. comprehensive fiscal reforms and 10. territorial planning.

Furthermore, according to the SNIP 2023 regulations, projects submitted to SEGEPLAN must be planned using a results-based management approach under the general government policy framework and be aligned with the policies and guidelines of sectoral lead entities (SEGEPLAN, 2022). In this regard, the SEGEPLAN’s Development Planning and Programming Department collaborates with government institutions, local governments and development councils to guide investments and their contribution to strategic objectives. The SNIP quantifies the contribution to closing the gap on meeting targets based on the information recorded by the EPI at the budget planning stage indicating how the project relates to strategic objectives, the

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SDGs and general government policy goals and estimated completion dates. Additionally, the tool Risk Management Analysis in Public Investment Projects (AGRIP) can be used to obtain information in order to report the proportion of investment allocated to mitigation measures.

**Honduras.** The priorities for public investment are comprehensive DRM, climate change, gender equity and specific programmes targeting women and human rights as well as the priorities established in regional development plans. These priorities must be consistent with national priorities and goals set in the Strategic Plan. New public investment programmes and projects must address these priorities in order to obtain the Strategic Alignment Certification granted by the General Government Coordination Secretariat (SCGG), without which they will not be eligible for registration in the SNIP (Secretaría de Finanzas, 2021, p. 6)

Additionally, Article 136 of the 2023 General Budget Provisions establishes that:

*All public sector institutions that implement institutional programmes and investment projects shall identify the programmatic structures in the Medium-Term Budget Framework (MTPF), using climate budget tagging, which was developed based on technical criteria for mitigation, adaptation and disaster management related to climate change. This activity shall be carried out by the Directorate General for Public Investment (DGIP) in coordination with the Management Planning and Evaluation Unit (UPEG) of the different public sector institutions.*

In this regard, every year the DGIP prepares a report on the analysis of climate budget tagging under the United Nations Framework Convention on Climate Change (UNFCCC), using the 2019 study for the review of public expenditure for climate action as a baseline. According to the expenditure budget for 2023, the amount allocated to climate change mitigation, adaptation and disaster management is HNL 72,891.9 million, 2.52% down on 2022 (HNL 74,733.07 million). The proportion of the budget allocated to investment expenditure in 2023, including investment projects and other investments by public sector institutions is 21.2% of the total (Secretaría de Finanzas, 2023).

**Mexico.** During the post-COVID-19 period, investment projects were considered a priority as essential mechanisms for achieving economic recovery, promoting job creation and continuing on the path towards economic stability. Taking advantage of the synergy between social programmes, focused on income redistribution and social welfare, and the National Infrastructure for Welfare Programme, which aims to improve public services, the government seeks to multiply the positive effects for the population. To this end, under policies aimed at increasing investment expenditure efficiency, the prioritisation methodology is used to identify

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49 Budget Implementation Regulations, 2023, p. 95, [https://www.sefin.gob.hn/normas-de-ejecucion-presupuestaria-2023/](https://www.sefin.gob.hn/normas-de-ejecucion-presupuestaria-2023/)
the investment programmes and projects that contribute most to improving the country’s economic development, infrastructure in disadvantaged areas and the standard of living as a whole. 50

**Nicaragua.** The National Poverty Reduction and Human Development Plan 2022-2026 51 establishes that public investment policy will continue to focus on increasing the effectiveness and impact of investment on economic growth and poverty reduction, incorporating criteria for disaster risk reduction and adaptation to climate change. Infrastructure in the transport, water and sanitation, energy, education, health, public administration and social housing sectors will remain a priority. Prioritisation should be consistent with improving economic and social indicators and increasing economic productivity.

**Panama.** According to the regulations and procedures of Panama’s National Public Investment System (DPI, MEF, 2021), its objective is to ensure that public investment programmes and projects are based on the sectoral and regional policies and priorities established in the general government budget. New projects or programmes that do not comply with this requirement are rejected. In the context of COVID-19, project prioritisation and budget allocation were based on: 1. the current economic, social and fiscal environment, 2. economic growth prospects, 3. effects of COVID-19 on growth drivers, 4. implementation of economic stimulus measures, 5. institutional objectives, targets and indicators linked to the budget and the SDGs and 6. projected operating income and expenses of the investment, considering the medium-term vision for the 2020-2024 period.

The Public Investment Programme must include the government’s priority projects, continuity projects, turnkey projects and those financed by international organisations. 52 Additionally, for 2024, projects must have an impact on the focus areas established in the Colmena Plan.53

**Paraguay.** The Government Transformation Agenda proposes a new phase of more inclusive and resilient development in the post-COVID-19 period. It promotes measures to strengthen government institutions and adopt best practices in public management. The fundamental

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51 https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/PNCL_DH_2022-2026%2819Jul21%29_0.pdf, p. 69
53 The Colmena Plan, approved in 2022 by Law 297, aims to close social and economic gaps in terms of poverty and inequality for the benefit of people living in conditions of multidimensional poverty or social vulnerability. It prioritises four strategic areas: social development, economic development, infrastructure and environmental sustainability.
principles prioritised in this transformation are equity in public policies, human capital and competitiveness, integrity in improving public finance management, fiscal discipline and consolidation, and improved quality of public spending (Ministerio de Hacienda Paraguay, n.d.b).

Within this framework, nine reforms have been proposed, including:

1. The National Investment Plan for planning investment in the short and medium term, ensuring that it is aligned with the objectives of government planning instruments.

2. The Fiscal Convergence Plan, aimed at reducing the medium-term deficit resulting from the measures implemented to address the COVID-19 pandemic and at achieving a fiscal deficit target of 1.5% of GDP within four years and a gradual return to historical levels of public investment of around 2% of GDP.

3. The Environmental Contingency Plan, which establishes contingency measures for investment risks and losses through coordinated efforts among institutions in the areas of river navigability, clean water supply and mitigation of agricultural climate risks.

Uruguay. The public budget is the main instrument through which government priorities are established and resources allocated to meet them. For the period 2021-2026, the government has defined the following strategic priorities: 1. an innovative economy that generates employment and guarantees sustainable development, 2. an efficient government present throughout the country and accountable to citizens, 3. public policies that guarantee quality education, social protection and health care for all and 4. a society that promotes development and people’s rights and leaves no one behind.

f. Internal and external sources of financing

The effects of the pandemic and the policies implemented by countries in response to the COVID-19 pandemic increased the liquidity needs of Latin American and Caribbean countries to enable them to get through the emergency phase. Financing policies have provided support to compensate for the negative effects on economic and productive activities resulting from containment measures, such as social distancing and voluntary isolation (ECLAC, 2021c).

This section recap the financing policies implemented in response to liquidity needs during the emergency phase and measures to promote employment and economic growth.
**Costa Rica.** Faced with an unsustainable fiscal situation, worsened by the health and economic crisis caused by COVID-19, in 2020 the country announced its Plan to Overcome the Fiscal Impact of the Pandemic. It served as a platform for negotiating a three-year agreement with the IMF to obtain USD 1.75 billion (approximately 3% of GDP) in financing for its post-pandemic recovery and fiscal consolidation support programme. Innovation and climate change mitigation were considered an integral part of the new economic programme, which aimed to strengthen social programmes, stabilise public finances, promote PPPs to rapidly improve the quality of the road network and enhance digital infrastructure, and extend decarbonisation efforts to all areas of public policy, among other measures. Additionally, the Costa Rican Banking Association proposed considering a PPP plan as a possible alternative for economic recovery, presenting it as a suitable mechanism for reducing infrastructure gaps in transport, education, health, technology and other sectors.54 Furthermore, during the 75th session of the United Nations General Assembly (September 2020), the President of Costa Rica presented a proposal to create a Fund to Alleviate COVID-19 Economics (FACE), as an alternative for addressing the economic recession caused by the pandemic. The proposal consists in creating an extraordinary support fund of half a trillion dollars, financed with 0.7% of the GDP of the world’s largest and strongest economies.55, 56 FACE would provide funds to developing countries (loans of up to 3% of GDP) to address the socio-economic impacts of the pandemic on their economy and population.

**Ecuador.** During the health emergency, Ecuador received external financing of approximately USD 8 billion, of which USD 7.366 billion came from multilateral institutions. Of this amount, USD 6.4 billion were unearmarked funds provided by organisations such as the IMF, the IDB, the World Bank and the Development Bank of Latin America (CAF), among others, to cope with the health emergency and the social and economic crisis caused by the pandemic (MEF Ecuador, 2021). Additionally, in 2021, Ecuador signed a Framework Financing Agreement with the United States International Development Finance Corporation (DFC) for up to USD 3.5 billion to refinance its debt and to stimulate the economy and create jobs.57

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54 https://www.larepublica.net/noticia/alianzas-publico-privadas-se-ofrecen-como-alternativa-de-reactivacion-economica
56 https://www.cepal.org/sites/default/files/events/files/face_como_propuesta_de_recuperacion_1_0pdf
**El Salvador.** El Salvador sought authorisation from the Legislative Assembly to manage financing for the country’s Emergency Fund for Economic Recovery and Reconstruction. The objective was to boost the national economy after the COVID-19 pandemic. In the 2020 budget, USD 1,685.1 million\(^58\) was allocated to provide funding for the national health system and address the economic needs of the population affected by the crisis.

**Honduras.** In 2020, new projects with external financing were formulated and incorporated. The debt policy was amended, and the National Congress authorised borrowing of up to USD 2.5 billion in the fiscal years 2020 and 2021. The debt ceiling for the non-financial public sector was set at 55% of GDP. This measure was authorised under Article 8 of Legislative Decree 033-2020, which approved the Law on Assistance for the Productive Sector and Workers to alleviate the effects of the COVID-19 pandemic. The funds were intended to strengthen the national health system’s immediate response capacity to enable it to control and contain the spread of the epidemic. The funds were also used to implement social compensation measures and support strategic sectors in order to generate employment and promote sustained economic growth.

**Panama.** In 2020, an article of the Fiscal Responsibility Law was amended to provide for a fiscal waiver so that the debt and budget deficit limit for the non-financial public sector could be raised from 2.75% to 9%-10.5%. For 2021 it was raised from 2.5% to 7%-7.5%, and for 2022 from 2% to 4%. For 2023 and 2024, it is set at 2.0%, and for 2025 it is reduced from 2.0% to 1.5%.\(^59\) In 2020 and 2021, approximately 68% of the budget relied on external sources (donations and loans). This was necessary because of the drastic decline in the revenue collected by central government, with the result that income was lower than budgeted. At the close of the year, revenues had fallen by an estimated PAB 3 billion. In 2021, Panama’s public debt reached USD 37,166 million, up USD 1,778 million from 2020, when it was USD 35,388 million.\(^60\)

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\(^58\)Financing of USD 1 billion through the issuance of securities (Legislative Decree No. 640) to create a trust fund to promote the economic recovery of the country and bolster the general government budget; emergency loans of USD 389 million from the IMF (Legislative Decree No. 650) used to finance FOPROMID; loans of US 250 million from the IDB (Legislative Decree No. 728) to finance the Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crises Caused by COVID-19 in El Salvador; and USD 46.1 million from the Japan International Cooperation Agency (JICA) (Legislative Decrees Nos 615 and 627) to meet needs arising from the COVID-19 pandemic, https://www.transparenciafiscal.gob.sv/downloads/pdf/700-DGGG-IF-2020-20199.pdf.

\(^59\) https://www.mef.gob.pa/2020/10/asamblea-nacional-aprueba-en-segundo-debate-modificacion-a-ley-de-responsabilidad-fiscal/

\(^60\)https://datosmacro.expansion.com/deuda/panama
Paraguay. The public debt-to-GDP ratio rose by 0.5 percentage points in the first half of 2021, with total debt amounting to USD 13,100.1 million, which was 34.1% of the country’s GDP, between December 2020 and June 2021. Although the country’s debt increased, it was as a result of implementing measures to address the negative economic and social effects of the spread of COVID-19 (Ministerio de Hacienda Paraguay, n.d.b, p. 39) Paraguay’s borrowing has traditionally been through loans granted by international financial institutions such as the IDB, World Bank, CAF⁶¹ and FONPLATA⁶² and loans negotiated bilaterally.

Uruguay. The financing strategy focused on achieving an appropriate combination of credit from multilateral organisations and capital market securities (MEF Uruguay, n.d.a). In 2021, the government accessed loans for a total of USD 659 million. USD 400 million of this were loans granted by the World Bank for development policies promoting resilience and sustainability, and the remaining amount was from the IDB to support emergency assistance for vulnerable populations affected by COVID-19, both with the objective of mitigating the economic and social impact of the COVID-19 pandemic.

The country signed a loan agreement with the IDB for a total of USD 495 million to strengthen public policies and fiscal management with a view to addressing the health and economic crisis caused by COVID-19. Additionally, in the same year, Uruguay was working on securing new lines of credit with the IDB, FONPLATA, the World Bank and CAF to cushion the social and economic impact of the pandemic on vulnerable households and businesses.

  g. Regional collaboration projects

Another finding of the research was the identification of two projects aimed at strengthening SNIPs and public investment that are currently being implemented in the Central American region: the RIDASICC Project and INCENTIVA, the Central American Initiative for Public Investment with Added Value, which were mentioned by SNIP officials during the interviews.

  • The RIDASICC project aims to incorporate disaster risk reduction and sustainable and inclusive CCA approaches in a meaningful, systemic and practical way to strengthen public investment processes and methodological instruments for the various stages of project identification, formulation and evaluation. The aim is to strengthen the

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⁶¹ https://www.caf.com/en/
capacities of national and regional project formulators and evaluators in developing PIPs through capacity building, methodological guides, geographic information system platforms and toolboxes, ensuring the continuity of services for the population, improving wellbeing and contributing to poverty reduction in Central America. It is an initiative of ECLAC and the Executive Secretariat of the Council of Finance Ministers of Central America, Panama and the Dominican Republic (COSEFIN) and is funded by the Swiss Agency for Development and Cooperation (SDC).

The members of COSEFIN are the ministers of the Ministry of Finance of Costa Rica, the Ministry of Finance of the Dominican Republic, the Ministry of Finance of El Salvador, the Ministry of Public Finance of Guatemala, the Ministry of Finance of Honduras, the Ministry of Finance and Public Credit of Nicaragua and the Ministry of Economy and Finance of Panama.

- **INCENTIVA** is a project jointly developed by the Central American Institute of Public Administration (ICAP) and GIZ. Its objective is to strengthen the SNIPs of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. The initiative came about as a response to the effects of the COVID-19 pandemic worldwide and aims to contribute to economic recovery by identifying the state of the art of the incorporation of DRM and CCA in SNIPs. In 2022, the Baseline Study: State of the Incorporation of DRM and Climate Change in the SNIPs of Central America and the Dominican Republic was published (Cerda, et al., 2022, p. 9).
Conclusions and lessons learned

Although budget reallocation is a commonly used measure in investment systems, the pandemic led most countries to redirect these reallocated funds towards health, social protection, road infrastructure and education. With the decline in revenues, 8 out of the 14 countries interviewed resorted to alternative sources of financing to address the needs arising from the pandemic. In Central American countries, this health emergency was compounded by the crisis caused by Hurricanes Iota and Eta at the end of 2020, which required a response including the reconstruction of priority infrastructure. This mainly involved the rehabilitation of roads, housing construction and measures to ensure health services, education and security in Guatemala, road infrastructure and housing reconstruction in Honduras and Colombia and the reconstruction of public and community infrastructure in Nicaragua.

The evidence shows that, in terms of adapting SNIP components, the region’s countries are focusing on developing more medium- and long-term structural strategies rather than just responding to the situation caused by the pandemic. To this end, they have been working before, during and after the pandemic to strengthen methodological guidelines for the identification, formulation and evaluation of investment projects with the objective of improving the processes for allocating public resources and incorporating DRM and CCA considerations. For example, Central American countries have been working on this under the RIDASICC project and conducting studies related to the calculation of social costs, such as the social cost of carbon, in order to improve their project selection and prioritisation processes by incorporating this variable into the socio-economic evaluation of projects. These actions are generally accompanied by training programmes to strengthen the capacities of formulators and evaluators involved in SNIP processes.

Several countries have taken measures to address the health emergency. However, they have not necessarily entailed adjustments to SNIP processes. Some measures sought to temporarily simplify certain registration and resource allocation processes, as in the case of Nicaragua, where projects associated with the health emergency were exempted from the requirement to obtain technical approval, and in the case of Uruguay, where the technical approval procedure was expedited rather than eliminated. In other countries, such as Chile, Nicaragua and Paraguay, mechanisms were implemented to fast-track the contracting and implementation of works. Additionally, many of the countries, including Costa Rica, Ecuador, El Salvador,
Honduras, Nicaragua, Panama, Paraguay and Uruguay, sought external financing for project implementation.

The design of plans and programmes specifically aimed at economic stimulus was also a policy used by countries such as Chile, Ecuador, Guatemala, Honduras, Panama, Paraguay and Uruguay, which regarded public investment as a means to boost the economy and recover jobs lost during the pandemic. Other measures taken to achieve this included creating funds for emergency response and to attract investment.

Finally, countries have received technical assistance and established agreements with multilateral organisations. This collaboration has allowed them to improve SNIP tools from a structural perspective, rather than in response to the pandemic, enabling DRM and CCA considerations and the socio-economic evaluation of projects to be incorporated more effectively in the long run. This will improve budget allocation decisions in the short term, which is the aim of these collaboration efforts. In the medium and long term, these advances will contribute to economic recovery and stabilisation because better criteria will be used to take decisions about selecting and implementing projects. The RIDASICCC project, which is being carried out in Central America and the Dominican Republic, and the INCENTIVA project are examples of such collaboration.

According to the IDB, there will be pressure to increase public investment during the post-pandemic period to accelerate economic recovery and promote employment. However, most countries in the region will have limited fiscal space to increase investment due to a deteriorating fiscal balance and rising debt, which could average 70% of GDP in the region. Chile and Peru are among the few countries in the region that will have sufficient fiscal space to implement an ambitious stimulus plan to promote new investments.

In this regard, the IDB proposes that part of the solution will be to focus on the basic principles of effective public investment:

1. Use transparent technical criteria to prioritise investments. It is essential to estimate investment gaps and employ rigorous criteria in the *ex ante* evaluation of projects to achieve results that have an impact on economic recovery.

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2. Consider private participation as a means to revive public investment. Projects postponed due to pandemic-related conditions or new projects could be reactivated through PPP contracts or similar arrangements to overcome the lack of public funding available.

3. Strategically manage public assets to extend their useful life. Developing strategic public asset management systems can contribute to extending the useful life of assets and improving their performance, thereby postponing the decision to replace infrastructure and reducing pressure on investment decisions.
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