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INTERNATIONAL FINANCE CORPORATION, AND  
MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE REPUBLIC OF COLOMBIA**

**FOR THE PERIOD FY16-21**

**February 23, 2016**

**Colombia and Mexico Country Management Unit  
Latin America and the Caribbean Region**

**The International Finance Corporation  
Latin America and the Caribbean Region**

**The Multilateral Investment Guarantee Agency**

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### **CURRENCY EQUIVALENTS**

(Exchange rate effective as of February 16, 2016)

Currency unit = Colombian peso

US\$1.00 = COP 3,409.82

### **FISCAL YEAR**

January 1 to December 31

### **PRINCIPAL ABBREVIATIONS AND ACRONYMS**

CAT DDO	Catastrophe Draw Down Option
CONPES	National Council for Economic and Social Policy ( <i>Consejo Nacional de Política Económica y Social</i> )
COP	Colombian Peso
CPF	Country Partnership Framework
DANE	National Administrative Department of Statistics ( <i>Departamento Administrativo Nacional de Estadística</i> )
DNP	National Planning Department ( <i>Departamento Nacional de Planeación</i> )
DPF	Development Policy Financing
DPL	Development Policy Loan
FARC	Revolutionary Armed Forces of Colombia ( <i>Fuerzas Armadas Revolucionarias de Colombia</i> )
FDI	Foreign Direct Investment
FDN	<i>Financiera de Desarrollo Nacional</i> (Bank for National Development)
FY	Fiscal Year
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoC	Government of Colombia
IDB	Inter-American Development Bank
IDP	Internally Displaced Persons
IE	Impact Evaluation
IFC	International Finance Corporation
IMF	International Monetary Fund
IPF	Investment Project Financing
LAC	Latin America and the Caribbean
MFI	Microfinance Institutions
MIGA	Multilateral Investment Guarantee Agency
MPI	Multidimensional Poverty Index
MTFF	Medium-term Fiscal Framework
MSME	Micro, Small and Medium Enterprises
NDP	National Development Plan ( <i>Plan Nacional de Desarrollo</i> )
OECD	Organisation for Economic Co-operation and Development

PA	Programmatic Approach
PPP	Public Private Partnership
RAS	Reimbursable Advisory Service
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprises
SPI	Shared Prosperity Indicator
TA	Technical Assistance
US	United States
USAID	United States Agency for International Development
WBG	World Bank Group

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**The Republic of Colombia**  
**COUNTRY PARTNERSHIP FRAMEWORK (FY16-21)**

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## I. INTRODUCTION

1. **In the last decade, Colombia consolidated its position among the top economic performers in Latin America.** The country's sound macroeconomic management helped sustain relatively high growth rates, at an average of 5.4 percent before the global crisis (2004–08) and 4.8 percent thereafter (2010–14). High commodity prices contributed to an expansion of extractive industries' production and exports, which in turn supported fiscal revenues and growth. This allowed closing the country's per capita income gap with the leading economies of Latin America and the high-income countries of the Organisation for Economic Co-operation and Development (OECD). Colombia's economy also received large capital inflows, taking advantage of abundant international liquidity. However, Colombia now faces slowing growth in the context of a less favorable external environment, including lower oil prices.

2. **This economic growth and resulting job creation has been the main driver for Colombia's impressive strides in poverty reduction and shared prosperity.** From 2002 through 2014, extreme poverty fell from 17.7 percent to 8.1 percent, while total poverty fell from 49.7 percent to 28.5 percent<sup>1</sup>, lifting 6.7 million people out of poverty. Shared prosperity indicators followed a similar trend, especially in the second half of the decade. Between 2008 and 2014, the income per capita of the bottom 40 percent of Colombians grew at an average rate of 6.2 percent, significantly higher than the national average rate of 4.1 percent.

3. **Progress towards ending Colombia's 50-year conflict with a historic Peace Accord in sight, is one of the most notable achievements of the last decade.** President Santos, now in his second term, started peace negotiations with the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia/FARC*) during his first administration (Box 2). Major milestones have been achieved and there is a good chance of achieving a peace agreement in 2016. The incidence of violence dropped sharply by 2004 and even more by 2009, ushering in the beginnings of a broader peace dividend in the form of economic, social, and political stability. Overall, the country has undergone a transformation since 2002, striving to move away from internal violence, drug trafficking, and weak institutions that have plagued the country for many years. The 2014 presidential elections demonstrated Colombia's mature democratic process and reflected a strengthening of political institutions, reconfirmed by the local election of mayors and governors in 2015. Through its National Development Plan (NDP), the second Santos Administration has launched an ambitious reform program based on three pillars: Peace, Equity, and Education.

4. **Colombia has signed and is implementing multiple trade agreements, signed the OECD Declaration on Green Growth, and taken significant steps to strengthen environmental management.** In the face of increasing damage from natural disasters, Colombia has been a pioneer in Latin America in developing a comprehensive approach to minimize loss of life, reduce exposure of assets, and finance rehabilitation and reconstruction. The government also started implementation of the bilateral Free Trade Agreement with the United States, which was

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<sup>1</sup> These numbers refer to extreme and moderate poverty estimates using the Colombian official poverty line. In 2014, for instance, the extreme (moderate) poverty line was 95,221 (214,331) Colombian pesos (COP) per capita per month at December 2014 prices; that is approximately 1.84 (4.15) US\$-PPP 2005 per day.

signed in 2006. Today, Colombia is a safer, more stable country, more popular with foreign investors, and with reasonable aspirations to join the OECD group of countries.

5. **However, important development challenges remain and the country needs to step up its efforts to sustain and further expand these successes.** Its poverty rate is still higher than the Latin American average, and its inequality—as measured by the Gini coefficient at 0.538 in 2014—is the second highest in the region and one of the highest in the world. Colombia needs to broaden its sources of economic growth, and do so in an inclusive and socially, fiscally, and environmentally sustainable manner to manage impacts of the less favorable external environment and accommodate additional financing needs arising from a possible peace agreement.

6. **The WBG’s Colombia Systematic Country Diagnostic (SCD)<sup>2</sup> analyzed key constraints and opportunities that will impact Colombia’s development<sup>3</sup> in the context of three defining country characteristics.** They include uneven territorial development, a long standing armed conflict and a growth process led by extractive industries. First, uneven territorial development, characterized by unfinished economic integration and persistent disparities in standards of living has resulted in poor physical and social connectivity, weak local governance, high exposure to natural disasters, and inequitable land ownership—all of which discourage growth, inclusion, and sustainability. Second, a longstanding and harmful armed conflict has generated millions of internally displaced persons (IDP), disrupted the productive use of assets and workers, and hindered legal economic activity propelling families into limited employment, displacement, and poverty. While the conflict seems to be moving towards a definite resolution, it may engender new security challenges in the future. Third, the recent surge of extractive industries (mainly oil, but also coal and gold) has underpinned economic growth but has also created significant changes in the composition of economic activity, with the non-extractive sector productivity lagging behind. While accelerating economic growth and generating record investment funding, the Government’s reliance on commodity revenues poses questions about the sustainability of the country’s growth model.

7. **The Colombia Country Partnership Framework (CPF) proposes to address these complex development challenges with a flexible, six-year (FY16-21) engagement that builds on the strong and trusted client relationship established over recent years.** On the basis of client country demand, the development challenges highlighted in the SCD, and World Bank Group (WBG) comparative advantage, the CPF focuses on eight critical objectives to guide WBG engagement over the CPF period. These objectives are organized within three pillars of engagement: (a) Fostering Balanced Territorial Development; (b) Enhancing Social Inclusion and Mobility through Improved Service Delivery; and (c) Supporting Fiscal Sustainability and Productivity. Cutting across all pillars, the CPF aims to “Assist in Constructing the Peace” in response to Colombia’s historic opportunity to reach a Peace Accord after more than 50 years of conflict.

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<sup>2</sup> The SCD built on the precursor of a series of Colombia Policy Notes; see [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/02/02/000406484\\_20150202115839/Rend ered/PDF/ACS109000SPANI0y0Notes00120180140qr.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/02/02/000406484_20150202115839/Rend ered/PDF/ACS109000SPANI0y0Notes00120180140qr.pdf).

<sup>3</sup> See World Bank Group’s Colombia Systematic Country Diagnostic at [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/01/090224b082fc8bd3/1\\_0/Rendered/P DF/Colombia000Systematic0country0diagnostic.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/07/01/090224b082fc8bd3/1_0/Rendered/P DF/Colombia000Systematic0country0diagnostic.pdf)

## II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

### A. Toward Achieving Poverty Eradication and Shared Prosperity

8. **For the first time in history, in 2014 Colombia had a larger number of people in the middle class than in poverty (30.2 percent vs. 28.5 percent).** However, despite Colombia's impressive strides in reducing monetary poverty during the last decade, most of the population who escaped poverty did not enter the middle class, but made it only into the vulnerable group, living on US\$4 to US\$10 a day (37.7 percent in 2014).<sup>4</sup> Extreme poverty fell from 17.7 percent in 2002 to 8.1 percent in 2014, an average annual drop of 0.8 percentage points. Total poverty (which includes both extreme and moderate poverty) fell from 49.7 percent in 2002 to 28.5 percent in 2014, an average annual drop of 1.8 percentage points.<sup>5</sup> This decline translates into an absolute decrease of 6.7 million people—from 19.9 to 13.2 million. The fall in extreme poverty in the same period equates to 3.3 million people: from 7.0 to 3.7 million.

9. **Despite this rapid reduction in poverty, large historical disparities persist between urban and rural areas.** From 2002 to 2014, rural extreme poverty rates fell from 33.1 to 18 percent; in urban areas, they fell from 12.2 to 5.1 percent. During the same period, total rural poverty declined from 61.7 to 41.4 percent, while urban areas saw a drop from 45.5 to 24.6 percent. Regardless of geographic area (e.g., urban and rural, large and small cities) poverty is especially high among households headed by females and the low-skilled. These characteristics are associated with high poverty rates, both total and extreme. Poverty among ethnic minorities and internally displaced persons (IDP) is not appropriately measured in regular surveys and is not described in official reports.

10. **IDP face enormous barriers to escaping from poverty.** The dearth of a unified survey data is severe here, but there is evidence that there are more than 5.5 million IDP.<sup>6</sup> IDP tend to be consistently classified in the lowest income quintiles. The recent Effective Access to Rights Survey (*Encuesta de Goce Efectivo de Derechos*, in Spanish)—a survey of internally displaced persons—documents an extreme poverty rate of 33 percent and a total poverty rate of 63.8 percent for this specific population for the period 2013-2014 (well above the national averages of 8.1 and 28.5,

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<sup>4</sup> Source: National Administrative Department of Statistics (DANE), WB calculations based on Encuesta Continua de Hogares/ECH (Continuous Household Survey) 2002-2005 and Gran Encuesta Integrada de Hogares/GEIH (Large Integrated Household Survey 2008-2014. Methodology based on Ferreira, Francisco H. G., Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. 2013. "Economic Mobility and the Rise of the Latin American Middle Class." Washington, DC: World Bank. This regional report defines the vulnerable population as those with US\$4 to US\$10 a day (2005 PPP); and the middle class as those living with US\$10 to US\$50 a day (2005 PPP).

<sup>5</sup> World Bank staff estimates indicate that declines in the US\$1.9 a day (PPP-2011) poverty rate were similarly impressive, declining from 14.7 percent in 2002 to 5.6 percent in 2014. For a report about the production of new official poverty numbers in Colombia see Azevedo (2013). For a detailed description of the official methodology, see: DNP-DANE (2012) or access

[http://www.dane.gov.co/files/investigaciones/condiciones\\_vida/pobreza/ingles/Monetary%20Poverty%20in%20Colombia.pdf](http://www.dane.gov.co/files/investigaciones/condiciones_vida/pobreza/ingles/Monetary%20Poverty%20in%20Colombia.pdf).

<sup>6</sup> IDP statistics are controversial. By 2012, the nongovernmental organization "Consultoría para los Derechos Humanos y el Desplazamiento" (CODHES) estimates 5,712,506 while the government registered 4,744,000 IDP since 1985, the date established by law for recognizing the status as a victim. (Commission to Monitor Public Policy: IDP 2010. Third report of verification of the fulfillment of rights of the displaced population.) The official victims' registry (RUV), as of April 2015, however, accounts for 6.2 million IDP.

respectively). These numbers imply a reduction of poverty rates documented at the beginning of the decade, but a persistent gap with the national averages and a predominance of IDP among the poor.<sup>7</sup> This survey also documents the success of social policy in facilitating access to health, education, and safety, but limited advances in access to dignified housing or compensation for displacement.<sup>8</sup>

11. **Multidimensional poverty has also experienced a remarkable decline.** In 2011, the Government adopted a multidimensional measure of poverty. To be classified as multidimensionally poor, a person must be deprived in at least one-third of the deprivation score constructed upon 15 designated welfare indicators, grouped in five categories: education, health, labor, childcare, and housing.<sup>9</sup> Colombia's multidimensional poverty index (MPI) declined from 49 to 21.9 percent between 2003 and 2014. This is an average drop of 2.5 percentage points, and represents a total decline of 9.9 million people, from 20.3 million to 10.4 million.

12. **The World Bank's Shared Prosperity Indicator (SPI) for Colombia also shows pro-poor growth in recent years.** The SPI measures the annualized growth rate of average income among the bottom 40 percent of the population. It provides an indication of how well prosperity is shared among those who are relatively less well-off while keeping a focus on overall economic growth. Over the 12-year period (2002-2014), the SPI was 4.5 percent per year, slightly higher than the 3.6 percent for the general population.

13. **Although inequality has declined somewhat over the last decade, Colombia's income distribution remains among the most unequal in the region and the World.** The ratio of per capita income of the richest 10 percent to the bottom 10 percent declined slightly, from 13.36 in 2002 to 11.7 in 2014. Similarly, the Gini coefficient and the Theil index<sup>10</sup> remained practically stagnant during the earlier part of the decade, and declined only marginally in recent years. With comparable or higher levels of inequality at the beginning of the 2002-14 period, regional peers (e.g., Bolivia and Brazil) achieved better results in reducing income inequality over the 12-year span. Moreover, Colombia's Gini coefficient remained higher than the regional average in 2014, placing Colombia among the most unequal countries in Latin America, one of the most unequal regions of the world.

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<sup>7</sup> In 2010, the poverty rate for internally displaced people was 96.7 percent, and the extreme poverty rate 66.4 percent, according to Acción Social, Agencia Presidencial para la Acción Social y la Cooperación Internacional (2010), as cited in the SCD. Given the relative size of the displaced population in Colombia, and these high poverty rates, one can estimate (using different surveys, since no unified survey exists) that around one out of two of the extreme poor in Colombia may be a displaced person.

<sup>8</sup> DANE Data (2015) "Encuesta de Goce Efectivo de Derechos EGED 2013-2014" Boletín Técnico, Bogotá, 7 enero, 2015.

<sup>9</sup> For a description of the official methodology on multidimensional poverty see DNP (2012) and also Angulo, Díaz and Pardo (2011). The indicators are: educational achievement, illiteracy, school attendance, educational gap, access to childcare services (health, nutrition, care), child labor, long-term unemployment, formal employment, healthcare access, healthcare access when needed, access to drinking water, access to sanitation, quality of floor in the housing, quality of wall, and critical overcrowding.

<sup>10</sup> While less commonly used than the Gini coefficient, the Theil-index of inequality has the advantage of being additive across different subgroups or regions in the country. The Theil index, however, does not have a straightforward representation and lacks the appealing interpretation of the Gini coefficient.

## B. Recent Economic Developments and Prospects

14. **In recent years, Colombia has implemented important macroeconomic, structural, and social reforms.** The reforms include the Fiscal Responsibility Law (2003), the Fiscal Rule (2011), and important tax reforms in 2012 and 2014 to address loopholes, reduce distortions, and encourage formal job creation. These reforms have strengthened the country's policy framework and increased buffers against shocks. The enhanced macroeconomic policy framework, a commodity price boom, and better security conditions fostered strong growth beginning in the early 2000s. The country weathered the financial crisis robustly, sustaining high average growth rates. With these achievements, Colombia's accession process to OECD membership was initiated in October 2013 (Box 1),<sup>11</sup> and its sovereign rating has been upgraded above investment grade by all major rating agencies.<sup>12</sup>

### Box 1. Colombia's OECD Accession

On May 29th, 2013, the OECD Council adopted the Resolution of the Council on Strengthening the OECD's Global Reach, which opened accession discussions with Colombia and established a Roadmap that sets out the terms, conditions, and the process for accession. Colombia is now undergoing in-depth reviews from 23 technical Committees. The Roadmap describes the implementation of more than 200 instruments or public policy guidance notes, some of which the country has been already working on and others that represent an opportunity to carry out reforms to improve the system of the delivery of public services.

Colombia already participates in the substantive work of many of the OECD's specialized Committees. Colombia outlined its position on 250 OECD Legal Instruments, providing the basis for a series of technical reviews conducted by OECD Committees. The results of these reviews are ultimately reported to the OECD Council as formal evaluations of Colombia's policies. Colombia adheres to many OECD Legal Instruments, and participates in multiple OECD Bodies. As of the end of 2015, 10 out of 23 clearances from individual Committees have been obtained, including Agriculture, Statistics, Education, Financial Markets, Competition, Scientific and Technological Policy, Consumer Policy, Health, Regulatory Policy, and Territorial Policy. The country is hoping to receive most of the Committees' clearances in 2016, and the OECD's Council approval and Colombia's legislative approval in 2017-18.

The 2014-18 NDP has been positively influenced by the OECD process, as evidenced by the revised territorial approach, the focus on closing regional gaps, the role of participation, the importance of green growth, and harmonization of planning and expenditures. More specifically, there are a number of themes among the Government's priorities that connect with some of the OECD key inputs and advice. These include the importance of the environmental agenda, the development of differentiated functions for different levels of Government, and harmonization of sources of funding (the national budget, royalties system, and the inter fiscal transfer system to regions) for better expenditure management, corporate governance standards for state-owned enterprises, raising subnational government revenues, a larger impact for innovation funds, and better financial and statistical data collection for better decision-making.

The WB has provided support through a series of policy-based financing operations, including on sustainable development and in other of the above mentioned areas, accompanied by advisory services and technical assistance and impact evaluations of public programs, and it has brought international practices and good public policy frameworks and instruments to Colombia. Playing a role of neutral, highly technical advisor or validator, the value-added contribution is widely acknowledged by both the Government and OECD. The Bank will continue to play a substantial but not leading role in this critical process for Colombia.

*Source:* WB elaboration based on OECD, GoC's and WB official public documents and statements. OECD decision [C(2013)58/FINAL].

<sup>11</sup> OECD Council: ROADMAP FOR THE ACCESSION OF COLOMBIA TO THE OECD CONVENTION (Adopted by Council at its 1285th session on September 19, 2013): [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=C\(2013\)110/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=C(2013)110/FINAL&docLanguage=En)

<sup>12</sup> Moody's upgraded Colombia's debt rating in July 2014 (to Baa1 local currency, Baa2 foreign currency); Fitch upgraded in December 2013 (to BBB+ and BBB, respectively), while Standard & Poor's upgraded in April 2013 (also to BBB+ and BBB, respectively).

15. **Despite unfavorable changes in the external environment, Government actions to support economic activity helped sustain growth in 2014-15.** Growth was led by domestic demand, fueled by a mildly supportive macroeconomic policy that helped smooth the severe oil price shock of the second half of 2014. Growth was led by the construction sector, social services, and the financial sector. In contrast, extractive activities remained stagnant following the sharp drop in international commodity prices and interruptions in production. Gross capital formation (backed by the Government's large infrastructure investment program) and household and government consumption were the main drivers of growth, compensating for the widening trade deficit. Growth rates were sustained at high levels in 2014 (4.6 percent) before moderating to an estimated 3.2 percent in 2015 (Table 1). Growth was accompanied by a fall in unemployment reaching 8.9 percent in 2015, the first time the unemployment rate dipped below 9 percent.

16. **Worsened terms of trade contributed to a larger current account deficit, which was financed by foreign direct investment (FDI) and portfolio inflows.** The current account deficit widened to 5.2 percent of gross domestic product (GDP) in December 2014 and to a projected 6.5 percent in 2015 (from 3.3 percent in 2013), led by a combination of growth in imports from strong economic activity and a contraction in exports stemming from low oil prices and a temporary shutdown in the Cartagena Refinery. The deficit was financed primarily by portfolio inflows<sup>13</sup> and foreign direct investment. Foreign exchange reserves stood at US\$46 billion in December 2015. Colombia's external debt remains relatively low (33.4 percent of GDP), balanced between public (20.1 percent of GDP) and private (13.3 percent of GDP) sectors, and is mostly long term.<sup>14</sup> Finally, Colombia has renewed its precautionary Flexible Credit Line (FCL) arrangement with the International Monetary Fund (IMF) for US\$5.45 billion in 2015.

17. **Monetary policy has been consistent with the country's stability objectives.** Inflation accelerated after reaching a 50-year record low in 2013 (prices increased 1.9 percent year-on-year), rising to 6.8 percent at the end of 2015. The strong depreciation of the Colombian peso beginning in late 2014 put further upward pressure on prices. In light of this and despite the recent deceleration in economic activity, the Central Bank raised the policy rate four times between September and December 2015, to 5.75 percent. Colombia's flexible exchange regime has provided a first line of defense to external shocks. During the last decade, Colombia experienced a currency appreciation cycle, raising concerns about potential Dutch Disease effects.<sup>15</sup> This cycle was interrupted following changes in the external environment, with the Peso falling against the U.S. dollar from an average of COP 1,797 in 2013 to COP 3,410 on February 16, 2016. This result was mostly driven by a 'flight to quality,' a phenomenon that describes capital movements from high to lower risk investments, reflecting the less favorable external conditions and increased global uncertainty. Overall, the Colombian authorities allowed the exchange rate to act as an effective shock absorber and did not actively intervene in the foreign exchange markets, maintaining international reserves at US\$46-47 billion throughout this period.

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<sup>13</sup> Triggered by an increase in Colombia's weight in the J.P Morgan Emerging Market Bond index.

<sup>14</sup> Term longer than one year.

<sup>15</sup> Ojeda and Trejos (2012) find that the real exchange rate has fluctuated above its ideal levels because the observed current account has been better than that predicted by the fundamentals of the economy.

**Table 1. Key Economic Indicators**

				<i>Estimates</i>	<i>Projections</i>				
	2012	2013	2014	2015	2016	2017	2018	2019	2020
Real GDP growth (%)	4.0	4.9	4.6	3.2	2.9	3.6	3.8	4.0	4.2
CPI (% change, eop)	2.4	1.9	3.7	6.8	4.7	3.6	3.0	3.0	3.0
Export growth (FOB, %)	5.6	-2.2	-6.8	-34.9	-2.2	6.4	6.3	6.1	6.0
Oil export growth (%)	11.0	2.9	-10.9	-50.9	-3.7	5.2	5.0	5.2	5.3
Import growth (CIF, %)	9.6	0.5	7.8	-15.2	-5.6	5.4	5.8	6.2	6.3
Current account balance (% of GDP)	-3.0	-3.3	-5.2	-6.5	-5.8	-4.6	-4.2	-3.8	-3.7
FDI (net, % of GDP)	4.2	2.2	3.2	2.5	2.6	3.0	3.1	3.0	3.0
Total external debt (% of GDP) <sup>+</sup>	21.3	24.2	26.8	33.4	39.3	37.6	36.3	34.9	33.2
Central Government fiscal accounts (% of GDP)									
Total revenue	16.1	16.9	16.7	16.1	15.1	15.2	15.7	16.0	16.2
Tax revenue	14.3	14.3	14.3	14.4	14.2	14.6	15.0	15.2	15.4
Non-tax revenue	1.8	2.7	2.4	1.7	0.9	0.6	0.7	0.8	0.8
Total expenditure	18.4	19.2	19.1	19.1	18.7	18.3	18.4	18.0	17.7
Current expenditure	14.2	14.6	15.3	15.7	15.7	15.5	15.4	15.2	15.0
Capital expenditure	4.2	4.6	3.8	3.4	3.0	2.8	3.0	2.8	2.7
Overall balance	-2.3	-2.3	-2.4	-3.0	-3.6	-3.1	-2.7	-2.0	-1.5
Primary balance	0.2	0.0	-0.2	-0.4	-0.6	-0.5	-0.1	0.5	1.1
Public debt (gross)	32.6	35.1	38.3	41.2	40.2	39.8	39.3	38.4	37.0
Non-financial public sector accounts (% of GDP) <sup>^</sup>									
Total revenue	28.4	28.1	28.1	26.9	26.3	26.4	26.6	26.6	26.9
Total expenditure	27.9	29.1	29.8	29.6	29.0	28.8	29.0	28.5	28.4
Overall balance	0.1	-0.9	-1.8	-2.7	-2.7	-2.4	-2.4	-1.9	-1.5
Public debt (gross)	38.2	41.9	47.6	49.8	47.3	47.3	46.5	46.4	45.8

Source: National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadística* [DANE]), *Banco de la República*, Ministry of Finance and Public Credit (MHCP), IMF, and World Bank staff projections. Note that figures presented in this table may differ from official figures owing to differences in methodology and definitions. <sup>+</sup>Public and private external debt. <sup>^</sup>Excludes Ecopetrol.

18. **Colombia's fiscal position continues to be sound, but fiscal space for further maneuvering is narrowing.** The country's fiscal rule and medium-term fiscal framework (MTFF), adopted in 2011 and updated annually, target a gradual consolidation of central government deficit to reach 1 percent in 2022 (in structural terms). Colombia has met the fiscal targets during the first three years of its new fiscal rule. Central government results in 2014 remained broadly unchanged from 2013 (structural deficit of 2.3 percent of GDP in 2014). However, subnational governments posted strong expenditure growth after the elections, contributing to an increase in the non-financial public sector (NFPS) deficit of 1.4 percent of GDP in 2014. This, combined with the effects of the exchange rate depreciation, contributed to an increase in the NFPS debt to 47.6 percent of GDP in 2014. While the impact of lower oil prices on revenues has been small in 2014, a larger impact has been observed in 2015 and will continue in 2016, as dividends and royalties from oil production are expected to decline. The 2014 tax reforms only partly compensated for the revenue drop caused by the slowdown of the economy, lower oil prices, and the expiration of temporary taxes.

19. **Colombia is expected to continue as regional top performer, but strong headwinds will slow economic growth in the near term.** While there is significant uncertainty about future oil prices, they are likely to remain low over the medium term. In addition, actions toward monetary policy normalization in the United States have increased capital markets volatility. Further increases in the U.S. interest rate could trigger capital outflows and increase the cost of financing for emerging market governments. As a result, market perceptions of Colombia's sovereign risk have increased markedly since the beginning of the oil price fall. While there are downside risks from the external side, short- to medium-term growth is expected to be driven by

domestic demand. In particular, private consumption and new infrastructure investments, which may receive an additional boost following the conclusion of the peace talks, could help attenuate the impact of external shocks. In addition, Colombia's robust macroeconomic framework should help withstand the adverse external environment. The macroeconomic policy framework rests on three mutually reinforcing pillars: (a) a responsible fiscal policy based on a credible MTF, supported by a fiscal rule; (b) a monetary policy based on an inflation-targeting regime and a floating exchange rate with moderate interventions; and (c) sound macro and micro prudential policies combined with a robust financial system.

20. **Owing to strong fundamentals and some, though limited, degree of policy space, Colombia is expected to experience a gradual recovery starting in 2017.** Lower oil prices and production disruptions are adversely affecting growth through lower exports and private investment, particularly in the oil sector. These impacts should be partially offset by the positive effects from the reopening of the Cartagena oil refinery and the fourth generation of road infrastructure investments (4G) as well as by Government efforts to stimulate the economy. Growth is expected to decline from 3.2 percent in 2015 to 2.9 percent in 2016 before recovering to 3.6 in 2017, still below its 4.5 percent long-term potential. Investment and private consumption are expected to sustain domestic demand growth in 2015. Inflation is expected to gradually slow in 2016 and return to within the target band over the projection period. The central government deficit is expected to reach 3.0 percent of GDP in 2015 and central government public debt is expected to reach 41.2 percent of GDP. Financing from multilaterals is set to increase, while international and domestic bond issuances are expected to decline through 2016-17. Fiscal accounts are set to improve after 2016 as the government implements the structural fiscal consolidation path set by the MTF. Authorities are expected to take additional corrective policy measures needed to meet the fiscal deficit target and have announced the intention to increase gross tax revenues with improvements in tax administration as well as a structural tax reform.<sup>16</sup> Improving revenue collection is also important in light of the ongoing peace negotiations and additional expenditure pressures following a successful conclusion of the talks. The current account deficit is projected to improve slowly in the medium term as the country's export composition adjusts toward larger participation of manufacturing and agriculture, benefiting from a weaker currency. Imports should moderate as the floating exchange rate acts as a shock absorber. The current account deficit is expected to be primarily financed by net FDI and, to a lesser extent, portfolio inflows.

21. **The debt sustainability analysis indicates that public debt is expected to peak in 2015 and to follow a declining path thereafter in the baseline case and in the alternative scenarios.** In the baseline scenario, the public debt-to-GDP ratio is projected to increase initially to accommodate the oil price shock, then decline continuously, from 41.2 percent of GDP in 2015 to 37 percent in 2020 (central government).<sup>17</sup> This scenario is based on the Government's consolidation plans supported by the MTF. Because a large share of the central government's debt is in local currency and on fixed terms, shocks to the interest (one standard deviation) and exchange rates (20 percent devaluation) have a modest impact on the debt trajectory. At the same time, the debt outlook does not change substantially under standard alternative scenarios.

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<sup>16</sup> The Commission of Experts for Tax Equity and Competitiveness was established in March 2015. The Government has announced that it plans to submit a package of tax reforms to Congress in the first half of 2016, based on the Commission's recommendations.

<sup>17</sup> NFPS debt follows a similar declining path.

Contingent fiscal liabilities represent a potential risk, but after a simulated increase of 10 percent in debt-creating flows, public debt would increase only slightly before following a declining trend. On the other hand, if historical growth and fiscal trends continue, public debt would decline more rapidly than under the baseline scenario. These results suggest that public debt sustainability is not a major concern in the medium term.

### C. Key Development Challenges from the SCD

22. **As noted in the SCD, economic growth is the main driver of poverty reduction and shared prosperity in Colombia.** For the period 2002-2014, economic growth explains 75 percent of the reduction in extreme poverty and 85 percent of the reduction in total poverty. Similarly, income growth is the main determinant of shared prosperity in recent years in Colombia. Labor income represents at least fifty percent of income growth for the poorest 10 percent of the population, and up to 70 percent for those in the fourth decile, in the period 2008-2014. High inequality, on the other hand, is a function of persistent inequality in incomes from all sources, with the exception of transfers, which have become more pro-poor.

23. **The expansion of well-targeted public transfers also proved effective in reducing poverty and inequality in Colombia, particularly extreme poverty.** The change in poverty associated with transfers was 16.4 percent for total poverty and 39.8 percent for extreme poverty (higher than the corresponding average changes in LAC). These patterns suggest that the safety-net expansion that took place in 2002–14 was both effective in reducing poverty—in particular extreme poverty—and well targeted. In addition key drivers behind the MPI’s decline were improvements in the health and education dimensions. On the other hand, compared to LAC as a whole, the contribution of pensions to poverty reduction in Colombia was low. This is not surprising given Colombia’s pension system, which has 1.4 million beneficiaries that are almost exclusively at the upper end of the income distribution.

24. **Territorial disparities are the main shortcoming of the downward trends in poverty and inequality in Colombia.** Some of the poorest departments (Choco, Cauca, and La Guajira) have had the smallest declines in poverty rates for the period 2002-2014. Multidimensional poverty in the Pacific and Atlantic regions has not closed its gap with Valle del Cauca or Bogotá. These contrasts stem from differential access to sanitation, infrastructure, health services, quality education, road infrastructure, and security (particularly in departments distant from main city centers and/or affected by violence). This lack of social convergence, explained by lack of investment in rural areas, is only partially compensated by oil royalties because of limited local institutional capacity to design and implement projects and policies.

25. **The armed conflict has generated millions of IDP, who are the most vulnerable to poverty.** The conflict disrupts the productive use of assets (be it land, machinery, animals) and workers, it hinders legal economic activity, and propels families into limited employment, displacement, and poverty. Even in its aftermath, the conflict will have durable impacts on inclusive growth. Global experiences show that the main challenge after a peace agreement is preventing the recurrence of cycles of violence. The recurrence or persistence of violence is sometimes the result of rival criminal organizations competing to control illegal activities formerly organized by insurgent groups. Extending citizen security to the whole population could become a prominent challenge in coming years.

26. **The increasing presence of the state in some former conflict areas, combined with structural reforms and a favorable external environment, set the conditions for the extractive boom experienced in the last decade; however, the performance of non-extractive tradable sectors has lagged behind, especially because of slow productivity growth.** Oil and mining have nearly doubled their participation in the economy over the past decade to about 12 percent currently, whereas tradable sectors such as agriculture and manufacturing industry have seen their share in economic activity reduced by three percentage points each, to slightly over 6 and 12 percent respectively.

27. **The effect of economic growth on poverty reduction in Colombia was driven primarily by favorable labor market outcomes (more jobs and higher wages per job), but challenges remain.** The labor market is still characterized by high rates of unemployment and informality, the former attributed to high minimum wages and the latter to complex and expensive employment protection legislation. However, not all of informality and unemployment can be

attributed to institutional settings. Education and uneven regional development also play a role in explaining informality, average wages, and inequality. Moreover, wage gaps by gender<sup>18</sup> and race also show disparities that cannot be fully ascribed to differences in human capital accumulation, and which hint at problems of inequality of opportunities in the labor market. The main obstacles

#### **Box 2. The Havana Peace Dialogues on Colombia**

The Colombian government has been engaged in peace talks with the country's largest rebel group, Revolutionary Armed Forces of Colombia (FARC), since November 19, 2012. The two parties agreed to hold peace talks in Havana, Cuba.

The dialogues are formally guaranteed by Norway and Cuba, and are additionally sponsored by Chile and Venezuela. To advance the dialogue process, the negotiators agreed to a fixed agenda before formally beginning the negotiations. The agenda is based on a signed preliminary General Agreement that functions as a framework, defining the demands that can be made.

The current peace talks are following an agenda composed of six points. These points attempt to cover both the causes and the effects of the conflict. The points regarding rural reform and political participation can be seen as an attempt to solve the causes of the conflict, while the one regarding victims clearly deals with the consequences. Drug trafficking, one of the main aggravators of the violence, is covered as a separate subject. Each of the agenda points must be agreed by both parties before a final peace deal can be reached. Of the six points, agreement has been reached on four, one is currently being negotiated, while the last one, on the implementation of the comprehensive agreement, is pending.

On September 23, 2015, GoC and FARC signed the transitional justice agreement, following a historic meeting between President Juan Manuel Santos and FARC leader "Timochenko" in Havana. Reflecting the significance of transitional justice within the broader peace negotiations, President Santos signaled that a signed peace accord with the FARC would be expected within six months (by March 23, 2016). On December 15, 2015, the parties formally announced and released the text of the fourth point of agreement, related to Victims Reparations. For the first time in the process, FARC apologized to the victims and accepted its responsibility for reparation to those victimized during the armed struggle.

<sup>18</sup> The SCD concluded that education is critical to understanding wage differentials by gender and race. The average male-female wage gap has remained at around 13 percent in the mid-2000s, a decline from the 18 percent recorded in the early 1990s. More recent data reports an even higher male-female wage gap (DNP 2013. "Informe de seguimiento de los objetivos de desarrollo del milenio" reports average gender wage gaps above 20 percent for years 2010-2012, using data from Gran Encuesta de Hogares). In this case, there is a wide literature that reports that wage differentials between men and women are largely unexplained (i.e., are due to unexplained differences in returns to similar characteristics) and that an important occupation segregation prevails. (See: Hoyos, Ñopo and Peña. 2010. "The Persistent Gender Earnings Gap in Colombia, 1994-2006," IDB Working Paper, IDB-WP-174). Unexplained wage differentials are higher in the two extremes of the earnings/education distribution: it is larger among the less and the most skilled.

to inclusive and sustainable growth, their specific impacts, and their connection to Colombia’s defining characteristics are synthesized in Table 2. The SCD also identified a number of “systemic issues” regarding Colombia’s middle-income status and its related future aspirations and needs. These include government policy shortcomings in the areas of trade, financial sector, taxation, pensions, and disaster risk management.

**Table 2. SCD: Challenges to Inclusive and Sustainable Growth in Colombia**

	Uneven Territorial Development	Armed Conflict	Extractives-based growth	Systemic
<b>GROWTH</b>	Investment gap in physical infrastructure, especially transport, partially due to institutional constraints	Land tenure and land market institutions hinder growth	Slow total factor productivity (TFP) growth in non-extractive activities, linked to limited exposure to domestic and external competition	Limited trade openness / Financial sector provides insufficient support to individuals and small firms / Inadequate provision of productive skills
<b>INCLUSION</b>	Gap in service delivery (education, health, housing) partly a consequence of limited services delivery capabilities at the local level and fragmented social protection system	Affected municipalities and IDP suffer losses of productive assets and means for coping with risks, as a consequence of the armed conflict		Tax and transfer system has limited impact on inequality / High costs imposed by labor regulations and unequal employment opportunities
<b>SUSTAINABILITY</b>		The fiscal cost of compensations and reparations in the post-conflict era	Volatile natural resource public revenues	Fiscal consolidation heavily skewed toward public expenditure reduction / Unfunded and regressive pensions
<b>Fiscal</b>				
<b>Social</b>	Regional social unrest, unrelated to armed conflict	Lack of citizen security as consequence of both armed conflict and its legacy of increased common violence		
<b>Environmental</b>	High pollution levels in large cities	Insufficient forest and land management in post-conflict areas	Insufficient environmental regulation of oil and illegal mining activities	Inadequate disaster risk management and adaptation in the face of worsening natural disasters and climate change

Source: Colombia SCD, Introduction, page 12 and Chapter V, page 109.

**28. Structurally, lower international oil prices and uncertainties about future production impose challenges for maintaining high growth rates under an extractives-driven model in the short and medium terms.** Since mid-2014, oil prices have dropped significantly. This drop seems to be driven by structural changes in supply (new technologies significantly increased

production in the U.S.) and in demand (slower growth in China). In addition, Colombia's current proven oil and gas reserves are estimated to last seven to eight additional years. Oil production is expected to peak in 2018 and then decline slowly to less than 0.8 million barrels per day in 2035. Reserves and future production in Colombia are difficult to estimate, however, because exploration in much of the country has barely started and there is great uncertainty about future discoveries.

29. **Going forward, Colombia's economic performance will be closely linked with its ability to successfully transition to a lower oil price equilibrium and to promote productivity and competitiveness in non-extractive activities.** While Colombia possesses fiscal and monetary buffers that will help in the transition, the government will need to address its relatively large reliance on commodity revenues and reconsider the country's use of these (now) scarce resources. Challenges related to promoting productivity and competitiveness beyond extractives include (a) addressing low trade integration by reducing transportation costs, tariffs, and non-tariff barriers to trade; (b) reducing barriers to domestic competition and information gaps that discourage innovation; (c) reducing barriers to competition in the financial sector, to expand access and reduce the cost of credit; (d) improving access to education at all levels and aligning the supply of tertiary education to market needs; and (e) integrating lagging regions through better connectivity and business climate, particularly security and property rights.

30. **Environmental sustainability and resilience issues are also closely tied to Colombia's future development.** Three main issues come into play. First, one of Colombia's greatest opportunities—access to its under-utilized rural areas facilitated by potential peace—is simultaneously the source of its greatest risk to long-term natural resource sustainability. Inadequate forest, land, and natural resource management and land-use planning (including in the oil, mining, and agricultural sectors) would lead to deforestation and land degradation in economically and environmentally suboptimal ways. Second, by virtue of the country's geography, Colombia faces high risks associated with worsening natural disasters and climate change. Inadequate disaster risk management in urban, coastal, and agricultural areas (including the need for agriculture to adapt to climate change) would allow the current trend of high and increasing costs of natural disasters to continue. Third, high pollution levels, particularly air pollution in Colombia's largest cities and low levels of waste-water treatment, threaten both public welfare and economic growth (through adverse impacts on competitiveness). For all of these issues, early action will avoid potentially large downstream costs.

### III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

#### A. Government Program and Medium-term Strategy

31. **The new National Development Plan sets agenda for 2014-2018 on three main pillars: (a) Colombia in peace, (b) equitable Colombia and without extreme poverty, and (c) Colombia, the best educated.** Approved by Congress and published in June 2015, "*Todos por un Nuevo País/Everyone for a New Country*"<sup>19</sup> also includes six cross-cutting strategies and six regional strategies. The cross-cutting strategies define the type of policies to be undertaken to achieve peace, equity, and education. These strategies are (a) competitiveness and strategic infrastructure; (b) social mobility; (c) transformation of rural areas; (d) security, justice, and democracy for building peace; (e) good governance; and (f) green growth. The regional agenda

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<sup>19</sup> See Ley 1753 of 2015 at *Diario Oficial*, June 9, 2015.

includes specific policies for six distinct regions: (a) prosperous, equitable, and without extreme poverty (Caribbean); (b) innovative human capital for *Antioquia* and the coffee axis; (c) connectivity and sustainability in Central-Eastern region; (d) equity and environmental sustainability in the Pacific region; (e) environment, human capital and agroindustry in *Los Llanos* region; and (f) opportunities and peace, rural development, and environmental conservation in *Amazonía* and Central-Southern region.

32. **The NDP includes a National Investment Plan which allocates resources in line with the ambitious quantitative targets to be achieved by 2018.** This investment plan budgets COP 703.9 trillion at 2014 prices (equivalent to US\$305.2 billion at the market exchange rate) to selected areas of each of the cross-cutting strategies of the NDP. Consistent with its regional focus, the investment plan also includes detailed allocations per region. Among its targets, for instance, are to reduce rural poverty from 42.8 percent to 36 percent and the homicide rate from 27.8 to 23 per 100,000 inhabitants; to reduce multidimensional poverty from 24.8 percent to 17.8 percent, monetary poverty from 30.6 to 25 percent, and the Gini coefficient of income inequality from 0.54 to 0.52; and to increase the coverage of high-quality tertiary education from 14.2 to 20 percent, and in high school from 41.3 percent to 50 percent.

## **B. Proposed WBG Country Partnership Framework**

### ***1. Lessons Learned from Implementing the Previous Country Partnership Strategy***

33. **Capacity constraints, political economy factors, and conflict at the subnational level can severely delay implementation.** Work at the subnational level continues to be constrained by weak capacity, local political instability, and the risk of operating in conflict-affected areas. Subnational regulation is constrained by excessive bureaucracy and lack of mechanisms to facilitate operations. Credit to municipalities is constrained by a lack of effective financial management, and the lack of coordination between municipalities, entailing limited flows from national income. While the Sub-National Capacity Strengthening project aims to address these constraints in the medium term, project preparation and implementation arrangements need to take these constraints into account. This is particularly important as WBG support is increasing for the country's Pacific region and other disadvantaged territories, where conflict-related issues further constrain project implementation. Implementation support missions have to ensure safety of staff and maintain a strict security protocol, devised jointly with the LCR's security advisory group. Also implementation arrangements and contracting procedures have to account for the increased risk consequent upon potential exposure to situations of conflict and possible rent-seeking by illegal groups.

34. **Flexibility and a complementary approach to the choice of instruments have proven successful and should be maintained.** In Colombia, policy implementation has traditionally been supported by technical assistance (TA)—though in recent years, the Bank has moved away from small, self-standing TA in favor of larger investment project financing with TA components. However, TA has proven to be effective in the context of Development Policy Financing (DPF) to ensure that sectoral agencies are able to implement the reforms. In this context, the use of programmatic approaches (PAs) by the Bank and the International Finance Corporation (IFC) has not only helped to reduce fragmentation and ad hoc approaches to the provision of knowledge services, but has also improved complementarity with financial services and increased the effectiveness of advisory activities. South-South Knowledge Exchanges are most effective when

integrated in programmatic engagements. Coordination between Bank and IFC is effective at the country office level owing to regular communication and strong relationships, and having resulted in joint engagements under a single PA. Examples of this integrated umbrella approach include the Colombia Deep Dive,<sup>20</sup> the Programmatic Approach on Post-Conflict Support as well as the Programmatic Approach on Innovation; all of these have directly influenced *Consejo Nacional de Política Económica y Social/CONPES*<sup>21</sup> decisions and/or served as instruments to harness support by WB, IFC, and Multilateral Investment Guarantee Agency (MIGA) toward one common objective.

**35. There has been an increasing focus on gender-related activities in the portfolio, but a more strategic and consistent approach to promoting gender equality through the Bank's interventions is needed.** The number of gender-informed projects, including DPLs, rose from 40 to 83 percent between FY10-11 and FY12-13 and dropped to 60 percent in FY14/15. However, most of these operations were not gender-informed in all three dimensions (analysis, actions, monitoring and evaluation). Actual impact on gender equality has thus been modest. A pertinent recommendation from an internal and external review of similar operations in Brazil that will guide efforts going forward in Colombia is the need to improve support beyond supervision activities, including through technical assistance to support the strengthening of the (often recent and rather weak) institutions charged with implementing gender equality policies.

## ***2. Overview of the World Bank Group Partnership Framework***

**36. The CPF program lies at the intersection of GoC demand, the priorities identified in the SCD, and the WBG's comparative advantage** (see Figure 1). Colombia's NDP defined the broad areas of strategic engagement; these were narrowed down by the main development challenges identified<sup>22</sup> and ranked<sup>23</sup> in the SCD (see Table 2);<sup>24</sup> the comparative advantage of the WBG in the Colombian development context and Government demand then identified objectives within the broad engagement areas.

**37. The WBG program will focus on three broad areas of intervention, territorial development, social inclusion and extractives-based growth. Government demand benefits from the strong and dynamic client relationship the WBG enjoys with the Colombian authorities.** The WBG will not be directly addressing armed conflict, which is better handled by the wider UN system. The authorizing environment for the proposed partnership framework was ascertained in high-level consultations.<sup>25</sup> GoC requested WBG assistance to close gaps identified

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<sup>20</sup> A results story on the “Colombia Deep Dive: Building Local Currency Bond Markets to Finance Infrastructure” can be found at <http://www.worldbank.org/en/results/2015/09/22/colombia-deep-dive-building-local-currency-bond-markets-to-finance-infrastructure>.

<sup>21</sup> The National Council for Economic and Social Policy (CONPES) was established in law in 1958. It is the highest national planning authority and serves as an advisory body to the Government on all aspects of economic and social development and coordinates the related agencies for decisions on economic and social policy. DNP acts as the Executive Secretariat of CONPES.

<sup>22</sup> This step also identified areas where the WBG will not engage even though they pose critical constraints to development (e.g., defense, drugs, external relations and national territory, and national policies related to particular indigenous groups).

<sup>23</sup> For a description of the ranking of Colombia's development challenges see Colombia SCD, Chapter V, pp 108-114.

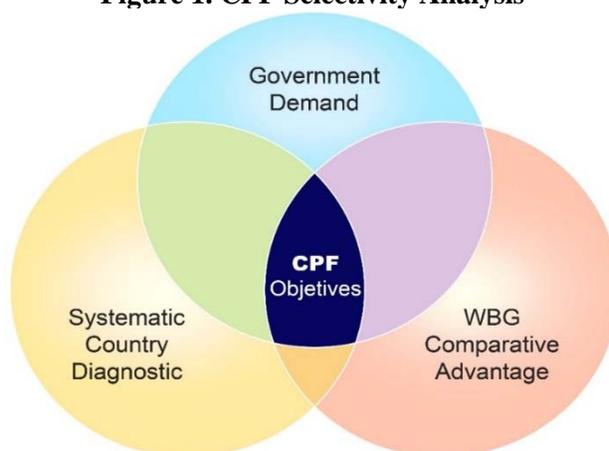
<sup>24</sup> Annex 2 presents a detailed linear analysis of the relation between SCD priorities and the NDP.

<sup>25</sup> In addition, an online consultation process gathered feedback from civil society and the private sector, building on the same set of stakeholders that were extensively consulted under the SCD.

in the NDP. Government demand was especially strong for assistance in strengthening territorial development, implementing the “*Plan Pazcífico*,” (see more details on this government plan in para 66) supporting Colombia’s OECD accession, improving quality education, and supporting the peace agenda.

38. **The CPF objectives cannot address all priority challenges identified in the SCD. The challenge of unfunded and regressive pensions—identified as a systemic challenge to fiscal sustainability and social inclusion—is not included due to a lack of government demand at this point in time. Equally, the authorities have not requested the Bank to address the problem of cumbersome labor regulations and unequal employment opportunities, which were also identified as systemic challenges to social inclusion. The WBG stands ready to provide support over the course of the CPF, if client demand emerges.**

**Figure 1. CPF Selectivity Analysis**



39. **The Bank’s comparative advantage derives from experience, lessons learned, and its global expertise.** Three examples will illustrate how comparative advantage in the Colombian context has a bearing on selectivity. First, experience from project implementation at the subnational level in a water and sanitation project in the La Guajira department demonstrated critical bottlenecks of working in low-capacity environments. The lessons learned from turning this longstanding problem project into a well-performing operation have enabled the Bank to enter similar working environments much better prepared and informed, prominently including in the specific Colombian context. Second, the Bank can build on longstanding support to mass-transit systems and urban development in Colombia, such as Bogota’s *Transmilenio* system,<sup>26</sup> and outcomes from a series of policy-based lending to develop sustainable cities, including by adding its broader global perspective so as to link issues such as climate-change, disaster-risk mitigation, and infrastructure finance.<sup>27</sup> Thus, the Bank can help to potentially turn simple transport projects into a transformative agenda for competitive cities, as envisaged under in the third pillar. Third, the Bank’s experience in successfully engaging in Colombia’s agriculture and environmental sectors can inform client efforts to integrate global best practice and knowledge such as is the case in the Rural Productive Partnerships Project.

40. **IFC and MIGA have supported of private sector investment and development, particularly in infrastructure and capital markets programs in Colombia.** IFC has taken a

<sup>26</sup> See Colombian Cities: More Livable, Green, and Inclusive, at <http://www.worldbank.org/en/results/2013/04/03/colombian-cities-more-livable-green-and-inclusive> and Better Transport, Water and Sanitation for the Urban Poor in Bogota, at <http://www.worldbank.org/en/results/2015/08/13/better-transport-water-and-sanitation-for-the-urban-poor-in-bogota>.

<sup>27</sup> See further information on WBG integrated work in the financial sector under the Deep Dive initiative to increase financing options for Colombia’s critical infrastructure gap, at <http://www.worldbank.org/en/results/2015/09/22/colombia-deep-dive-building-local-currency-bond-markets-to-finance-infrastructure>.

programmatic approach in both areas with several large, innovative, and important projects. Most notably, IFC was invited to participate as a strategic partner in *Financiera de Desarrollo Nacional* (Bank for National Development/FDN), a specialized financial institution that will mobilize funding for Colombia’s infrastructure projects, including a new toll-road program. In addition, IFC has also issued local currency bonds and assisted in the first bond issuances of Tier II financial institutions in the country. MIGA’s comparative advantage is evident in providing a variety of distinct guarantee products, risk insurance, and credit enhancement products, which could be significant enablers for the infrastructure finance agenda.

41. **Through the selectivity process, the CPF program will support eight specific objectives organized in three main pillars** (see Figure 2): (a) Fostering a Balanced Territorial Development; (b) Enhancing Social Inclusion and Mobility through Improved Service Delivery; and (c) Supporting Fiscal Sustainability and Productivity. The theme of “Assisting in Constructing the Peace” will cut across all pillars.

**Figure 2. CPF Pillars and Objectives**



***PILLAR I: Fostering Balanced Territorial Development***

42. **Sustainable, inclusive, and equitable territorial development is a top national priority for Colombia.** Regional disparities are high and suggest that development fails to include large population groups. Colombia’s regions face disparate challenges, depending on location, economic specialization, environmental features, and incidence of social unrest and armed conflict. Under Colombia’s territorial classification, 75 percent of the population is considered urban.<sup>28</sup> Colombia’s main urban agglomerations act as engines of regional growth and poverty reduction, with benefits that should spill over into the rural hinterland; however, urban networks are disconnected because Colombia has one of the least developed transport infrastructures in Latin America, and urban-rural linkages are still weak, leading to a low spillover effect and a two-tier economy with many rural households left behind.

<sup>28</sup> Notwithstanding this, Colombia maintains a strong rural character: 970 of 1,102 municipalities for which data are available, are ‘predominantly rural,’ with population densities below 150 inhabitants/km<sup>2</sup>.

## Objective 1: Strengthened Public Management Capacity to Support Territorial Development

43. **The CPF will support GoC in implementing territorial development as a national strategy.** The WB will support the government in implementing planning tools to improve the institutional capacity of central and subnational governments to design and execute investment projects and to enhance their impact. These include performance contracts (*Contratos Plan*) to establish a clear framework for improving territorial management, including subnational planning of public investment projects; spatially integrated territorial development plans (*Planes de Ordenamiento Territorial*) that foster economic integration of rural and urban areas; and the implementation of a “multi-purpose” rural-urban land cadaster. Bank support to GoC’s new policy and institutional framework for this cadaster aims to produce accurate and up-to date information, consistency with the property registry, and integration with other territorial information systems<sup>29</sup> so as to strengthen central and local governments in their functions of territorial planning, regularization of property rights, land management, revenue mobilization strategies, and prioritization of public investments.

44. **The CPF builds on the WB’s engagement with the GoC over recent years to strengthen critical public management capacities at the subnational level, including through the Subnational Institutional Strengthening Project.** Uneven institutional development is one of the key factors contributing to Colombia’s uneven territorial development. Although more resources for the poorest regions are needed, they are not a sufficient condition to close the gap; building capacity to manage those resources efficiently and provide adequate service delivery in sectors such as water, transportation, housing, credit, education, and so forth are essential (as further discussed in Pillar 2). The CPF recognizes that territorial development unfolds within the specific institutional responsibilities and capacities of subnational governments, municipalities, departments, and the recently created *Órganos Colegiados de Administración y Decisión*—a special purpose vehicle to plan and execute regional investments).

45. **Better linking the urban and rural policy agendas as outlined in the GoC’s *Misión Ciudades* and *Misión Rural*, respectively, will be critical to catalyze regional development and growth.** Adjusting the CPF’s instruments to the heterogeneity and specificity of territories (large metropolitan areas, intermediate and small cities, remote rural localities) will be essential. Sectoral approaches may have to be complemented with more integrated and comprehensive territorial approaches. These involve the definition of territory as a rural-urban continuum with endogenous growth potential based on the mobilization of under-used local resources and promotion of regional development through the institutional, productive, and social transformation of the territory.

46. **Agriculture is an important priority for GoC’s territorial development and post-conflict agendas.** GOC recently created a number of specialized agencies to support implementation of new policies on agriculture and integrated rural development (e.g., National Land Agency, Rural Development Agency, and Agency for the Renewal of Territories). The Bank stands ready to support this new institutional framework, along with the programs and projects that the newly-formed agencies are expected to launch. The Bank-supported Rural Productive Partnerships Program (*Alianzas Productivas*) has been identified as a flexible mechanism that

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<sup>29</sup> The Bogotá Urban Services Project (P074726) updated Bogotá’s cadaster and is considered best practice internationally.

could address the needs of different farmer groups and production environments. It provides a cost-effective way to link farmers to markets and provide targeted investments and support services (e.g., improved inputs, extension advice, business development training) so they can produce the low-cost, high quality products needed to compete in domestic and international markets. The Bank and GoC are currently exploring ways that this mechanism could be scaled up under the CPF and modified to address the country's evolving priorities, including targeted support to areas that suffered most from the conflict and alternative livelihood opportunities to those engaged in the cultivation of illicit crops. Complementary investments in access to financing, road infrastructure to link regions to dynamic national and international markets, electrification for income-generating activities, water storage and irrigation, among others, represent some of many opportunities to promote such an integrated approach.

***Cross-Cutting: Constructing Peace by Supporting Institutional Capacity and the Transitional Justice Agenda***

47. **A key challenge to post-conflict territorial development is distorted land property rights in vast tracts of Colombia.** WBG will contribute to the design and initial implementation of the multi-purpose rural-urban cadaster through a pilot of 11 municipalities covering some 60,000 properties, updating the cadaster by financing field work (e.g., cartography). This will provide a foundation for updating of property tax values, facilitate efforts to formalize land titles through the property registry, and can enhance land distribution—a key component of the peace agreement. It is expected that the design emanating from this exercise would be scaled up to the rest of the country. The Bank will engage with the Government on region-driven development agendas and investment opportunities in other areas, including possible financial support to overhaul the multi-purpose cadaster and address related policy reforms.

48. The Government's land restitution policies have served as a channel through which displaced individuals have the opportunity to reclaim property lost during the internal conflict. However, the potential for a peace agreement has raised important questions about the number of such claims that could be received, and how the Government can best prepare to process such claims. Given the special nature of transitional justice in the peace agreement, the Government and the Bank are currently discussing future support related to the design of a local justice strategy specifically focused on rural areas, as well as the design of tools for supporting an adequate implementation of the justice services created under the redesigned transitional justice framework so as to guarantee their effectiveness and expeditiousness. The Bank has prepared initial estimates of the potential number of land restitution claims that the Government may receive, and a second round of analysis has been discussed with the Land Restitution Unit as part of a possible technical advisory program financed by the Multi-Donor Trust Fund for Peace Consolidation and Post-Conflict Support to Colombia.

49. In the post-conflict implementation phase, the Bank will support Government efforts to establish a pooled funding mechanism (*Fondo Colombia en Paz*) to support the post-conflict transition by aligning its Multi Donor Trust Fund for Peace Consolidation and Post-Conflict Support. The goal of this initiative will be to establish a single coordination platform for all agencies contributing grant resources.

50. With a view to the immediate future, GoC has begun preparations for a Rapid Response Plan (also known as the "Stabilization Plan"). It defines between 50 and 220 municipalities where the armed conflict has caused the most significant impact and presents a series of interventions (more than 15) as part of a menu of critical confidence-building measures to improve the outcomes of the much longer peace-building process. The Bank continues to provide technical assistance and state-of the art global expertise for this effort.

51. **Expected results under objective 1.** In line with the above, the program aligned with this objective aims to substantially increase the percentage of municipalities that comply with goals of their municipal development plans, demonstrating their improved public management capacity. Activities will also evaluate current institutional frameworks and make at least two recommendations for potential reforms in the post-conflict environment. In addition, the Victims Unit will have adopted a framework for the implementation of collective reparation projects and at least seven municipalities will have updated parcels in the land cadaster.

## Objective 2: Enhanced Capacity for Natural Resource Management in Target Regions

54. **The CPF will take into account territorial heterogeneity and specificity to support GoC’s vision for green growth policy for the next 15-20 years (*Misión Crecimiento Verde*).**<sup>30</sup>

Recognizing the effects of climate change on its development, Colombia is proactively prioritizing low carbon growth resilience and environmentally sustainable development principles in its planning and green growth strategy. Thus, GoC intends to reduce greenhouse gas emissions by 20 percent (30 percent with international contributions) against the business-as-usual model by 2030, and is emphasizing sustainable management of its immensely rich natural capital (mainly non-renewable oil and mining, but also land, water, biodiversity, and forests).

55. **WBG support to GoC’s green growth strategy will be adjusted to the specifics of the different regions and include a rich program of policy support, investment and knowledge activities.** At the national level, a programmatic DPF series (first phase approved in November 2015) will promote policy and institutional actions to support various dimensions of green growth, including renewable energy, sustainable transport, environmental health, and disaster risk management, among others. Lessons emerging from current investments, such as those made under the Mainstreaming Sustainable Cattle Ranching Project, highlight the relevance of improvements in productivity and climate resilience as key drivers of adoption of sustainable production systems. The experience and lessons learned from this project will inform the design of sustainable, climate-smart investments in the Orinoquia and Amazonia regions, as well as in deforestation hotspots throughout the country. The CPF will help promote investments in sustainable production systems and climate-smart land use through the BioCarbon Fund *Orinoquia* Sustainable Landscape Program. In the *Amazonía* region, the focus on biodiversity conservation and reduced deforestation will be key elements, along with providing opportunities for development and integration into the global economy for its population. The CPF will consider supporting country efforts to scale-up adoption of sustainable and climate resilient systems, and the implementation of associated sectoral policy frameworks (e.g., livestock Nationally Appropriate Mitigation Action/NAMA, and a sustainable livestock policy framework). The CPF will also support efforts to foster sustainable and integrated management of river basin water resources, such as for *Rio Bogotá*. There are also strategic opportunities to strengthen resilience in the agriculture and energy sectors, which are highly reliant on water resources and thus vulnerable to the variability of climate and hydrology, as illustrated during the recent El Niño drought events.

56. **The Amazon.** Colombia announced an ambitious goal of reaching zero net deforestation in the Colombian Amazon by 2020. This will require the scaling up of low-carbon development models in all of its forested areas. Bank support will consist in fostering cross-sectoral policy coordination among sectors driving deforestation (e.g., agriculture, extractive industries, and infrastructure) within an integrated landscape management, while ensuring the conservation of highly valuable areas. Through Global Environment Facility (GEF) funding and complemented with knowledge services, the Bank will support GoC’s agenda in the Amazon to strengthen

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<sup>30</sup> OECD defines green growth as “fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this, it must catalyze investment and innovation which will underpin sustained growth and give rise to new economic opportunities.”

governance and governmental capacity within municipalities and departments to design and implement regional plans to reduce and prevent deforestation. Through a regional program spanning Colombia, Brazil, and Peru, the Bank will support the design of an integrated approach to sustainable management of a significant portion of the transboundary Amazon ecosystem.

57. **Rio Bogotá.** The metropolitan area of Bogotá, whose population exceeds 8 million, discharges all of its wastewater into the Bogotá River, of which only 20 percent receives primary treatment. The Bogota District Government, in conjunction with the Cundinamarca Environmental Authority and the national government, is undertaking an ambitious program to improve environmental conditions in the Bogotá River. Under the CPF, the Río Bogotá Environmental Recuperation and Flood Control Project seeks to transform the highly polluted river into an environmental asset for Colombia's metropolitan capital area by investing in the upgrading and expansion of the Salitre wastewater treatment plant, reducing flood risks, and creating multi-functional recreational areas along the river. The integrated water management plan for the entire Rio Bogotá basin will aim to ensure water security to the different human activities and ecosystems in the catchment, through sustainable management of natural resources and the water infrastructure and disaster risk management.

*Cross-Cutting: Constructing Peace by Helping to Balance Uneven Territorial Development*

58. **The territorial approach in this CPF takes into consideration the special conditions of post-conflict in several of the regions, particularly in Orinoquia.** Orinoquia is often referred to as the new agricultural frontier in Colombia. Two decades ago, land-use in the region was largely limited to extensive cattle ranching and low-input traditional agriculture; however, the growing demand for food, feed, and (bio)fuels is pushing modern, mechanized agriculture and associated infrastructure into one of the world's last reserves of arable land. According to the NDP, and the "*Plan Maestro de la Orinoquia*", Orinoquia is one of the focal regions to achieve a Colombia in Peace. GoC's NDP vision for Orinoquia's growth and welfare-generation agenda is anchored on three pillars: environment, agribusiness, and human development, including through sustainable, low carbon agricultural development. The BioCarbon Fund Initiative for Sustainable Landscapes and related technical assistance will strengthen territorial land management to help ensure that sustainable production systems do not cause new pressures on natural forests. Under a territorial approach, production systems would be promoted in accordance with pre-established zoning and, if possible, land-use planning instruments of territorial entities.

59. **Artisanal and small-scale mining links to the peace process.** The exploitation of metals and precious gemstones constitutes a significant part of Colombia's economy. Mining (principally coal, gold, and nickel) represents 7.8 percent of GDP. According to 2014 estimates, some 300,000 people are directly involved in artisanal and small-scale mining (ASM), of which 200,000 might be involved in gold mining. Poor oversight of small scale mining and artisanal mining often leads to the appearance of illegal activities and induces conflict, and is thus an important element in the peace process. The Bank is ready to support GOC in restructuring the mining sector and adopt a National Policy for the Formalization of Mining; such support could range from the preparation of a formal ASM policy to pilot projects for testing new, cleaner technologies for the processing of gold and other minerals.

60. **Expected results under objective 2.** The program aligned with this objective will increase the area brought under environmentally friendly cattle ranching production systems to 63,000 hectares, and increase the area in the Amazon region brought under protection measures to 2,700,000 hectares. In addition, the effluent discharge into Rio Bogota will meet specified environmental standards as a result from the Salitre wastewater plant financed under the Rio Bogota project. Greenhouse gas emissions in the *Orinoquia* region will be substantially reduced at a yet to be determined level.

## ***PILLAR II: Enhancing Social Inclusion and Mobility through Improved Service Delivery***

61. **Uneven territorial development results in differential access to basic services.** Access to and quality of basic services, such as water and sanitation, health services, education, and justice and social services are limited in departments distant from main city centers and/or areas affected by violence. Despite impressive gains, most of the Colombians who have escaped poverty in the last decade did not ascend to the middle class, but are considered vulnerable of falling back into poverty.<sup>31</sup> Although a recent estimate<sup>32</sup> indicates that for the first time in history Colombia had more people in the middle class than in poverty (30.2 percent compared to 28.5 percent),<sup>33</sup> almost 40 percent of Colombians in 2014 remained vulnerable to falling back into poverty. These individuals are most likely to be found in the informal sector and to be more vulnerable to a combination of shocks. Social mobility requires broadened access to and improved delivery of basic services; increased social inclusion requires greater efficiency and effectiveness of social safety nets; both, social mobility and inclusion require the maintenance of recent socio-economic gains.

62. **Colombia's education system, labor markets, and social protection policy show recent successes.** Social expenditure equivalent to more than 9 percent of GDP (as compared to a regional average of 8.4 percent) and greater access and returns to the labor market can partially explain the recent success in upward economic mobility.<sup>34</sup> School enrolment rates have risen in the past decade, with notable increases in secondary and tertiary education.<sup>35</sup> Unemployment rates have recently fallen to the single digits, while a broad range of social programs continue to expand to protect against all types of risk faced by individuals throughout the life-cycle, including illness and unemployment. The wide-reaching *Familias en Acción* cash transfer program is responsible for more than 30 percent of the decline in extreme poverty experienced over the past 10 years. Colombia has also maintained its near universal health insurance coverage (98 percent of the population) and guaranteed a single benefit package to all beneficiaries, regardless of whether they pay into the system, thereby eliminating inequity in coverage and poverty-inducing expenses.

63. **Maintaining and increasing these social gains in a fiscally sustainable manner is a challenge.** Measures will have to be found to support the significant number of poor people, particularly in rural and other lagging areas, while identifying innovative policy options within the social protection system to meet the social challenges of the emerging non-poor, predominantly found in urban areas. Despite gains in intra-generational mobility partially explaining the new socioeconomic configuration in Colombia, the country remains one of the most inequitable in the

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<sup>31</sup> Defined as living on US\$4-10 a day.

<sup>32</sup> These figures reflect a lower bound threshold for the middle class of US\$10 a day per capita and an upper bound of \$50 a day. The lower bound of \$10 a day reflects a level of income at which the probability of falling back into poverty is less than 10 percent. (For more detail, see Ferreira, F. H. G., J. Messina, J. Rigolini, M. A. Lugo, R. Vakis and L. F. López-Calva. 2012. "Economic mobility and the rise of the Latin American middle class." World Bank Publications.)

<sup>33</sup> Notwithstanding this progress, the size of the Colombian middle class lags behind other countries in the region, including Argentina, Brazil, Chile, and Mexico.

<sup>34</sup> In the LAC region, Colombia only ranks ahead of the low-income countries of Haiti and Honduras in terms of inequality. The top 10 percent of the income distribution accounts for 42.3 percent of total income, whereas the bottom 10 percent accounts for 1.1 percent.

<sup>35</sup> From 2005 through 2014, net enrollment rates in lower secondary education increased from 62 percent to 72 percent; upper secondary rates rose from 34 to 41 percent; and gross enrollment rates in tertiary education rose from 28 percent to 48 percent.

world as measured by income inequality. This situation is exacerbated by modest inter-generational mobility driven by limited equality of opportunities.<sup>36</sup> The challenges consist of improving access to quality education and other basic social services, to foster social inclusion in lagging areas, and expanding opportunities for more productive participation of poor and vulnerable groups, thus unlocking economic potential and reducing income inequality.

### **Objective 3: Improved Access to and Quality of Service Delivery in Target Areas**

64. **In times of fiscal pressure, targeting, prioritization, and efficiency gains are critical to foster poverty reduction and economic prosperity.** To this end, Colombia needs to develop tools for coordinating and enhancing the efficacy of social policies and programs so as to support movement up the socioeconomic ladder. Prominent among the social services included under this objective is improving access and quality of water and sanitation services in the poorest regions of the country, following the territorial development approach laid out above.<sup>37</sup> In addition, support in improving health services and better integrating social protection programs are important cornerstones for possible future interventions.

65. **The WB has been supporting Colombia’s social protection and health sectors largely with knowledge and convening services.** A series of Reimbursable Advisory Services (RAS) with the National Health Superintendency (Supersalud) are supporting the development of a risk-based supervision model to strengthen the supervisory capacity of the institution. The Bank sits on several Poverty Commissions, offering guidance on poverty measurement, as well as analytic pieces incorporated into the *Plan Nacional de Desarrollo* (NDP) and the tax code. Chapter 11 of the Colombia Policy Notes,<sup>38</sup> for example, laid out the component tools to convert Colombia’s social protection programs into a system (reflected in the NDP), while recent TA and RAS have supported the development of the new *Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales* (SISBEN) as well as analytic work on existing inter-sectoral processes.

66. **The WB proposes to deepen support to design and implement tools for a more efficient social protection system that better promotes social mobility.** Colombia has established a set of social protection interventions from monetary transfers to households with children or elderly, to social care services to specific groups (e.g., the extreme poor, displaced populations, victims of conflict, or people in prioritized territories).<sup>39</sup> The proposed work aims to improve the coordination, quality, and impact of these interventions as well as the fiscal sustainability of the programs. To this end, WBG support may include tasks to (a) modernize poverty and social mobility measurement methods, particularly for rural areas, to inform development policies as well as track distributional impacts of social and fiscal policies;

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<sup>36</sup> The concept of inequality of opportunities refers to the share of total inequality that can be ascribed to circumstances at birth, such as birth place, race, gender, or parents’ income.

<sup>37</sup> The SCD notes incomplete access to water and sanitation infrastructure and services as a critical challenge to poverty reduction and increased prosperity; see SCD, page 83.

<sup>38</sup> Colombia Policy Notes: Towards Sustainable Peace, Poverty Eradication, and Shared Prosperity. The World Bank, 2014, Chapter 11. Moving Toward a Social Protection System [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/02/02/000406484\\_20150202114140/Rend ered/PDF/ACS109000REVIS0tes0text0120220140qr.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/02/02/000406484_20150202114140/Rend ered/PDF/ACS109000REVIS0tes0text0120220140qr.pdf).

<sup>39</sup> Departamento Nacional de Planeación (2105). “Tipologías Departamentales y Municipales: Una propuesta para comprender las entidades territoriales colombianas.” Dirección de Desarrollo Territorial Sostenible. Grupo de Estudios Territoriales.

(b) improve social policy planning, coordination, and monitoring through the strengthening of existing targeting tools, administrative databases, and their inter-operability as part of a more comprehensive unified social registry; (c) enhance the coordination among actors jointly responsible for addressing specific social needs, particularly in the health sector and in programs targeted to income generation and social mobility of the extreme poor; and (d) support the improvement of quality and efficiency in the health sector through results-based monitoring and the modernization of expenditure practices. IFC will focus on expansion of hospitals serving middle-income and poor segments of the population<sup>40</sup>.

67. **The World Bank Group will also support the financial inclusion agenda of the authorities as a way to facilitate upward social mobility.** The financial inclusion strategy launched in 2014 aims to facilitate access to finance by fostering the use of new technologies that provide cheaper and efficient transactional services. This is key to ensuring access to financial services in remote areas. In addition to the provision of transactional services, access to microcredits smooth consumption and enhance the welfare of poorer households. It can also facilitate access to a wider set of financial providers and better credit terms by building credit history. The Bank will continue to support the implementation of the financial literacy agenda of the authorities, which is key to ensuring demand and adequate use of financial products. IFC will advise financial institutions in the development of products to foster financial inclusion.

68. **Further, the CPF will contribute to enhancing social inclusion by reducing the inter- and intra-regional gaps in terms of access and quality of basic services.** The initial focus will be on water and sanitation. Through a multi-year program of lending and knowledge services, the Bank builds on its long-standing engagement on service delivery in large and medium-sized cities and will further expand its support to rural areas, including in conflict-affected municipalities. Balancing the need to provide essential services quickly and at scale while trying to develop state capacity will be a critical challenge in underserved areas. The partnership framework foresees interventions with a strong territorially oriented basic service delivery approach in some of Colombia's most disadvantaged areas, such as La Guajira and the Pacific coast. In addition, IFC will continue supporting *Empresas Públicas de Medellín* to improve access of low-income households to water and sewage systems.

- La Guajira. The WB has a longstanding engagement in water supply and basic sanitation in La Guajira, one of the poorest departments on the Caribbean coast and one with high exposure to conflict. The project under implementation increases water supply service quality, sanitation, and wastewater treatment in urban areas for 300,000 customers and provides water supply through reservoirs in rural, mostly indigenous, zones. Additional financing may be an option in the CPF period.
- The Pacific Coast - *Plan Todos Somos PAZcífico (Plan Pazcífico)*. In the Plan Pazcífico, the GoC has identified investments in priority basic services, such as water supply and basic sanitation, waterway transportation, and energy (the first two being supported by the CPF). The Pacific region also has urgent needs in rural electrification; while the Bank has not yet been asked for direct support, during the CPF period demand for WB global expertise might arise, in particular for low-cost rural electrification. However, the Bank's support will go beyond

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<sup>40</sup> Also referred to as 'bottom of the pyramid' and defined as those earning only US\$4-10 a day

investments for improved infrastructure for the delivery of basic services, to include technical assistance to different levels of government to coordinate access to and quality of basic services.

***Cross-Cutting: Constructing Peace by Improving Justice Service Delivery and Access to Justice***

69. **The long conflict and the lack of state presence in parts of the country has left many Colombians without access to public services in general and to security and justice in particular.** One of the main challenges for GoC is the improvement of justice service delivery. The Rule of Law Index 2015 shows great areas of opportunity in both civil justice (Colombia ranks 55 out of 102 in the global rank) and criminal justice (83 out of 102). Several executive-branch entities have responsibilities to assist in the resolution of citizens' claims. One of these entities is the *Superintendencia Nacional de Salud* (Supersalud), which has authority for solving health-related claims.<sup>41</sup> The Bank is providing support to Supersalud for improving its outreach and efficiency in handling claims. It is also working with the *Departamento Nacional de Planeación*/National Planning Department (DNP) in the design of an index for measuring the degree of unmet justice needs at the municipal level.

70. **The creation of a new government body for the Judiciary (*Consejo de Gobierno Judicial*) is expected to improve the management of the Judiciary and promote a more efficient and transparent performance.** The Bank will seek to engage with this body to improve the delivery of justice services, including through the redesign of court management models considering the implementation of oral hearings for all legal matters, the design of a case management system at the national level, and the implementation of online justice services (especially for cases typically resolved through documentary evidence). The overall objective is to build a more efficient judicial system, especially focused on resolving in an adequate and timely manner the most frequent claims brought by the citizens before the different legal jurisdictions, such as constitutional (*tutelas*), family, commercial, fiscal, labor, and criminal. The WB will continue supporting this agenda through knowledge services and stands ready to provide financial services upon government request.

71. **Expected results under objective 3.** The program aligned with this objective will have helped to develop by 2019 the methodology to monitor all socioeconomic groups relevant to track social mobility; it will have increased to three the number of databases with interoperability used for GoC's social spending programs; and it will have doubled to 30,000 the number of households with connections to neighborhood water and sanitation networks in large cities. In the Pacific region of Colombia the interventions under this objective will have provided 200,000 people with access to improved water sources. Eleven rural water reservoirs will have been constructed in the La Guajira department serving mostly indigenous populations and the water supply in participating municipalities of this region will have increased from 8 to 15 hours per day with the support of WBG interventions.

#### **Objective 4: Improved Access to and Quality of Education**

72. **To more effectively utilize labor markets for further poverty reduction and social mobility, Colombia needs to focus on better preparing and integrating workers into the economy.** This requires a renewed attention to education quality (from early childhood through tertiary levels) and the organization of labor market information and employment services, so that potential workers and employers can find each other.

73. **Ongoing work on connecting the supply and demand of labor includes TA, knowledge products, and convening services around labor observatories, labor intermediation services, and youth employment.** Over the period of the CPF, the Bank will shift its support toward

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<sup>41</sup> Although citizens can opt to take their health claims to the Judiciary, they can use Supersalud as an alternative to obtain a faster decision. There were some 130,000 health-related claims (*tutelas*) in Colombia in 2014, of which Supersalud only resolved some 2,000 claims.

supporting education quality and integration into labor markets; possible support would focus on (a) improving education quality at the early childhood, primary, secondary, and tertiary levels, (b) increasing access to good quality tertiary education, including for marginalized populations to better prepare them for the modern labor market, (c) assisting with advisory services to expand the reach of Public Employment Services, and (d) enhancing the participation of the youth in labor markets through advisory activities on programs and policy design.

74. **The WB will also support education access with financial, knowledge, and convening services, with a focus on quality, while building on projects implemented under the previous strategy.** Such projects include the Rural Education Project, which supported access to and models for quality improvements in rural schools, with a special focus on indigenous communities; the Antioquia Education Project; and the ICETEX II Project, which supports student loans to increase access to tertiary education, while strengthening the focus on quality education institutions and marginalized student populations. These projects are accompanied by analytic activities to identify global best practices for enhancing education quality and evaluations of teacher policies. The IFC intends to support the tertiary education sector through innovative models to enhance affordability and education quality. IFC will also look for opportunities to bring the use of technology to broaden education access. Similarly, IFC will provide advisory services to GoC to structure pilot public-private partnerships (PPPs) and mobilize private investments to design, construct, and equip school facilities.

75. **Expected results under objective 4.** The program aligned with this objective will have helped to maintain the first year enrollment rate of students from disadvantaged households at about 59% while also keeping the percentage of women benefitting from specific programs constant. This objective will also show results in the doubling of the number of job placements achieved through the new labor market system revised with WBG support. It is intended to increase the number of job placements to 315,000 by end of 2018.

### ***PILLAR III: Supporting Fiscal Sustainability and Productivity***

76. **To sustain high growth rates and create economic opportunities Colombia needs to diversify its economy, addressing horizontal structural constraints so as to allow the development of new industries and firms.** Colombia's extractives boom has been a blessing in many dimensions, but it poses economic challenges going forward, especially in an environment of lower international prices. Although the boom boosted foreign investment, economic growth, and government revenues, it changed the structural composition of the economy and increased its exposure to volatility through greater reliance on extractive exports and oil revenues. To sustain stable growth in a new environment of lower international prices, Colombia needs to implement fiscal as well as structural reforms that address the slow productivity growth in the non-extractive sectors.

### **Objective 5: Improved Fiscal Management in Support of Fiscal Consolidation**

77. **Lower oil prices require diversifying fiscal revenues and consolidating expenditures while proactively managing fiscal risks to ensure macroeconomic sustainability.** Lower oil prices are projected to reduce government revenues by 3 percent of GDP, while the post-conflict agenda will require substantial additional expenditures over the medium term. In this scenario, maintaining fiscal deficit targets to comply with the Fiscal Sustainability Law and the Fiscal Rule

will require both expenditure rationalization measures and a comprehensive tax reform. Despite relatively high marginal income and corporate tax rates, Colombia's tax revenue is among the lowest in the region, reaching an average of 14.3 percent of GDP in recent years. Tax reforms in 2012 and 2014 have helped improve the progressivity of the system and maintain tax collections in the face of the economic slowdown, but the tax base remains narrow and tax expenditures and tax evasion remain significant. On the expenditure side, the adjustment thus far has focused on capital spending, but there is some scope for rationalization and improvements in efficiency in other expenditure categories. Among the most significant budget lines are pensions, which only cover 37 percent of adults aged 60 and above while consuming close to 4 percent of GDP in budgetary transfers, 80 percent of which goes to the top quintile of the income distribution. A comprehensive reform of the pension system is therefore important to contribute to greater equity and fiscal sustainability. Finally, it is important to manage potential fiscal liabilities arising from a variety of risks, including financial sector risks.

78. **Fiscal consolidation is also important in preparation for the post-conflict era.** A potential peace agreement, while having the potential to boost growth in the coming years, is likely to also include significant expenditure commitments (see Cross-Cutting Box below). Satisfying these new expenditure pressures while also complying with the fiscal consolidation path set out in the Fiscal Rule will make a comprehensive fiscal reform all but inevitable.

79. **Support to the fiscal consolidation agenda will support upcoming tax reforms following the recommendations of the Commission of Experts for Tax Equity and Competitiveness,** which issued its final report in late December 2015. This work will also be supported by work on tax policy, tax administration, and public financial management. In addition to policy-based lending, a joint IBRD/MIGA operation could provide contingent funding to the deposit insurance agency, helping manage fiscal risks arising from eventual financial instability over the next decade.

*Cross-Cutting: Financing the Post-Conflict while Maintaining Fiscal Stability*

80. The post-conflict era brings significant opportunities for economic and social prosperity to Colombia. However, achieving and sustaining peace will require substantial fiscal expenditures. These include compensations and reparations associated with the Victim's Law and other agreements reached through the post-conflict process. As the peace agreements are still being negotiated, the final costs and fiscal burden are yet to be determined. However, it is clear that the implementation of the peace process in general, and in particular the early commitments contained in GoC's "stabilization plan," will have a significant impact on public expenditure projections. To meet 2017 implementation commitments, the necessary budgetary allocations will have to be presented to Congress before March 2016, to be approved by October 2016. In light of these rapid developments, most of the early confidence-building activities during 2016 might be left unfunded; hence GoC has appealed to the International Community to focus its assistance in this period. It has created an aid coordination structure led by the "Colombia en Paz" fund and expects the existing World Bank Peace and Post-Conflict MDTF to be an early channel to collaborate on this endeavor. The current estimated cost of the "stabilization plan" for 18 months is US\$470 million, with expected non-reimbursable contributions from the international community of US\$230 million. In the context of declining fiscal oil revenues, it would be paramount to consolidate existing expenditures and increase tax revenues to finance the post-conflict agenda, while preserving macroeconomic stability that would allow supporting private economic activity and economic diversification.

81. **Expected results under objective 5.** Interventions under this objective will yield results in terms of increasing Colombia's non-oil tax revenue to 14.7 percent of GDP by end 2019 and, based on a costing exercise of the Rapid Response Plan, the accommodation of associated expenditures under the Medium-Term Fiscal Framework by end 2017.

## Objective 6: Improved Business Environment and Innovation to Boost Productivity

**82. Strengthening productivity in the non-oil sectors requires a combination of horizontal reforms that improve the business environment, enhance competition, and foster innovation.**

As identified in the SCD, a variety of factors have impeded productivity and industry development in the non-oil sectors, including cumbersome regulations, low trade integration, low exposure to foreign and domestic competition, and insufficient innovation and technology adoption at the firm level. These factors have limited the integration of Colombian firms in global value chain, which in turn further hampers technology adoption and productivity gains. Addressing these bottlenecks to productivity requires a combination of structural reforms as well as improvements in the design of existing public business development support programs.

**83. The CPF will support the government regulatory simplification agenda and the design of a national competition policy.**

Doing Business reports indicate that Colombia has been the best reformer in Latin America on simplification of business regulation. However, complex procedures to start a business, enforce contracts,<sup>42</sup> pay taxes, and trade across borders, as well as restrictive labor regulations, are some of the factors that help explain large informality rates in Colombia, associated with lower productivity. Despite the signature of multiple trade agreements Colombia remains the second most closed economy in Latin America (after Brazil), with external trade accounting for only 31.5 percent of GDP. Limited trade integration deters FDI in non-extractive sectors as well as Colombian firm integration in global value chains. A variety of non-trade tariff barriers have limited external competition, which, in conjunction with high transports costs, induced Colombian firms to devote production to the internal market. Competition in non-tradeable sectors, such as telecom, transport, or finance, is also limited by a combination of regulatory barriers to competition as well as the behavior of incumbent firms with large market shares.<sup>43</sup> Advisory services will support efforts to improve the business environment in the areas highlighted as well as the design of a national competition policy and a foreign investment policy. Reforms to address these bottlenecks as well as the ones mentioned below will be supported by the Fiscal Consolidation and Economic Diversification DPF series.

**84. The Bank will finalize a revision of the public innovation programs and will support authorities in the implementation of the new innovation policy.**

Analysis of the determinants of firm-level productivity shows convergence with the domestic frontier in Colombia is correlated to research and development (R&D) expenditures and investment in capital equipment.<sup>44</sup> However, most firms do not innovate, which helps explain poor productivity performance. Low levels of R&D (0.18 percent of GDP in 2011, half of what is expected given Colombia's income level) have been linked to low competition, low management skills<sup>45</sup> and technology absorption capacity, and inadequate financing. The first phase of a public expenditure review (PER) of innovation programs

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<sup>42</sup> Colombia ranks 180 out of 189 countries with respect to the enforcement contract indicator in the 2015 Doing Business Report.

<sup>43</sup> The country ranks 101 out of 144 countries regarding extent of market dominance in the Global Competitiveness Report 2014-2015. In 2008, a cartel among freight entrepreneurs (*empresarios de la carga*, a figure defined in the regulation) was sanctioned to end price fixing agreements. However, as a result of these anticompetitive practices, truck drivers themselves entered into horizontal agreements that still seem to reduce competition and deter investment.

<sup>44</sup> Brown, Crespi, Iacovone and Marcolins (2014).

<sup>45</sup> While Colombia scores very poorly on quality of management practices, Colombian firms described their managerial practices as high quality (DNP/World Bank based on World Management Survey - Product Market Regulation Database, OECD-WB). A combination of low skills and low levels of exposure to international competition results in a lack of information about global best practices.

as well as advisory services on innovation systems have been important inputs for the forthcoming Innovation, Science and Technology Council (*Consejo Nacional de Política Económica y Social*). The aim of this new innovation entity and policy is to improve the connection between research institutions and firms, to foster technology adoption. The Bank will assist implementing this policy by improving program design in light of the final results of the PER. Further financial support could be accommodated based on government demand. In addition, activities discussed below to support competition and improve the business environment and access to finance will provide firms with incentives and means to innovate, supporting as well the implementation of the innovation agenda.

85. **Expected results under objective 6.** WBG interventions under this objective will have helped to develop a national competition policy that addresses both trade barriers and non-tradeable sectors; the aim is that by end 2020 this new policy has started being implemented. Further, in terms of improving the business environment, IFC support will have helped 860,000 SMEs to benefit from improved tax registration. In addition, interventions will increase the percentage of resources budgeted for science, technology and innovation being effectively used by firms from 16 to 50 percent by end 2018.

#### **Objective 7: Deepened Financial Intermediation for Productive Purposes**

86. **Limited mobilization of resources through the financial sector toward productive credit is a major obstacle to productivity growth.** A counterfactual exercise based on growth regression models<sup>46</sup> suggests that closing Colombia's gap in financial development (proxied by credit to GDP) with the top 10 percentile performers in LAC (i.e., doubling the level of credit/GDP) would lead to an increase of 11.5 percent in Colombia per capita GDP in five years—on average 2.2 percent a year. Lack of finance is particularly problematic for firms; 42 percent of firms and 52 percent of small and medium-size enterprises (SMEs)<sup>47</sup> considered access to finance as a key constraint to business; moreover, the situation is worse for agricultural producers and small firms in rural areas. The high cost of credit and limited competition affect the entry of new firms or expansion of productive ones.

87. **The World Bank Group will support firm access to finance by improving financial infrastructure, increasing effectiveness and reach of financial institutions, and by directly providing funds to firms in key sectors.** To facilitate firm access to finance, the WBG will continue supporting the implementation of the secured transaction reforms and the design of products to foster the use of collateralized-based lending. The Bank will also provide advisory services to redesign financial instruments provided by development banks in support of urban and rural SMEs, including, for example, public guarantees for securitization of rural micro loans and products to support firm internationalization. The Bank is also ready to support public banks through credit lines if demand materializes. Through IFC equity, sub-debt, long-term funding, and advisory services, financial institutions will be supported to facilitate access to finance of micro, small, and medium-size enterprises (MSMEs). IFC will also help develop new trade lines and focus on microfinance institutions (MFI) upscaling to small enterprises. MIGA will remain open

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<sup>46</sup> Brueckner et al. (2014).

<sup>47</sup> SME definition here follows the World Enterprise Survey: small, medium, and large firms, respectively, are those with 5-19 employees 20-99 employees, and more than 100 employees.

to opportunities to support banks in the areas of MSMEs through its political risk insurance products, including transfer and convertibility and expropriation covers, and its non-honoring/credit guarantees. IFC and MIGA aim at supporting business development in areas that have been highlighted of special importance for private sector productivity growth:

- Agribusiness. Agribusiness has great potential to contribute to diversification of the economy. IFC can improve a company's value chains and energy and water efficiency, and will support medium-sized players in competitive industries, cleaner production investments (particularly in energy efficiency and cogeneration), and South-South cooperation supporting large processing firms to expand overseas. Finally, IFC can play an important role in supporting the implementation of environmental, social, and governance best practices. These efforts would be complementary to WB support to link farmers to markets, boost productivity, and improve competitiveness and innovation, such as through a follow-up operation to the Rural Productive Partnerships Program, if such demand materializes (see Pillar 1).
- Manufacturing. IFC will focus on medium-sized manufacturing players that do not benefit from strong financial sector liquidity and look at solid developers of industrial parks as well as South-South opportunities to expand Colombian companies throughout the region.
- Mining. IFC will focus on multi-year transformational projects that can contribute to economic growth and can bring mobilization of capital through vehicles such as the IFC-managed Co-lending Portfolio Program and private equity funds. With a special focus on frontier regions, IFC can leverage advisory services with investment on revenue management and community programs.

88. **The World Bank Group will also support private capital market resource mobilization to address Colombia's large infrastructure gap.** Colombia places at 108 out of 144 countries in terms of infrastructure quality.<sup>48</sup> While total infrastructure investment has grown since 2004, it remains below 4 percent of GDP. As a result, the country's costs of internal freight transport are one of the highest in the world, with important consequences for export competitiveness. Overlapping competencies and weak institutional capacity have undermined effective implementation of regulatory reforms in transport project planning. Inflexible and volatile budget allocations have impeded a long-term maintenance strategy of the road network. In terms of private sector participation, concession agreements are subject to a high incidence of renegotiations, which has led to project delays, and high cost overruns, mostly borne by the Government. Institutional investors are key to ensure availability of financial resources to address this infrastructure gap, but suitable investment vehicles and products need to be developed. Colombia has established the legal framework for PPPs in infrastructure sectors in Law 1508 of January 2012, laying out the rules for structuring, contracting, and executing PPP transactions. The World Bank will continue to provide advisory services in areas related to project preparation, PPP structuring and design of instruments, and regulatory reforms to raise private funds in capital markets, as well as further institutional capacity building. This work will be done in close coordination with IFC and MIGA and may include potential guarantee schemes to support capital

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<sup>48</sup> This gap is the largest in the transport sector, where road length scaled by land area is less than one-tenth the OECD average. The length of the rail network is also limited. See World Economic Forum, Executive Opinion Survey. 2014-2015 Global Competitiveness Index.

market financing of infrastructure, continuing the integrated engagement on the Colombia ‘Deep Dive.’<sup>49</sup>

- **PPPs.** The WBG will also explore opportunities in wastewater treatment plants, enhance collaboration with the Ministry of Planning, and engage jointly with the WBG Cities in Colombia Initiative. In PPPs, it can bring best practices in sectors where PPPs have not yet been developed in Colombia. It can also bring partial funding of studies through the IFC-Bank for National Development (*Financiera de Desarrollo Nacional/FDN*) facility. MIGA will remain open to opportunities to support PPP initiatives by way of attracting foreign direct investors in the financing of key infrastructure projects, with a focus on the transport sector, through its political risk insurance products and, particularly, the breach of contract coverage. The latter is used in the context of long-term concession agreements.
- **Energy.** MIGA will explore opportunities to support the electricity sector by use of its credit guarantees (non-honoring of financial obligations) to state-owned enterprises and in renewable energy. The WB is also exploring the possibility of providing credit enhancement (risk mitigation) to support energy service companies through public financial institutions, as well as activities in renewable energy and energy efficiency (for example, public lighting and district cooling). In addition, the WB will explore opportunities to support the electricity sector in addressing the uncertainty associated with climate variability, through financial products such as weather insurance, to ensure reliability of service and stable pricing.

89. **Expected results under objective 7.** WBG interventions to deepen financial intermediation will increase the number of people and MSMEs reached with financial services from 1.5 million to 2.1 million by end 2019; increase FDN’s outstanding loan portfolio for infrastructure finance more than tenfold (see results framework) and help allocating financing to the 4G road concessions program from various sources, such as FDN and commercial banks.

## **Objective 8: Improved Infrastructure Services and Enhanced Urban Planning to Develop Competitive Cities**

90. **Developing competitive cities supports the diversification of the productivity agenda by locating efforts in a geographical dimension that prompts agglomeration effects.** Cities generate a substantial share of GDP and are the more dynamic growth poles as they tend to attract entrepreneurs and innovators. The evidence indicates that firm proximity fosters productivity gains through increased trade relations and labor mobility that enhance learning and innovation. However, to attract entrepreneurs it is important to have adequate infrastructure (including transport and ICT) and urban planning, a skilled labor force, and a conducive business environment supported by smart regulations and economic development programs. In Colombia, five main urban agglomerations serve as hubs for the surrounding regions, but urban networks are disconnected. GoC’s *Misión Ciudades* is an aspiring attempt to put in place a cross-cutting national policy framework for cities, with particular emphasis on connectivity.

91. **To promote city development and connectivity, the WBG will provide a comprehensive package of financial, advisory, and convening services on urban public policy**

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<sup>49</sup> <http://www.worldbank.org/en/results/2015/09/22/colombia-deep-dive-building-local-currency-bond-markets-to-finance-infrastructure>

**development (Box 3).** Particular focus will be placed on improving planning, management, operations, and financial sustainability of integrated public transport systems. Issues of road safety, gender, and universal accessibility in public transport will be key transversal themes in the Bank’s engagement. Additionally, under this CPF, the WBG will continue its support in terms of climate-informed infrastructure and urban development, building on previous engagements in transport infrastructure (such as the Bus Rapid Transit/BRT systems) that have contributed greatly to the Colombia’s climate change mitigation efforts. Finally, the Bank will continue its support to mass-transit systems for the Bogotá metropolitan area and other Colombian cities, while IFC will continue to support the Bogota bus payments system.

**Box 3. Integrated WBG Support to Competitive Cities**

The Competitive Cities Initiative will be an area of close collaboration across the WBG. The IFC LAC Cities Platform aims to enhance the competitiveness of selected large cities in five countries. In Colombia, IFC will focus on opportunities in cities such as Bogota, Medellin, Bucaramanga, and Cartagena with the aim of improving urban infrastructure, supporting the provision of public services with private sector participation, and focusing on energy, water, waste management, transport, telecommunications, and green buildings. As a result, IFC expects to enhance access to infrastructure, improve efficiency and savings in operating costs, reduce greenhouse gas emissions, and enhance sustainability through regulatory reform. The WBG integrated engagement will also aim to enhance the capacity of GoC and municipal governments to analyze urban mobility. Options to strengthen innovative financing instruments for urban redevelopment will be piloted and scaled up where feasible and needed. Policy reform areas are already being addressed under the ongoing second phase of the programmatic Sustainable Cities DPL. MIGA will remain available to support FDI in the transportation sectors, with a focus on urban transport, through its non-honoring/credit guarantee products.

92. **Expected results under objective 8.** WBG interventions will increase the number of additional people benefitting from improved transportation services in medium-sized cities by 150,000 and will assist GoC to provide about 40,000 families access to a new housing scheme while constructing 2,500 new affordable homes. Critical to the competitive cities agenda, WBG support will also have enabled the national statistical department to establish statistics based on the methodology and definition devised by GoC’s *Mision Ciudades* and consistent with OECD standards by end 2019.

### C. Implementing the Colombia Country Partnership Framework

93. **The complexity of Colombia’s development challenges requires solutions that foster collaboration across the WBG and the continuation of the successful flexible approach to client demand.** As outlined in the previous chapters, Colombia is facing critical adjustments in responding to a changing external economic environment as well as internally, coming to terms with the historic development of a possible Peace Agreement with FARC. Within these fluid parameters of the global economic situation and developments in peace building, it is critical that the CPF preserves the space and agility to swiftly address new GoC demands. This flexible partnership framework will enable the WBG to maintain its position as a trusted advisor and development partner of GoC.

94. **The implementation period of this CPF is FY16-21.** This duration will allow for alignment of preparation of the next CPF with the political cycle and the preparation of the next NDP. Experience shows that program development slows down considerably in years of presidential elections and while the new administration will be preparing the NDP following elections in 2018. The longer CPF implementation period will provide the authorizing environment during the preparations for the next strategic engagement. The Performance and Learning Review

(PLR) will update the objectives and the corresponding results framework based on future policy changes and developments. It is possible that the CPF will have two PLRs, depending on the need for program adjustments.

95. **The CPF builds on the ongoing lending and knowledge portfolio and will continue responding to client demand with the full suite of financial, knowledge, and convening services, utilizing the most adequate instrument available.** Net commitments currently stand at US\$3.3 billion in 11 active projects (including GEF). The largest share of operations rests with the Sustainable Development area in Environment and Natural Resource Management, Transport & ICT, Water, Urban and Agriculture with seven projects under implementation and net commitments of US\$1.6 billion. Operations in this group will contribute critically to CPF results in environmental resource management under objective two, the competitive cities agenda in objective eight, and service delivery under objective three of the CPF. The Equitable Growth, Finance and Institutions area includes three projects, including two large policy-based based operations for a total net commitment of US\$1.47 billion. This area also connects with the Subnational Institutional Strengthening Project, a critical operation for achieving objective number one of the CPF. The Human Development area currently has one project under implementation, to improve access to higher education with quality, contributing to objective four.

96. **In an effort to improve performance and implementation of projects, the WBG has recently undertaken a number of portfolio consolidation actions.** At the end of January 2016, the portfolio included three projects in problem status, representing 27 percent of projects and 20 percent of net commitment. Over FY15-16, the WB and the Colombian authorities agreed on several partial cancelations, restructurings, and project closures to address underperforming operations and reinstate portfolio health. Following these actions, the disbursement ratio is estimated to reach 12 to 15 percent in FY16. Current problem projects will be closely monitored and bottlenecks to successful implementation proactively addressed: The Subnational Institutional Strengthening Project is expected to return to fully performing status promptly with the changes to implementing agencies already effective. The other two problem projects at this time, the National Urban Transport Program Project and the Rio Bogota Environmental Services Project follow a performance improvement plan that foresees project restructuring to be implemented over the next year. These are complex infrastructure projects that will be closely monitored to improve their performance and yield the expected development results.

97. **The CPF takes into account lessons learned to ensure adequate performance of operations towards reaching their stated development objectives.** This will require paying close attention to implementation arrangements at project preparation, early problem recognition and development of an implementation support strategy for relevant projects with detailed action plans. It will also require building on lessons learned from successful turn-around stories such as the La Guajira investment loan. Moving forward, the Bank will have to identify opportunities to build a robust pipeline of investments over the medium term that reflects and supports the CPF objectives aligned with the NDP. Consistent with the indicative pipeline beyond FY16, most of and objectives and results envisaged in this CPF will be supported from the current activities. Lending amounts mentioned are indicative only; actual lending will depend, among other things, on country demand, performance, and IBRD financial capacity.

98. **In implementing the new CPF, the WBG will also continue to provide integrated packages of financial, knowledge and convening services from WB, IFC and MIGA to**

**address Colombia’s ambitious development agenda.** It has proven successful to complement financial services with a range of targeted advisory products to accompany implementation. Some support areas under this CPF will solely rely on knowledge services while the client country obtains financing elsewhere. In the same vein, the CPF will count on the continuation of a strong program of analytic and advisory support aligned with each of the objectives, complementing the lending program. In addition, knowledge services, convening, and financial services will maintain a focus on priority areas of Colombia’s OECD accession process.

99. **The CPF will continue to build on its convening power and joint work with other development partners.** Both, the Inter-American Development Bank (IDB) and *Corporación Andina de Fomento* are partners with which the WBG has ongoing inter-disciplinary activities, ranging from the 4G program of transport with IFC, to the preparatory work of supporting mass transit systems in Bogota as well as within *Plan Pazcifico*. The IDB presented its new strategy “Towards a High-Income Country with Social Mobility” to its Board of Directors late in 2015. It focuses on three pillars of productivity, public management, and social mobility. Traditionally, the IDB and the WBG have complemented each other very well in their respective engagements and maintain a close dialogue. The Bank also maintains an active role in the “*Grupo de Cooperantes*” that coordinates the work of all the bilateral and multilateral donors’ community. Two areas where the donor community is particularly active are the Post Conflict and the climate/environment agendas. Within these two themes, the Bank took the lead on several initiatives in coordination with interested bilaterals, and will continue to do so.

100. **With the progress achieved in peace negotiations the Bank initiated preparations to support the transition to peace by establishing a coordination and alignment platform specifically dedicated to this purpose.** This mechanism is built into a partnership program and includes a Multi-Donor Trust Fund (MDTF) designed to assist the Government of Colombia with financing, convening services, and technical assistance to the critical post-conflict preparations. To date, this coordination mechanism has supported activities on collective victims’ reparations, design and readiness for the Government’s post-conflict rapid response plan, and a series of technical assistance products in response to strategic needs of key agencies (Ministry of Post-Conflict, Presidential Agency for International Cooperation, Colombian Agency for Reintegration, and several civil society groups). The Colombia Peace and Post-Conflict MDTF was launched with the initial financial support of the Government of Sweden and a contribution from the Bank’s State and Peace-Building Fund (SPF). It has since entered into discussions with the Governments of Canada, Korea, the Netherlands, Norway, Switzerland, United Kingdom, and others, who have expressed interest in the platform. This coordination platform feeds directly into the partnership framework’s cross-cutting area of ‘constructing the peace.’

#### IV. MANAGING RISKS TO THE CPF PROGRAM

101. **The overall risk to achieving the objectives of the CPF is assessed as Moderate (Table 3).** Four key potential risks have been identified. These risks include changes in the macroeconomic environment in a deteriorating global economic situation, capacity constraints for framework implementation at the subnational level, the presidential elections in 2018, and developments related to the peace process.

**Table 3. Risks to the CPF Objectives in Colombia**

<b>Risk Categories</b>	<b>Rating (H, S, M, L)</b>
1. Political and governance	M
2. Macroeconomic	M
3. Sector strategies and policies	L
4. Technical design of project or program	S
5. Institutional capacity for implementation and sustainability	S
6. Fiduciary	M
7. Environment and social	M
8. Stakeholders	L
9. Other: Peace Process	S
<b>Overall</b>	<b>M</b>

102. **This CPF will be implemented in a period of a deteriorating external economic environment.** Despite solid fundamentals, Colombia’s near-term macroeconomic outlook could be adversely affected by deeper external shocks. Given that the program supports policy reforms in some areas that are sensitive to changes in the macroeconomic environment (including fiscal reforms), the achievement of some of the CPF objectives could be impacted by major macroeconomic shocks. Colombia is exposed to two types of shocks: a larger than expected decline in oil and mining prices, and higher financial volatility associated with a possible tapering of the U.S. monetary policy. There is the risk that further deterioration on the macroeconomic front can lead to a postponement of some difficult policy reforms, in turn impacting CPF results. As discussed in the macroeconomic outlook section, Colombia has already been experiencing the effects of low international oil prices, through a slowdown in growth, tighter fiscal revenues, a larger current account deficit, and a sharp currency depreciation. However, real side effects have been partially offset by sound macroeconomic policies. Colombia's good track record of sound macroeconomic management will mitigate this risk. Colombia’s macro resilience is based on solid initial conditions and policy buffers built in the last decade. Prudent fiscal and monetary management are expected to smooth the transition to a lower potential growth level in light of the likely non-temporary commodity price shocks. In addition, the CPF proposes a highly flexible approach enabling ready adjustments to respond to changing client needs and macroeconomic developments.

103. **Lessons learned from project implementation at the sub-national level include exposure to risks associated with (a) the local political economy, (b) weak institutional capacity, and (c) a challenging operating environment.** In addressing the constraints of uneven territorial development and meeting the challenges of post-conflict development in rural areas, the partnership framework increasingly focuses on support and implementation of a program at the subnational level of government. Risks include the possible lack of political support at the local and provincial levels, which could hamper project implementation and lead to delays. Risks also relate to the low administrative and governance capacity at the subnational level in general and in particular in regions where local governments might be subject to the influence of illegal groups and other non-state actors. Should these risks materialize, the impact could entail prolonged preparation times, implementation delays of projects as a consequence of insufficient capacity to efficiently manage procurement processes or timely project management. This applies in particular to the new projects supporting the *Plan Pazcífico*, where the operating environment is additionally characterized by a high incidence of crime and violence, bearing the risk that project supervision cannot be carried out sufficiently because of an unsafe working environment. These projects could

also face implementation delays due to unresponsive calls for expressions of interest owing to the difficult operating environment.

104. **Three considerations will be used to manage these risks:** (a) the Bank will deepen its support to GoC to address issues of conflict and displacement drawing on lessons from the WDR Conflict, Security and Development and other operational and analytical experience; (b) GoC is building subnational capacity including through the Subnational Institutions Strengthening Project, increasing local accountability as well as the necessary mechanisms; and (c) government has taken into account lessons learned from previous development strategies in the Pacific region. It has established a simplified national and regional counterpart structure encompassing all affected departments, in order to simplify governance and fiduciary structures for project implementation. In all interventions at the subnational level, the WBG will work closely with counterpart institutions and provide continuous training and capacity building to ensure effective implementation and results on the ground.

105. **Colombia will elect a new president in 2018 and experience shows that presidential elections could cause delays in pipeline preparation as a consequence of the transition to a new administration.** As in any government transition period, a new government takes time to settle, produce its NDP, and, in turn, to familiarize itself with the details of the CPF and program of the WBG. Government representatives who had not previously worked with the WBG may be cautious in making decisions on WBG activities. To mitigate this risk, the WBG will (a) actively engage with stakeholders and officials early and continually to support the new administration, and (b) employ a flexible approach to the partnership framework with adjustments at the time of the Performance and Learning Report.

106. **Despite the ongoing Peace Accord negotiations, the risk related to crime and violence and its repercussions on CPF implementation in Colombia remains substantial.** The possible conclusion of the peace negotiations with FARC bears risks regardless of its outcome, albeit with different implications. Failure to reach closure of negotiations with the FARC could potentially jeopardize social and economic stability, further delaying concerted actions to address regional inequalities and undermining the political mandate of the Santos administration. In this risk scenario, a possible rise in insecurity in target areas of the CPF could potentially necessitate substantive adjustments of the program and objectives. At the same time, reaching a Peace Accord, as is currently envisaged for 2016, would not put end to all conflict in the country. Crime and violence by criminal gangs following the Accord could further impact project implementation at the subnational level, jeopardizing proper project supervision and causing major implementation delays. Similarly, failure to meet high and possibly unrealistic expectations regarding the peace dividend might lead to additional pressures on the authorities that cannot be met under the current economic conditions and fiscal framework. There is substantial risk that tangible improvements may not be achieved in a timely manner and the WBG could be exposed to reputational risk.

107. **GoC has prepared a Rapid Response Plan to the Peace Agreement.** While not all risks can be mitigated, the WBG will take all the necessary measures to support GoC in this important effort while ensuring staff safety and upholding high international standards in close coordination with other partners. The newly appointed minister for post-conflict and a coordinating agency provide a viable coordination platform to the post-conflict agenda, minimizing the risk of fragmented support. In addition, GoC is actively seeking advice from international best practice for the critical peace and post-conflict agenda in Colombia.

## ANNEX 1. CPF RESULTS MATRIX

PILLAR 1: FOSTERING BALANCED TERRITORIAL DEVELOPMENT		
<p>Inclusive and equitable territorial development is a top national priority for Colombia and the uneven territorial development has been confirmed as one of the main challenges in the SCD. This pillar is squarely aligned with the NDP's pillars on "Colombia in Peace" and "Equitable Colombia and without Extreme Poverty" and their associated objectives, such as territorial development, green and resilient growth, and good governance, and, as such, is closely aligned with the Bank's Twin Goals. Interventions under this pillar will assist in addressing select and critical aspects of regional inequalities according to their disparate challenges, location, economic specialization, and the incidence of social unrest and armed conflict. The main objectives under this pillar are to strengthen public management capacity to support territorial development and to enhance the capacity for natural resource management in targeted areas.</p>		
CPF Objective 1: Strengthened Public Management Capacity to Support Territorial Development		
<p><b>Intervention Logic</b>            This objective will help to address key challenges to territorial development in the post-conflict context and land property rights. Previous Bank support demonstrated that sectoral approaches to territorial development have been effective where preconditions regarding access to assets, markets, and institutions were in place to support widespread adoption. The CPF will apply a territorial approach where feasible and needed and will engage with the government on region-driven development agendas and investment opportunities in other areas, including possible financial support to overhauling the multi-purpose cadaster and addressing related policy and institutional reforms. The Subnational Institutional Strengthening Project will build the capacity to properly plan and execute public investment at lower levels of government, thus enabling disadvantaged regions to better participate in the economy and, in turn, contribute to peace-building and improved service delivery at the subnational level. The project supports performance-based approaches to municipal development based on development plans.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>- Fulfillment of Municipal Development Plan Output Goals            Baseline 2015: 0 (proxy baseline: avg. 53.8% for municipalities with &lt; 50,000 inhabitants)            Target 2021: 75%</p> <p>- Review of the current institutional frameworks and evaluation of potential reforms for post-conflict            Baseline 2015: no evaluation            Target 2018: at least two recommendations provided</p> <p>- Framework for implementation of collective reparation projects validated and adopted by the Victims unit            Baseline 2015: no framework            Target 2018: validated and implemented</p> <p>- Number of parcels updated in the land cadaster            Baseline 2015: 0            Target 2018: 40,000 parcels updated in the cadaster for at least 7 municipalities</p>	<p>- The Subnational Government's integrated financial control model has been designed and approved by Ministry of Finance and National Planning Department.            Baseline 2015: no integrated model            Target 2018: designed, approved, and under implementation</p> <p>- Territorial Management Model approved            Baseline 2015: no framework has been agreed on            Target 2018: TMM approved and Standard Operations Manual defined</p>	<p><b>Financial Services (incl. IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Subnational Institutional Strengthening (P123879)</li> <li>• Productive and Sustainable Cities DPL II (P145766)</li> <li>• Collective Reparation for Victims through social Reconstruction Project (P148552)</li> </ul> <p><i>Pipeline</i></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending on Territorial Development</li> <li>• Support for a National Cadaster (IPF; FY17)</li> </ul> <p><b>Knowledge Services (incl joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• Public Sector PA</li> <li>• Support to Improve the Government of Colombia preparedness to implement peace agreement commitments (P149775)</li> <li>• Technical Assistance to the Preparation of the Colombia Rapid Response Plan (P156804)</li> <li>• IE Subnational Institutional Strengthening (P156608)</li> </ul>

**CPF Objective 2: Enhanced Capacity for Natural Resource Management in Target Regions**

**Intervention Logic**

The Bank's program targeting sustainable natural resources management interventions are focused on three regions: Amazonia, Orinoquia, and the Rio Bogota watershed. This objective is also supported by interventions introducing sustainable land-use practices in cattle ranching, as well as the Sustainable Development and Green Growth DPL.

- In the Amazon region, a priority region for biodiversity conservation and reduced deforestation which also provides opportunities for economic development for its population, Bank support will consist in fostering cross-sectoral policy coordination among sectors driving deforestation (e.g., agriculture, extractive industries, and infrastructure sectors) and on land use planning and strategies for integrated landscape management. Through GEF funding and complemented with knowledge services, the Bank will support GoC's agenda in the Amazon to strengthen governance and governmental capacity within municipalities and departments to design and implement regional plans to reduce deforestation. Through a regional program spanning Colombia, Brazil, and Peru, the Bank will support the design of an integrated, coordinated approach to the sustainable management of a significant portion of the Amazon ecosystem.
- The natural region of Orinoquia is often referred to as the new agricultural frontier in Colombia. While two decades ago, the land-use in the region was mainly limited to extensive cattle ranching and low-input traditional agriculture, the growing demand for food, feed, and (bio)fuels pushes modern, mechanized agriculture and associated infrastructure into one of the world's last reserves of arable land. According to the NDP, the Orinoquia region is one of the regions where country efforts will concentrate to achieve Colombia in Peace. The BioCarbon Fund Initiative for Sustainable Landscapes and related technical assistance will help strengthen territorial land management to help ensure sustainable production systems (pipeline).
- The Rio Bogotá Environmental Recuperation and Flood Control Project seeks to transform the highly polluted river into an environmental asset for Colombia's metropolitan capital area by investing in the upgrading and expansion of the Salitre wastewater treatment plant, reducing flood risks, and creating multi-functional recreational areas along the river. The integrated water management plan for the entire Rio Bogotá basin will aim to ensure water security for different human activities and ecosystems.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>- Area newly brought under environmentally friendly cattle ranching production (silvopastoral livestock) systems Baseline 2015: 25,000 ha Target 2020: 63,000 ha</p> <p>- Areas of environmental significance brought under protection measures in target areas of the Amazon region Baseline 2014: 0 Target 2019: 2,700,000 ha</p> <p>- The effluent discharged by the Salitre Wastewater Treatment Plan meets quality standards for BOD (25mg/L), TSS (28mg/L), and total coliforms (1000 NMP/100ml) Baseline 2009: BOD 149mg/L, TSS 86mg/L, total coliforms 1.2x10<sup>7</sup>NMP Target 2021: BOD:25mg/L, TSS 28mg/L, total coliforms 1000NMP/100ml</p>	<p>- Capacity of government and indigenous authorities for sustainable management, monitoring and/or enforcement of the Amazon frontier, including capacity to account for GHG emissions strengthened Baseline 2014: low Target 2019: high</p> <p>- An integrated water management plan for the Rio Bogota basin elaborated and under implementation Baseline 2015: 0 Target 2019: plan under implementation</p> <p>- Disaster risk management measures mainstreamed in agriculture, housing, and transport programs and under implementation Baseline 2015: 0. Target 2018: 3 Strategic Sectoral Agendas</p>	<p><b>Financial Services (incl IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Sustainable Development and Green Growth DPL (P150475)</li> <li>• Disaster Risk Management CAT DDO II (P126583)</li> <li>• Mainstreaming Sustainable Cattle Ranching (P104687)</li> <li>• Rio Bogota Environmental Recuperation and Flood Control Project (P111479)</li> <li>• Regional Amazon program spanning Colombia, Brazil, and Peru (GEF)</li> <li>• Forest Conservation in the Amazon (P144271)</li> </ul> <p><b>Pipeline</b></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending on Territorial Development</li> <li>• Support for a National Cadaster (IPF; FY17)</li> <li>• Orinoquia Programmatic BioCarbon Fund Project (P154145)</li> <li>• FCPF REDD Readiness grant (P120899)</li> </ul> <p><b>Knowledge Services (incl. joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• PA Consolidating Disaster Risk Management (P145500)</li> <li>• PA Environment/ Mining Knowledge Services</li> <li>• PA Colombia Energy Sector Engagement (P158486)</li> </ul>

PILLAR 2: Enhancing Social Inclusion and Mobility through Improved Service Delivery		
<p>Pillar 2 of the CPF feeds directly into the NDP's pillars of "More educated Colombia" and the pillar on "Equitable Colombia and without Extreme Poverty" in that it addresses basic service delivery needs and access to skills development. In addition, the NDP spells out "Social Mobility" as a cross-cutting area, articulating the areas included in this pillar, such as quality of education, the right to health care and job-market links. Colombia's education system, labor markets, and social protection policy show recent successes; however some regions lag behind others in all categories of basic services. School enrolment rates have increased in the past decade, with notable increases in secondary and tertiary education. This pillar aims to address improvements of the fragmented social protection system with overlapping programs and tools to efficiently deliver the support to the appropriate populations, improve access and quality of basic service delivery, and improve labor market service to support labor market integration.</p>		
<p><b>CPF Objective 3: Improved Access to and Quality of Service Delivery in Target Areas</b></p>		
<p><b>Intervention Logic</b>  The CPF will contribute to reducing the inter- and intra-regional gaps in terms of access and quality of basic services, with an initial strong focus on basic water and sanitation services, which may be expanded to other basic services in the future. In line with corporate objectives, it will also aim to facilitate access to finance, particularly to populations in remote areas. Through a multi-year program of lending and knowledge services, the Bank will build on its longstanding engagement on service delivery in large and medium-sized cities, and further expand its support to rural areas, including for municipalities severely impacted by armed conflict. Balancing the need to provide essential services at scale and fast while trying to develop state capacity will be a critical challenge especially in tunderserved areas. The strategy includes interventions with a strong service delivery approach in some of Colombia's most disadvantaged areas, such as La Guajira department and the Pacific Coast. In addition, IFC will continue supporting <i>Empresas Públicas de Medellín</i> (EPM) to improve access of low-income households to water and sewage systems. The Pacific region will be a specific target region. The NDP selected the Pacific region for priority attention given that it has the greatest economic inequality and intra-regional gaps in socioeconomic development, in response to which GoC developed <i>Plan Todos Somos PAZcífico</i> (Plan Pacifico). Support to the WSS sector in two target cities will be complemented by TA to coordinate the delivery of basic services.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<ul style="list-style-type: none"> <li>- Number of poor households in cities with population greater than 100,000 residents connected to neighborhood water and sanitation networks benefitting from the connection subsidy. Baseline 2015:14,255 Target 2018: 30,000</li> <li>- Number of municipalities disposing solid waste in sanitary landfills according to the legal framework. Baseline 2015: 874 Target 2018: 916</li> <li>- People provided with access to improved water sources under the <i>Plan Pazcífico</i> project, of which % women Baseline 2015: 0 Target 2021: 200,000 of which 50% women</li> <li>- Sewerage infrastructure coverage in participating municipalities in La Guajira Baseline 2010: 50%</li> </ul>	<ul style="list-style-type: none"> <li>- Number of social spending databases with inter-operability Baseline 2015: 0 Target 2020: 3</li> <li>- Modernized poverty and social mobility measurement methods developed Baseline 2015: only poverty measurement. Target 2019: methodology for socioeconomic groups (poor, vulnerable, and middle class) developed</li> <li>- Supersalud risk-based supervision model for the health sector implemented Baseline 2015: under development Target 2020: implemented</li> <li>- Number of rural reservoirs constructed in the La Guajira department, benefitting mostly indigenous populations Baseline 2012: 0</li> </ul>	<p><b>Financial Services (incl IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Sustainable Development and Green Growth DPL (P150475)</li> <li>• Fundación Cardiovascular Hospital, Bucaramanga (IFC),</li> <li>• Promotora Medica Las Americas Hospital, Medellín (IFC)</li> <li>• Serena del Mar Hospital Infrastructure (IFC-FY15)</li> <li>• La Guajira Water and Sanitation Infrastructure and Service Management Project (APL1) (P096965)</li> <li>• Productive and Sustainable Cities DPL II (P145766)</li> <li>• IFC: Empresas Públicas de Medellín (EMP) (IFC 27985)</li> </ul> <p><b>Pipeline</b></p> <ul style="list-style-type: none"> <li>• Plan PaZcífico WSS (P156239)</li> <li>• Enhancing Water Connectivity of Colombia's Plan Pazcífico (P156880)</li> </ul> <p><b>Knowledge Services (incl joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• PA Improving Performance of Social Services (P145684)</li> <li>• PA Colombia Enhancing Social Protection System (P149365)</li> <li>• PA Peace and Post-Conflict Consolidation (P153567)</li> </ul>

<p>Target 2017: 78%</p> <p>- IFC: People who have received essential health, nutrition, and population services (<i>Fundacion Cardio Vascular</i>)</p> <p>Baseline 2015: 0.</p> <p>Target 2018: 76,000</p>	<p>Target: 2017: 11</p> <p>- Continuity of water supply in participating municipalities in La Guajira"</p> <p>Baseline 2010: 8 hrs/day</p> <p>Target 2017: 15 hrs/day</p>	<ul style="list-style-type: none"> <li>• PA Poverty and Equity II (P156609)</li> </ul>
<p><b>CPF Objective 4: Improved Access to and Quality of Education</b></p>		
<p><b>Intervention Logic</b></p> <p>To improve social mobility and more effectively utilize labor markets for further poverty reduction, better preparation for and integration of workers into the economy is needed. This requires a renewed attention to education quality from early childhood through tertiary levels, and organization of labor market information so that potential workers and employers can find each other. The WB will support this area with financial, knowledge, and convening services to support education access, with a focus on quality, while building on projects implemented under the previous strategy, such as the Rural Education Project, which supported access to and models for quality improvements in rural schools, with a special focus on indigenous communities and the Antioquia Education Project, the ICETEX II project, which supports student loans to increase access to tertiary education for marginalized populations to better prepare them for the modern labor market, while strengthening the focus on quality education institutions and marginalized student populations. The Bank will also assist with advisory services to expand the reach of and services provided by Public Employment Services. This will enhance allocative efficiency by better matching supply and demand of skills. Currently the Programmatic DPL Series for Sustained Growth and Income Convergence and a wide range of knowledge services support this objective, as well as a new phase of the Access with Quality to Higher Education Project.</p>		
<p><b>CPF Objective Indicators</b></p>	<p><b>Supplementary Progress Indicators</b></p>	<p><b>WBG Program</b></p>
<p>- Percentage of students enrolled in first year tertiary education (whose income is below twice the minimum salary) and share of women benefitting from ACCESS loans.</p> <p>Baseline 2015: 59%</p> <p>Women with ACCESS loans 2015: 56% (129,600)</p> <p>Target 2019: 59% or above</p> <p>Women with ACCESS loans: maintain at 56%</p> <p>- Number of job placements achieved through the new system of which women</p> <p>Baseline 2013: 166,000</p> <p>Target 2018: 315,000</p> <p>- Number of children with access to improved education through IFC PPP</p> <p>Baseline 2015: 0</p> <p>Target 2020: 48,000</p>	<p>- Recommendations delivered on how to expand the reach of services provided by Public Employment Services by 2018</p> <p>- Number of persons occupationally oriented and referred to management and placement services</p> <p>Baseline 2013: 386,910</p> <p>Target 2018: 1,120,000</p> <p>- Information System for Management of Unemployment Services (Mecanismo de Proteccion al Cesante) implemented</p> <p>Baseline 2015: No system</p> <p>Target 2017: Functioning system</p>	<p><b>Financial Services (incl. IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Access with Quality to Higher Education Project (P145782)</li> <li>• Sustained Growth and Income Convergence DPL (P149609)</li> <li>• Second Programmatic Sustained Growth and Income Convergence DPL (P154821)</li> <li>• Financial literacy pilot programs (IFC)</li> <li>• Strengthening the Ministry of Labor's capacity to design interventions and manage for results IDF (P144363)</li> </ul> <p><i>Pipeline</i></p> <ul style="list-style-type: none"> <li>• Access with Quality to Higher Education Project –Phase 2</li> </ul> <p><b>Knowledge Services (incl. joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• PA Supporting Education Sector Policy Agenda (P150626)</li> <li>• Advisory Services for Education (IFC-FDN)</li> <li>• The Labor Market Effect of ACCESS (P150191)</li> <li>• IFC PPP Colombia Schools (600922)</li> <li>• Accreditation system for tertiary education (TA/RAS)</li> <li>• Support to the National Employment Service (TA/RAS)</li> </ul>

**PILLAR 3: SUPPORTING FISCAL SUSTAINABILITY AND PRODUCTIVITY**

Pillar 3 is aligned with the NDP's cross-cutting area of "Competitiveness and Infrastructure Strategies." To sustain macroeconomic stability and high growth rates in the context of lower oil prices, Colombia needs to reform its fiscal system and diversify its economy, addressing horizontal structural constraints to allow the development of new industries and firms as well as improving the effectiveness of public programs. Despite substantial reforms in business environment and increased educational attainments, much remains to be done to support firms' activity. Cumbersome and restrictive regulations and lack of adequate skills constrain business activity and productivity. In addition, limited innovation efforts help explain poor productivity performance at the firm level, which is affected by limited competition, poor managerial skills, access to finance and limited supply of firm relevant research. This pillar aims to improve policies to support expenditure rationalization and competition, revise the innovation policy, and support rural finance through the recapitalization of a rural development bank, while continuing support to projects to strengthen the competitiveness of cities.

**CPF Objective 5: Improved Fiscal Management in Support of Fiscal Consolidation**

**Intervention Logic**

Colombia's prudent macroeconomic and fiscal management has been a cornerstone of its strong economic performance in recent years. However, lower oil prices have begun to put pressure on government revenues, while the post-conflict agenda will require substantial additional expenditures over the medium term. To continue complying with the fiscal rule, while addressing the spending needs of the post-conflict era, fiscal consolidation is needed in the short to medium term, including to increase non-oil tax revenue. This will require both expenditure rationalization measures and a comprehensive tax reform. The World Bank will provide knowledge services and technical assistance to guide expenditure rationalization, as well as advice on future tax and pension reforms. The IFC will continue supporting the GoC with its advisory services project on tax simplification (T&C enhancing tax simplification). The World Bank Group will also provide support to managing fiscal risks arising from financial sector instability. Finally a joint IBRD/MIGA operation will provide contingent funding to the deposit insurance agency, helping managing fiscal risks arising from eventual financial instability over the next decade.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>- Increase in non-oil tax revenue. Baseline 2015: 13.7% of GDP [est.]. Target 2019: 14.7% of GDP.</p> <p>- Post-Conflict expenditures accommodated under the Medium-Term Fiscal Framework Baseline 2015: no Target 2017: fully accommodated</p>	<p>- Rapid Response Plan costing exercise completed Baseline 2015: no plan Target 2016: completed</p> <p>- Methodology on Spending Reviews carried out and applied in up to two pilot sectors by 2019</p>	<p><b>Financial Services (incl IFC investments)</b> <i>Ongoing</i></p> <ul style="list-style-type: none"> <li>• Subnational Institutional Strengthening (P123879)</li> </ul> <p><i>Pipeline</i></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending on Fiscal Consolidation and Competitiveness (FY17)</li> <li>• Deposit insurance agency (joint WB, IFC, MIGA)</li> </ul> <p><b>Knowledge Services (incl joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• Modernization of the Tax Admin. System (P149558)</li> <li>• Implementation of a Results-based Public Investment Management Model (P154144)</li> <li>• PA for the Public Sector in Colombia (P143384)</li> <li>• Tax Simplification Project for the Municipality of Santiago de Cali (P150200)</li> <li>• RAS Public Sector Accounting Reform (P148732)</li> <li>• Trade in Professional Services in Colombia Assessing the Market Conditions and Regulatory Framework (P153594)</li> <li>• AS Taxes Colombia</li> <li>• Review of quality and efficiency of public expenditures</li> </ul>

**CPF Objective 6: Improved Business Environment and Innovation to Boost Productivity**

**Intervention Logic**

Interventions will support the Government of Colombia in its efforts to address some of the most critical bottlenecks to increased productivity in the areas of regulatory simplification, trade integration, enhanced competition, and innovation based on the following.

Limited innovation efforts and limited exposure to external and internal competition as well as cumbersome regulations deter innovation and undermine resource allocation and higher productivity. This will be addressed by a public expenditure review for innovation. The World Bank also plans to support DNP and the Superintendence of Industry and Commerce in the design and implementation of a national competition policy that address both trade barriers and regulatory barriers to competition as well as behavior of incumbent firms in non-tradeable sectors. Policy-based lending and potential investment loans for innovation will be key elements supporting productive diversification, innovation and productivity at the firm level. Overall, the objective will be achieved by complementary financial and knowledge services while building on global best practice.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>- National competition policy that addressed both trade barriers and non-tradeable sectors designed and under implementation. Baseline 2015: 0 Target 2020: under implementation</p> <p>- IFC: Number of SMEs benefitting from improved tax registration Baseline (2012): 0 Target (2018): 860,000</p> <p>- Share of budgeted tax benefits for science, technology and innovation effectively used by firms. Baseline 2013: 16 percent of budget resources Target 2018: 50 percent of budget resources</p>	<p>- Public Expenditure Review on Innovation completed, recommendations delivered and feeding into policy reform on Innovation by 2019.</p>	<p><b>Financial Services (incl IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Sustained Growth and Income Convergence DPL (P149609)</li> <li>• Second Programmatic Sustained Growth and Income Convergence DPL (P154821)</li> </ul> <p><i>Pipeline</i></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending on Fiscal Consolidation and Competitiveness (FY17)</li> </ul> <p><b>Knowledge Services (incl joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• Tax Simplification Project for the Municipality of Santiago de Cali (P150200)</li> <li>• RAS - Support to eGovernment Unit in Ministry of Information and Communication Technologies (P153593)</li> <li>• PA Colombia Innovation and Competitiveness (P144510)</li> <li>• Impact Evaluation (IE) of Technology Extension Pilot (P151099)</li> <li>• Public Expenditure Review of Science, Technology and Innovation (P153595)</li> <li>• JIT Progress on National Science, Technology (P158038)</li> <li>• TA Superintendence of Industry &amp; Commerce: national competition policy</li> <li>• TA: Improving Business Environment</li> <li>• TA: Design of a FDI attraction and retention policy</li> </ul>

CPF Objective 7: Deepened Financial Intermediation for Productive Purposes		
<p>Lack of resource mobilization toward productive purposes has been identified by the SCD as one of the main constraints for productivity and growth. The World Bank Group will support mobilization of financial sector resources towards productive credit, in particular towards firms and infrastructure financing. Advisory services on regulatory reform and financial instrument design as well as potential credit lines to public banks if demand finally materializes, and IFC and MIGA investments will support this agenda. Policy-based lending can also continue supporting the regulatory reform agenda. Specifically, the World Bank group will aim to continue supporting the implementation of the secured transaction reform and develop products to foster the collateralization of mobile assets. IFC will help develop new trade lines and focus on scaling up MFI to small enterprises. In addressing the infrastructure gap, the World Bank will continue to provide advisory services in the areas of preparation, PPPs structuring and design of instruments, and regulatory reforms to raise private funds in capital markets. IFC will continue working with sponsors, banks, rating agencies, and institutional investors to develop solutions for intra-capital markets transactions. Furthermore, IFC support to FDN and the 4G Road Concessions will contribute to addressing the national infrastructure gap that hinders Colombia's competitiveness. Both WB and IFC will continue supporting FDN and the road concessions. Overall, the objective will be achieved by complementary financial and knowledge services while building on global best practice.</p>		
CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<ul style="list-style-type: none"> <li>- IFC: People and MSMEs reached with financial services (number) Baseline 2014: 1.5 million Target 2019: 2.1 million</li> <li>- IFC: Volume of outstanding loans (US\$) Baseline 2014: 9,100 million Target 2019: 24,000 million</li> <li>- IFC: FDN outstanding portfolio (US\$) financing infrastructure Baseline 2014: US\$165,000 Target 2019: US\$1,900,000</li> <li>- Amount of financing allocated to the 4G concessions program by credit institutions Baseline 2013: 0 Target 2018: COP\$6.5 billion from banks, COP 2 billion from FDN, and COP 1.5 billion from AFPs</li> </ul>	<ul style="list-style-type: none"> <li>- All regulations required for the implementation of the secured transactions reform have been issued and a product has been developed to grant credit against collateral based on mobile assets by 2019.</li> <li>- Private sector investment mobilized (IFC) Baseline 2015: 0 Target 2018: US\$100,000,000</li> </ul>	<p><b>Financial Services (incl IFC investments)</b></p> <ul style="list-style-type: none"> <li>• Growth and Income Convergence DPL (P149609)</li> <li>• Second Growth and Income Convergence DPL (P154821)</li> <li>• Telecom Investment (IFC-FY16)</li> <li>• Pacific Midstream Investment Energy (IFC-FY15)</li> <li>• Pacific Infrastructure Investment (IFC-FY15)</li> <li>• Support to FDN (IFC-FY15)</li> <li>• Transport Investment (IFC-FY16)</li> <li>• Consumer Finance (IFC-FY16)</li> <li>• MSME Banking Investment (IFC-FY16)</li> <li>• Findeter (MIGA)</li> </ul> <p><b>Pipeline</b></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending on Fiscal Consolidation and Competitiveness</li> <li>• Deposit insurance agency (joint WB, IFC, MIGA)</li> <li>• Non-honoring of financial obligation of SOEs (MIGA)</li> </ul> <p><b>Knowledge Services (incl joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• PA Sound Financial Sector Development (P133789)</li> <li>• Fin. Capabilities Assessment Follow-Up (P149146)</li> <li>• ANIF Capital Markets Conference Series (P149567)</li> <li>• Capital Markets and Infrastructure Financing (P157596)</li> <li>• PA Corporate Governance Program (IFC)</li> <li>• FIG-Bancoldex Advisory (IFC)</li> <li>• Infrastructure Advisory (IFC)</li> <li>• F&amp;M Financial Infrastructure Program (IFC)</li> </ul>

**CPF Objective 8: Improved Infrastructure Services and Enhanced Urban Planning to Develop Competitive Cities**

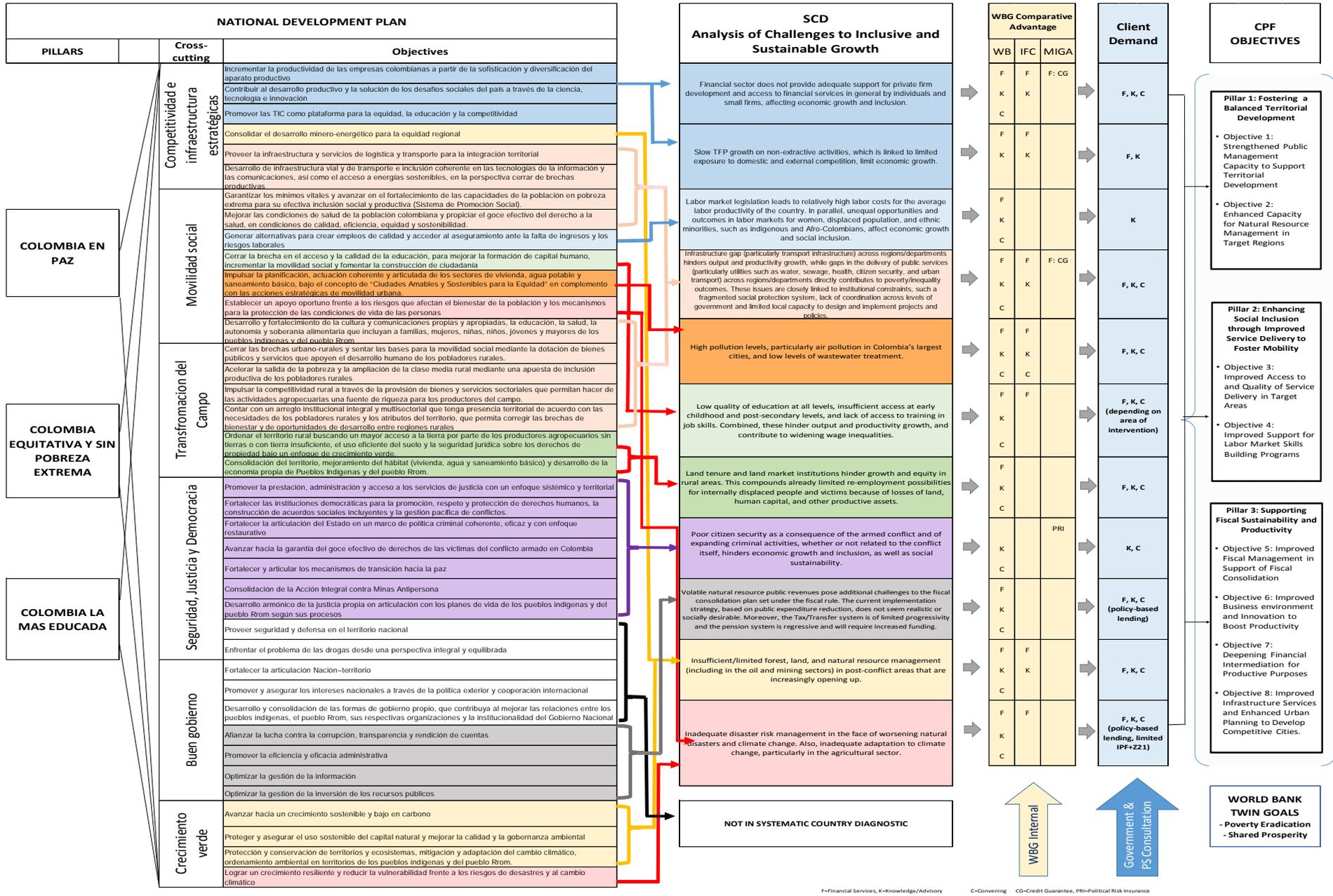
**Intervention Logic**

The CPF will support the Government of Colombia in its efforts to increase the competitiveness of cities, based on a multi-year Bank program composed of lending, convening services, and technical assistance promoting efficient land and housing markets, improving inter-jurisdictional coordination, and achieving greater competitiveness and connectivity across the urban system. Innovative financing instruments for urban redevelopment will be piloted and scaled up where feasible and needed. Financial support in this area addresses related policy reform areas under ongoing policy-based lending and the second phase of the programmatic Sustainable Cities DPL. In urban mass-transport, the CPF will build on its ongoing large investment and knowledge program in mass transit systems in Bogotá and other Colombian cities. In particular, the new CPF will seek to address bottlenecks in implementing projects to increase access to mass-transport systems in medium-sized cities by devising alternate approaches and working closely with the national and municipal governments to overcome implementation hurdles and achieve the envisaged results. The engagement will aim to enhance the capacity of GoC and municipal governments to analyze urban mobility and options to strengthen planning, management, operations, and financial sustainability of integrated public transport systems. It will build capacity for planning and implementing travel demand management strategies and non-motorized modes, and provide how-to guidance for the implementation of modalities to better coordinate land-use with transport demand and promote transit-oriented development.

Related, but critical in its own right, are improved planning methods and financing instruments for urban land and housing development activities that support sustainable urban development, address market failures, and support socially inclusive, greener, and denser urban forms; all areas where the Bank is actively engaged in policy dialogue and investment. The activities proposed in the CPF complement and support the Government's policy priorities and high-level policy initiative, the *Misión Ciudades*.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>- Additional population benefitting from improved transportation services in medium-sized cities: Baseline 2015: 0 Target 2020: 150,000</p> <p>- Number of new affordable homes constructed enabled by IFC support and number of low-income families with access to affordable and safe housing solutions as a result of the new housing scheme for voluntary savings (VIPA) Baseline 2015: 0 Target 2018: (i) 2,500 affordable new homes (IFC), (ii) 40,000 families (through VIPA; Cities DPL)</p>	<p>- The National Statistical Department (DANE) has established the methodology to develop statistics at agglomeration level using the methodology and definition developed under the <i>Misión Ciudades</i> and consistent with OECD standards by 2019.</p>	<p><b>Financial Services (incl IFC investments)</b> <i>Ongoing</i></p> <ul style="list-style-type: none"> <li>• Productive and Sustainable Cities DPL II (P145766)</li> <li>• Support National Urban Transit Program (P117947)</li> <li>• Second Growth and Income Convergence DPL (P154821)</li> <li>• Sustainable Development and Green Growth DPL (P150475)</li> </ul> <p><i>Pipeline</i></p> <ul style="list-style-type: none"> <li>• Policy-Based Lending Fiscal Consolidation &amp; Productivity</li> <li>• Policy Based Lending Territorial Development</li> </ul> <p><b>Knowledge Services (incl. joint WB-IFC)</b></p> <ul style="list-style-type: none"> <li>• Cities Program (IFC)</li> <li>• Poverty &amp; Social Impacts-Public Transport Tariff Changes in Bogotá (P150268)</li> <li>• Metropolitan Mobility Authorities (P154027)</li> <li>• Support to eGovernment Unit in MinTic (P153593)</li> <li>• PA Corporate Governance Program (IFC)</li> <li>• PA Colombia Innovation and Competitiveness (P144510)</li> <li>• RAS - Strengthening the CRC (Regional Competitiveness Competitions)</li> <li>• PA for Urban and Housing (P156821)</li> </ul>

# ANNEX 2. COLOMBIA CPF SELECTIVITY DIAGRAM



F=Financial Services, K=Knowledge/Advisory

C=Convening CG=Credit Guarantee, PRI=Political Risk Insurance

# **ANNEX 3. COMPLETION AND LEARNING REVIEW REPORT**

**Document of  
The World Bank**

**FOR OFFICIAL USE ONLY**

**Report No. 101552-CO**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
INTERNATIONAL FINANCE CORPORATION  
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**PERFORMANCE AND LEARNING REVIEW  
OF THE COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE REPUBLIC OF COLOMBIA**

**FOR THE PERIOD FY12-FY16**

**January 28, 2016**

**Colombia and Mexico Country Management Unit  
Latin America and the Caribbean Region**

**The International Finance Corporation  
Latin America and the Caribbean Region**

**The Multilateral Investment Guarantee Agency**

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**The date of the last Progress Report on the Country Partnership Strategy FY2012-2016 was April 16, 2014 (Report No. 83966-CO)**

**FISCAL YEAR**

January 1 to December 31

**CURRENCY EQUIVALENTS**

(Exchange rate effective as of January 28, 2016)

Currency Unit = Colombian Peso

US\$1.00 = COP\$3,366.63

**ABBREVIATIONS AND ACRONYMS**

ANI	<i>Agencia Nacional de Infraestructura</i>
APC	Agency for International Cooperation ( <i>Agencia Presidencial de Cooperación Internacional</i> )
ASA	Advisory Services and Analytics
BRT	Bus Rapid Transit
CAF	<i>Corporación Andina de Fomento</i>
CAT DDO	Catastrophe Deferred Draw Down Options
CCDRMA	Colombia Country Disaster Risk Management Analysis
CCF	<i>Cajas de Compensación Familiar</i>
CLR	Completion and Learning Review
CPS	Country Partnership Strategy
CPSPR	Country Partnership Strategy Progress Report
DPF	Development Policy Financing
DPL	Development Policy Loan
DPOs	Development Policy Lending
ECD	Early Childhood Development
EMP	<i>Empresas Públicas de Medellín</i>
ESMID	Efficient Securities Markets Institutional Development
FCD	Fundación Cardiovascular
FDN	<i>Financiera de Desarrollo Nacional</i>
FIG	Financial Institutions Group
FSAP	Financial Sector Advisory Program
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoC	Government of Colombia
IBRD	International Bank for Reconstruction and Development
ICBF	Instituto Colombiano de Bienestar Familiar
IDB	Inter-American Development Bank
IDP	Internally Displaced Persons
IFC	International Finance Corporation
IPF	Investment Project Financing
LAC	Latin America and Caribbean
MDTF	Multi-Donor Trust Fund

MIGA	Multilateral Investment Guarantee Agency
M&E	Monitoring and Evaluation
OECD	Organisation for Economic Co-operation and Development
OECS	Organization of Eastern Caribbean States
OPSPQ	Operations Policy and Quality
PAs	Programmatic Approaches
PKS	Programmatic Knowledge Services
PPP	Public-Private Partnership
RAS	Reimbursable Advisory Services
RETF	Recipient Executed Trust Funds
SCD	Systematic Country Diagnostic
SME	Small-Medium Enterprise
SPS	Silvopastoral Production Systems
SSC	South-South Cooperation
TEU	twenty- foot equivalent unit
WBG	World Bank Group
WBI	World Bank Institute

The Completion and Learning Report was produced with the invaluable inputs of Enrique Lora, IFC and Leonardo Escandon, WB and has been compiled by Dileep Wagle.

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## THE REPUBLIC OF COLOMBIA

### PERFORMANCE AND LEARNING REVIEW OF THE COUNTRY PARTNERSHIP FRAMEWORK

#### I. INTRODUCTION

1. This Completion and Learning Review (CLR) evaluates the performance of the joint International Bank for Reconstruction and Development (IBRD)/International Finance Corporation (IFC) Country Partnership Strategy for Colombia (CPS) for FY12-16. It describes the achievements of CPS Program Outcomes, assesses the performance of World Bank Group (WBG) support and draws lessons for the preparation of the forthcoming CPS. The CPS provided a framework for a flexible partnership, with selective support to the new National Development Plan (2010-14), provided through a combination of financial, knowledge and convening services. Three strategic themes underpinned this engagement: (a) Expanding Opportunities for Social Prosperity, (b) Sustainable Growth with Enhanced Climate Change Resilience, and (c) Inclusive Growth with Enhanced Productivity. While the CPS Progress Report (CPSPR), 2014, reaffirmed the Bank Group's support to these pillars, it revised the results framework so as to improve attribution and measurement, as well as to reflect adjustments in the engagement. The CLR evaluation of results is based on the updated FY12-16 results matrix of the CPSPR.

##### (i) Colombia's Economic and Social Background:

2. During the CPS period, and indeed the past decade, Colombia demonstrated strong economic growth combined with low volatility, which has helped it reduce the income gap with its peers in the Latin America and Caribbean (LAC) region. Supported by sound macro policies and structural reforms the Colombian economy sustained an average gross domestic product (GDP) growth rate of 4.4 percent during the 2000s. This strong economic growth enabled the country to make significant progress in reducing extreme poverty rates and achieving greater shared prosperity. The economy also saw some important structural changes, with an increased role for extractive industries, greater dependence on commodities in its exports, but relatively weaker performances from the manufacturing and agriculture sectors.

3. During the 2002-11 period, Colombia increased the size of its middle class by over 10 percentage points. The incidence of extreme poverty moreover declined from 8.8 to 5.5 percent of the population, between 2008 and 2011, and over the last decade from 17.7 percent in 2002 to 8.1 percent in 2014 (an average annual decline of 0.8 percentage points). Total poverty fell from 49.7 percent in 2002 to 29.5 percent in 2014, an average annual decline of 1.7 percentage points, which translates into an absolute decrease of 6.2 million people<sup>50</sup>. That said, reductions in inequality have been more modest than those in poverty rates. Despite progress in this regard, by

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<sup>50</sup> Colombia: Systematic Country Diagnostic (June 17, 2015).

2012, the richest 10 percent of the population still accounted for over 40 percent of total income, while the bottom 40 percent accounted for only around 10 percent of total income<sup>51</sup>.

**(ii) World Bank Group’s Program of Support:**

4. The current CPS, discussed by the Executive Board in June 2011, was prepared after a new administration under President Juan Manuel Santos came into office. The CPS was aligned with the priorities of the National Development Plan (called “Prosperity for All for 2010-2014”). The WBG’s program of support proposed by the CPS was for an indicative program of US\$1.1 billion for FY12, followed by US\$0.8-1.08 billion per annum for FY13-16, with active participation by IFC and Multilateral Investment Guarantee Agency (MIGA) and contribution from other donors, via trust funds. As designed, it was appropriate in meeting the needs of a sophisticated middle-income client. The CPS thematic areas were to be managed under an enhanced thematic business model approach combining financial, knowledge and convening services under a comprehensive package of support for each theme, delivered on a timely basis. The model saw the introduction of ‘Programmatic Approaches’ (PAs) to knowledge services, bundling several tasks across sectors against a common objective. In this context, Reimbursable Advisory Services (RAS), integrated within PAs, have emerged as an important instrument for provision of knowledge services. This has been consistent with Colombia’s strong interest in the global knowledge agenda: the country previously served as co-chair of the Global Task Force on South-South Cooperation (SSC), and its Agency for International Cooperation continues to play a coordinating role for SSC, aligning partner countries’ needs with Colombia’s own expertise and priorities.

5. The strategy has been implemented along its established lines, with significant progress having been registered across all engagement areas. Some of the programs supporting outcomes in these areas needed to be adjusted mid-stream, due to unforeseen circumstances, and in order to retain their relevance. This was manifested in the restructuring of some projects/sub-projects and – in a few cases - cancellation of their loans. The overall direction of the strategy was however maintained.

## **II. CPS PROGRAM PERFORMANCE**

6. Overall, the CPS Program performance is rated **Moderately Satisfactory**. This is based on the Self Evaluation Framework, which indicates that for the three major pillars, the majority of CPS outcomes were either achieved or partially achieved (though it should be mentioned that some outcome targets were set with 2016 completion in mind, and could therefore be considered on track to be achieved). These outcomes were the result of the Bank Group’s activities through provision of financial services as well as advisory services, details of which are provided below. A few outcomes did lag on account of problems related to delays in implementation.

7. The WBG lending program: As of October 2015, Colombia is the World Bank’s 8<sup>th</sup> largest borrower, with US\$8.37 billion debt outstanding. As of October 23, 2015, for an active portfolio of 12 projects, IBRD net commitments stood at US\$3.38 billion, of which US\$1.78 billion remained undisbursed. Complimentary Global Environment Facility (GEF) operations

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<sup>51</sup> IBRD/IFC/MIGA Country Partnership Strategy for Colombia: Progress Report for the period FY12-FY16 (April, 2014).

include cattle ranching and forest conservation grants for close to US\$ 40 million. IFC's committed portfolio, as of June 30, 2015, stood at US\$ 1.427 billion, including participants, with 63 percent in loans, 35 percent in equity and 2 percent in guarantee and risk management products. Colombia also had an active trust fund portfolio during the period, reflected in US\$62 million in Recipient Executed Trust Funds (RETF) commitments between FY12 and FY16. Annex 2 provides details of the overall portfolio, including both active and closed lending operations, per CPS Engagement Area and Annex 4 provides details of the Indicatively Planned lending program for FY12-14 against the program that was actually approved.

8. During the period of the CPS, the Executive Board approved 13 loans to Colombia, for a total committed amount of US\$ 4,872 billion. In addition, during this period the Bank delivered close to 90 Advisory Services and Analytics (ASA), covering each of the main engagement areas. These products ranged in topics from opportunities for education, urbanization, mineral sector reform, fiscal policy, public sector accounting standards and the justice sector. As seen from Annex 8, the overall ASA program, including PAs, has been substantial – both in terms of number of tasks and sub-tasks, as well as the depth and diversity of subjects covered. In addition, 19 tasks were conducted as Reimbursable Advisory Services (RAS) during the period, the majority (13) of which fell under the third (Inclusive Growth and Enhanced Productivity) pillar.

9. Disbursements during the CPS period showed an increase in the period between FY12 and FY15, when they rose from a low of US\$344 million to US\$1.52 billion. However, since much of the disbursements came from Development Policy Lending (DPOs), the disbursement ratio showed an uneven development from 6 percent in FY12 to 7 percent to 16.9 percent in FY13 while it fell again to 6.4 percent in FY14 and 12.7 percent in FY15. Colombia's disbursement ratio compares relatively poorly with other countries in the region, such as Mexico, which achieved a disbursement ratio of 17.0 percent in FY15. Procurement issues played a role in earlier years, variously reflecting such problems as complex implementation arrangements, budgetary shortcomings and low implementation capacities. These problems have not entirely been resolved as yet. Four problem projects, identified in the earlier CPSPR (2014), contributed significantly to these disbursement problems. Proactive management of the portfolio has however been improving. Of these projects, only the Rio Bogota Environmental & Flood Control project remains in problem status with a current undisbursed balance of over 90 percent<sup>52</sup>, the La Guajira Water and Sanitation Infrastructure project's performance has been recently upgraded. The National Macroproyectos Social Interest Program, a third longstanding problem project was partially cancelled at the end of 2014 with a Note on Canceled Operations rating the project Unsatisfactory. Also a portion of the loan of the fourth project, the Solid Waste Management project was similarly cancelled, and its closing date extended. Despite some important achievements, overall, the project will close in moderately unsatisfactory status.

### **Overview and Principles of Engagement**

10. The aim of the World Bank Group's engagement in Colombia was to enhance development impact through selectivity. The WBG would support activities for which the Government or private sector had expressed a specific need. It would do so through a combination of its financial services and expertise - assisting the Government in leveraging additional sources of financing, its

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<sup>52</sup> Expected to decline to 80 percent by end-FY16.

knowledge services – providing advisory services and technical assistance (TA), and through its convening power and relations.

11. In support of this strategy, IFC’s investments and advisory activities were focused on enhancing the competitiveness of the private sector in Colombia, and on enhancing its capacity to create jobs through new investments, especially in the infrastructure sector (ports, roads, urban transport and power), and by helping to improve the quality of utility services (water, sewerage, electricity). IFC also aimed to help the Government structure and sign public-private partnership (PPP) contracts to finance some key road concessions. Further, it aimed to assist the Government in its efforts to improve Colombia’s investment climate and trade logistics, through its advisory services, as well as in implementation of reforms to facilitate Small-Medium Enterprise (SME) financial inclusion, infrastructure financing and development of capital markets.

### **Achievement by Strategic Engagement Areas:**

12. The CPS Outcomes, Status and Evaluation Summary, and IBRD/IFC interventions that contributed to the CPS outcomes are summarized in the Self-Evaluation Matrix ([Annex 3.1](#)). The cluster of outcomes under each of the three strategic engagement areas underwent some revision mid-stream, in order to maintain the relevance of the respective outcomes and outputs. This was reflected in Annex 1A (Changes to the Results Matrix) of the CPS Progress Report. Current outcomes are measured in the context of the revised framework.

13. An important cross-cutting area underpinning the CPS is the Peace Agenda, elements of which have been covered under the first two pillars. Support to this agenda included increased coordination with the UN, bilateral donors and other multilateral institutions, together with the creation of a new Multi-Donor Trust Fund (MDTF). Set up under a Global Partnership Program, this US\$7.0 million fund is overseen by a steering committee under the office of the President, and is chaired by the World Bank, with the participation of other partners including Colombia’s Agency for International Cooperation (APC). The Fund aims to support the capacity building program for collective reparations to victims of the armed conflict, and a pipeline of activities for funding consideration is in the process of being built.

#### **A. Expanding Opportunities for Social Prosperity**

14. Outcomes under this engagement area were **mostly achieved**, based on progress in WBG activities in two outcome clusters: a) Improved coverage and monitoring of selected social services for the poor, and b) Increased access to education for students from disadvantaged households. The objective of this engagement was to help Colombia strengthen its social policies, so as to reduce inequality through expanded opportunity to the majority of the population. While lending was an important instrument in achieving this objective, a strong analytical and advisory program of activities contributed significantly.

15. The two outcome clusters focused on achieving increased coverage and efficient delivery of social safety nets and social protection programs, together with expanded educational opportunities for all. Achieving the former called for an enhanced reach of the *Red Unidos* poverty reduction strategy, an improvement in coverage of municipalities offering job centers and strengthened land rights of internally displaced peoples. Towards this end, the Bank provided investment and policy lending support through the US\$636 million Second Phase Expansion of

the Program of Conditional Transfers - *Familias en Acción* project, which financed cash transfers to 2.7 million poor families. The Bank also provided a strong analytical and advisory program, especially in the form of programmatic knowledge services (PKS) in the areas of Social Inclusion (by providing TA and support to the Government's sector reform agenda), Social Protection and Promotion (including recommendations on active labor market policies), support to *Red Unidos* through a RAS, and efforts to help strengthen public sector capacity for providing social services, as well as to enhance the Ministry of Labor's capacity to design interventions and manage for results.

16. During the period, the government's social protection/inclusion agenda saw good results, with targets being mostly achieved. Coverage of the *Red Unidos* program widened to include 1.97 million households, enabling better coordination and alignment with other social services and income-generation programs. At the same time, the *Familias en Acción* program was expanded and renamed *Mas Familias en Acción* and its beneficiaries were given priority access to *Red Unidos*. There was also a significant increase in number of land rights protected (of displaced persons), from a baseline of 83,450 households in 2008 to 173,756 households in 2011.

17. Under the education outcome cluster, the objective was to help Colombia raise human capital development by increasing opportunities in education at all levels – pre-school, primary and secondary, as well as vocational and technical. The Bank provided support via several lending operations: the Rural Education project (APL, Phase II), which aimed among other things to increase equitable rural access and retention to upper secondary education; the Antioquia Upper Secondary Education project, which had similar objectives applied to the Department of Antioquia; and the Second Student Loan Support project (APL, Phase 1), which succeeded in increasing enrollment and graduation rates in tertiary education for students from economically disadvantaged backgrounds. This was further supported on the analytical and advisory side through PA for Improved Opportunities for Education, which provided evidence and policy advice to enhance public sector capacity for improving education policy making for primary to tertiary levels. As part of this effort, joint WB/Organisation for Economic Co-operation and Development (OECD) reviews were carried out of the national and regional (Antioquian) tertiary education systems, in addition to reviews of the upper secondary education policy in Colombia, and assessment of the impact of the *Estatuto Docente* on learning outcomes. The government achieved significant results overall, with enrollment rates at primary and secondary levels, of students from poor households increased from a baseline of 74.9 percent for Lower Secondary and 46.6 percent for Upper Secondary to 94 percent and 83 percent respectively by end-June 2015, and at the tertiary level from 49.7 percent (baseline) to 59.2 percent by March 2015.

18. IFC support to these objectives took the form of three investments – MoviRed, in support of SMEs, financial inclusion and mobile payments, and Fundacion Cardiovascular Hospital, Bucaramanga, serving low-income populations, and Uniminuto, supporting private tertiary education. MoviRed is expected to expand financial inclusion by 3,000 SMEs by 2017, through provision of payment services to new low-income areas, and to increase internet access to small businesses. IFC's support to Fundación Cardiovascular (FCD), which is building a twin-tower health complex with 468 beds on the outskirts of Bucaramanga, to be completed by 2016, will similarly help the institution expand its services. Finally, IFC support to Uniminuto helped the institution enroll 105,728 new students in 2014 – more than three times the number enrolled in 2011. Some 70 percent of students in 2014 were women, with 98 percent of students being

classified as low-income<sup>53</sup>. More recently, IFC has signed its first advisory mandate with Financiera de Desarrollo Nacional (FDN) to jointly advise the Ministry of Education in implementation of PPPs for school infrastructure, in support of its education reform agenda. As part of a programmatic approach, IFC will similarly be working in three metropolitan areas (Medellin, Barranquilla and Cartagena) and the Antioquia department in designing and tendering PPPs of ‘packages’ (15-25) schools, with the private sector responsible for financing, building/rehabilitating infrastructure for these schools.

19. **Convening Services:** In addition to providing programmatic knowledge services, a large number (21) of South-South Knowledge Exchanges (SSKEs) were organized by the Bank under this engagement area. These included a number of study tours for high-ranking government officials to and from Israel, Pakistan, Indonesia, Vietnam and Peru, to learn more about social assistance programs, health policies, conditional cash transfers and a variety of other issues.

## **B. Sustained Growth with Enhanced Climate Change Resilience**

20. Outcomes under this engagement area were **mostly achieved**. WBG activities were focused on three outcome clusters: a) Improved access to sustainable urban services in transport, housing and water; b) Enhanced Capacity for Disaster Risk Management; and c) More sustainable and productive use of targeted rural areas. These outcomes were of high priority to the World Bank’s engagement under this CPS – given the challenges of meeting Colombia’s ambitious targets for growth and economic development with the government’s policy objective of making the development environmentally and socially sustainable. As in the previous engagement area, lending was an important instrument (whilst making use of innovative solutions such as Catastrophe Deferred Draw Down Options (CAT-DDO’s)), but was strongly supported by analytical and advisory activities.

21. The three outcome clusters focused on addressing (i) the infrastructure gap, especially in transport, which was hindering national output and growth, and gaps in delivery of public services (particularly utilities such as water, sewerage, health and urban transport) across regions/departments directly contributed to poverty/inequality of outcomes<sup>54</sup>; (ii) Colombia’s growing vulnerability to adverse natural events, such as earthquakes, landslides, flooding and drought, which had the potential to impose a severe economic cost; and (iii) the challenges arising from environmental degradation (deforestation, land degradation and soil erosion), which could in turn compromise the country’s potential for sustainable economic growth.

22. To help address the infrastructure gap, the Bank provided significant investment and policy lending support. These included the US\$90 million La Guajira Water & Sanitation Infrastructure and Service Management Project (APL, Phase 1), which supported efforts to improve the quality of water supply and sanitation services in urban and peri-urban areas of La Guajira, with a view to benefiting 300,000 consumers and improving the sustainability of service. This project experienced major implementation problems early on, affected in part by severe political instability at the subnational level. It has more recently demonstrated an impressive turnaround,

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<sup>53</sup> An impact evaluation commissioned by Uniminuto and IFC concluded that graduating from Uniminuto, from any of its programs (professional, technical and technological), significantly lowered the probability of ending up below the poverty line.

<sup>54</sup> Colombia: Systematic Country Diagnostic, (SCD) World Bank, June, 2015; Table V-2.

aided by a change in the Project Implementation Unit. Separately, the Bogota Urban Services Project brought about improvements in the quality of life of urban citizens through improved access, coverage and quality of public transportation, sanitation services and potable water. The project implemented public transportation improvements, by upgrading and rehabilitating bus routes and feeder roads as part of an integrated system, benefitting 1.2 million people and providing nearly 100,000 residents with access to water, plus some 380,000 residents with access to sanitation.

23. In the area of urban transport, an Additional Financing supported the modernization of Bogota's cadaster and provided detailed design studies for the city's first metro line. The Bank's Integrated Mass Transit Systems Project (US\$757 million commitment), supported the implementation of a national mass transit program by consolidating the Government's ad hoc support to the Bogota Bus Rapid Transit (BRT) system into a broader country-wide program, was an ambitious operation which successfully undertook the financing of mass transit systems and reorganization of public transit services in Colombia's largest cities. BRT systems developed with the project's support have contributed to improving the quality of life in Colombian cities. Leading among these, the Transmilenio-Bogota system, which has served as a model for the roll-out of other BRT systems, now carries close to 2.1 million passengers a day—some 32% of the city's public transport demand. A follow-up operation, the US\$350 million 'Support to the National Urban Transit Program' project was intended to finance sub-projects related to BRT systems in Bucaramanga and Medellin, and a reorganization of public transit in Sincelejo and Valledupar. The project was substantially delayed during 2014 leading to early restructuring and partial cancellation of US\$58 million. On account of various problems, including a lack of resources allocated to some of the cities by the Ministry of Finance (MoF). The project remains in problem status and awaits resolution.

24. The Bank also provided policy lending support through a series of two Development Policy Lending (DPLs) on Productive and Sustainable Cities (2012, 2014), lending US\$150 million and US\$700 million respectively. These operations supported structural reforms and the Government's policy initiatives to strengthen the system of cities in Colombia, including strengthening urban/metropolitan management, promoting affordable and safe low-income housing solutions, improving the ability of sub-national entities to coordinate and structure such initiatives, and increasing connectivity within the network of cities, and between cities and ports to external markets.

25. IFC's investment in Recaudo Bogota, intended to increase the efficiency of Bogota's public transport system through the use of smart cards and electronic data systems, has not been an unqualified success on account of integration problems between Angelcom (Phases 1 & 2) and Recaudo Bogota (Phase 3). However, IFC support to EPM (*Empresas Publicas de Medellin*) was fairly successful, helping the company expand its distribution of water to 1.1 million people, and provide improved sewerage services to 1.9 million people – mostly low-income - in the city of Medellin in 2014. Similarly in 2014, the EPM electrification program, funded in part by IFC, provided electricity to 1.63 million people in low-income and rural areas. Also in the electricity sector, IFC's investments in Caraquia SA (hydro-power renewable energy generation), SoEnergy International, Guanaquitas (renewable energy generation) and Termoflores (thermal power generation) helped bring about an increase in energy provision from 1,828 GWh in 2011 2,667 GWh in 2014. In the ports sector, IFC has played a role in helping expand cargo operations - one

of IFC's clients, Muelles del Bosque, saw an increase in traffic from 0.7 to 1.5 million twenty-foot equivalent unit (TEU) containers between 2006 and 2014.

26. An equally important instrument used by the Bank in this regard was the substantive analytical and advisory support provided through Programmatic Knowledge Services for Sustainable, Productive and Inclusive Cities (2012-15). The PA was structured around three broad areas: urban transport, land and housing development, and urban services, and it supported over 35 TA and knowledge services activities. An important component was the provision of advisory assistance to develop an Integrated Public Transport Regulatory Framework in the six cities participating in the IBRD-financed National Urban Transport Program. In addition, a number of complementary activities providing guidance on travel demand management for Bogota, a pro-poor targeting public transit subsidy, a Regulatory Framework for Congestion Pricing Schemes in Colombia, and other transport-related topics were provided. Another component of the PA addressed the Urban pillar, through conduct of an Urbanization Review<sup>55</sup>, development of a policy and program framework for developing a PPP model for the *Macroproyectos* Program (though, subsequent to completion of the activity, national priorities had moved away from a model to help leverage private sector finance to one based on 100 percent public financing), TA for low income housing finance to *Fondo Nacional de Ahorros*, and other related activities<sup>56</sup>. The PA also aimed to provide advisory services for the Rio Bogota Wastewater Megaproject. The "Sustainable Urban Transport" theme of this activity successfully achieved the outcomes of policy and strategy formulation, knowledge-deepening and capacity building. The city implemented the Bank's policy advice on a pro-poor targeted public transit subsidy in February 2014, and the national government is considering the roll-out of this initiative in other Colombian cities as part of a new tariff policy framework. The engagement on financing and procurement options for construction/operation of Bogota's first metro line, involving exposure to international experiences and lessons learnt, provided valuable input to the financial structuring of the project currently underway by *Financiera Nacional de Desarrollo*.

27. IFC also provided advisory services in the infrastructure sector, e.g. through its assistance to the Ministry of Housing in the enactment of a national Green Building Code (Decree 1285), expected to be implemented at a municipal level in Barranquilla, Cali and Medellin, by end-2015. By 2021, it is anticipated that some 1,085 buildings will be compliant with this code, resulting in the reduction of GHG to nearly 190K tons per year.

28. Improving Colombia's disaster risk management framework was a key pillar of the Bank's support strategy and a central theme of the Government's policy program. Mudslides and heavy rains due to the 2010-11 La Niña had led to some 3.5 million people, representing nearly 7 percent of the population, being displaced or having suffered major damage to their livelihoods. Following this disaster, the World Bank led the preparation of the Colombia Country Disaster Risk Management Analysis (CCDRMA) to better establish risk exposure, identify legal, institutional and conceptual advances in risk management, review preparedness at regional and local levels and identify gaps in responsibilities of public and private sectors. To help address the country's

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<sup>55</sup> "Colombia Urbanization Review: Amplifying the Gains from the Urban Transition".

<sup>56</sup> Including support to the city of Medellin to structure "land value capture" financial instruments to leverage private finance for urban redevelopment projects.

vulnerability to natural disasters, the Government implemented three new financial instruments<sup>57</sup> to mitigate natural disaster risks, and by 2014 had developed a national policy for climate change and a national low carbon growth strategy. A new National Policy for Disaster Risk Management (DRM) was also introduced, marking a conceptual shift from a post-disaster response approach to an integrated management of disaster risk, with a new DRM information system under development and enhanced monitoring of the volcanological and seismic network.

29. The main instrument used by the Bank to support these developments was development policy lending – in particular the Fiscal Sustainability and Growth Resilience DPL (Phases I and II), which supported the government’s introduction of the three financial instruments to mitigate natural disaster risks, and the National Disaster Vulnerability Reduction project (APL - Phase I). In addition, a second Disaster Risk Management DPL with CAT DDO of US\$250 million was signed with the World Bank in 2012, and extended for another three years in 2015. This DDO, which had originated from the earlier contingent credit line under APL1, was one of three financial instruments introduced as part of the strategy to mitigate natural disaster risks.

30. To address the challenge of environmental degradation in rural areas, as well as climate change mitigation and adaptation in the land-use sector, the Bank provided financial services in the form of several lending operations: The Mainstreaming Sustainable Cattle Ranching GEF project aimed to promote the adoption of environmentally-friendly Silvopastoral Production Systems (SPS) for cattle ranching in the country, improve natural resource management, enhance the provision of environmental services (biodiversity, land, carbon and water) and raise farm productivity. A US\$20.7 million Additional Financing, provided by the U.K. and approved in September, 2014, extended the project into two additional areas. This was generally successful and by June, 2015, 25,513 hectares of national forests had been conserved by bringing them under environmentally-friendly cattle ranching production (silvopastoral livestock) systems. The project is designated to be an incubator, wherein new schemes and instruments can be piloted for replication on a larger scale. The (Third Phase) Protection of Land and Patrimony of Internally Displaced Persons (IDP) project, whose objective was to contribute to the peace-building process by supporting measures to protect their patrimonial assets, provide land titles for IDP affected by the armed conflict and public policy initiatives for restitution of properties to them, was successful in addressing nearly 15,000 land-restitution claims of internally displaced persons by mid-2015. Thereby it not only contributed to the peace process but also as a first step to restoring productive use of rural areas. The on-going Forest Conservation and Sustainability in the Heart of the Colombian Amazon project (approved 2014, effective 2015), aims to improve governance and sustainable land use activities in order to reduce deforestation and conserve biodiversity. Results to date have been positive, with 677 families (double the target) adopting sustainable production and management systems in conservation mosaics. It is expected that 2.7 million hectares (equal to 51% of the surrounding territories) of core conservation area will be brought under protection measures and improved management systems in the Amazon Basin. The Government is moving on reduction of deforestation and has committed to a zero-deforestation target for the Amazon region by 2020. A US\$10 million additional financing to the Sustainable Development Investment

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<sup>57</sup> These were ex-ante budgetary or market-based tools contributing to increased financial protection of the state against disasters.

Project further supported the implementation of policy reforms and related investments addressing environmental problems affecting the quality of life, in line with the Sustainable Development DPL Program. This operation served as an entry-point to deepen environmental-related sector dialogue and help identify the First Green Growth and Sustainable Development DPL in 2015.

31. The Second Rural Productive Partnerships project (the first phase of which was launched in 2002) helped build up entrepreneurship in poor rural communities in a sustainable manner via partnerships with the commercial private sector. It helped some 44,500 households and 727 partnerships during the second phase (2007-14) benefit from high value agricultural value chains by end-2014. Of the productive partnerships established, 72 percent of participating producer organizations remained linked to their business partners two years after support from the project ended. The project has a strong gender dimension, having been particularly successful in reaching vulnerable households headed by single women, including indigenous peoples and Afro-Colombians. More than 9,000 female-headed households were assisted during the second phase, well in excess of the target of 2,550 households. A distinguishing feature of the project is that US\$43 million of the total cost of the second phase of US\$122.4 million was contributed by the beneficiary organizations themselves, with additional significant contributions from local governments, central government and agribusiness partners.

32. The Bank also provided programmatic knowledge services in the form of the Environment, Natural Resources Management and Extractive Industries ASA activity (2013), involving nine sub-tasks aimed at supporting the Government's efforts to strengthen capacity and governance systems to promote inclusive green growth, manage forests, water, biodiversity and climate change, and institutional strengthening in the extractives sectors. An example of these sub-tasks is the RAS activities in the mining sector, which provided capacity building to two of Colombia's key mining institutions by assisting in the implementation of a computerized cadaster aimed at improving governance in the issuance of mining rights, including verifying the consistency of cadastral procedures with the country's legal framework and with best international practice. The RASs, complemented by trust funds, also supported preparation of specific regulations for the issuance of mineral rights, including the development of a methodology for licensing by tender bids.

33. Convening Services: For the overall engagement area, the Bank provided convening services to organize some 38 SSKEs. These included study tours to Vietnam (Da Nang Sustainable City Development project) and from China to Colombia (Innovative Urban Planning Solutions), and to exchange knowledge on subjects such as the energy and hydrocarbons sector, solid waste management models, and on incorporation of DRM into territorial planning.

### **C. Inclusive Growth and Enhanced Productivity**

34. Outcomes under this engagement area were mostly achieved. WBG activities took place within three outcome clusters: a) Improved instruments for fiscal and financial risk management, and tax simplification; b) improved public expenditure, revenue management and poverty monitoring systems; and c) enhanced instruments to mobilize capital and deepen Colombia's capital markets. The objective of this engagement was to assist the Government to manage risks and fiscal policy challenges, provide transparent and effective public sector institutions and a friendly business environment, and a financial sector that delivered efficient and stable services with access to all.

35. Managing its fiscal deficit and strengthening financial sector oversight were key priorities for the Government in the context of maintaining fiscal sustainability, going forward. Through fiscal discipline, strong economic growth and an increase in oil-revenues, the public debt-GDP ratio had been brought down from 45 percent in 2003 to 36 percent in 2014. To this end, the budget balance fiscal rule, adopted in 2011, required a reduction in the central government's structural deficit to 2.3 percent in 2014 (which was achieved), 1.9 percent in 2018 and 1.0 percent by 2022. The World Bank supported this effort through a series of DPLs (including the Fiscal Sustainability and Growth Resilience DPL series, FY12-13, and the Enhancing Fiscal Capacity to Promote Shared Prosperity DPL), with an overall commitment of over US\$1 billion and an extensive series of programmatic knowledge services and other advisory work to promote fiscal reform and influence Colombia's debt management strategy. The latter DPL for instance provided substantial support to the expansion of coverage of financial management information available to the public, thereby contributing to transparency and accountability in the execution of the public budget; in addition to enhancing the transparency, quality and governance of the monitoring of poverty, equity and other social welfare indicators. The Bank also directly advised in depth on the proposal, methodology and models of debt management strategy, which were subsequently approved by the MoF. An important instrument was the PA for Sound Financial Sector Development, with 13 sub-tasks, covering financial sector oversight on the one hand and financial inclusion and capital markets development on the other. Key tasks included an update of the Financial Sector Advisory Program (FSAP), TA to improve capital markets oversight through self-regulatory organizations, support to the deposit insurance fund for credit cooperatives, a study on the economic impact study on money laundering, and pension fund benchmarking and investment guidelines.

36. Financial inclusion and secured transactions reforms were supported by several tasks run by IFC. IFC investments in the financial sector increased outreach to underserved Micro, Small and Medium Enterprises (MSMEs), with a growth in SME portfolios from 663,647 clients (worth US\$4.1 billion) in 2011 to 752,079 clients (worth US\$8.9 billion) in 2014. Through advisory services, IFC helped bring about enactment of a secured transactions law (08/13) in 2013, to enable financial inclusion of SMEs through secured movable assets, and development of a registry for implementing regulations. Advisory services also helped in the development of the bond market, as in the Efficient Securities Markets Institutional Development (ESMID) project, which engaged with local entities to develop demonstration transactions in the bond market<sup>58</sup> to fund infrastructure and housing.

37. Enhancing public sector management was a top priority in the National Development Plan. A key element of this was ensuring that public management information systems provided on-time, reliable and consistent information on the budget, and that the subnational governments design and implement an integrated financial control model. As a result of the successful launch of SIIF-Nacion, coverage was widened to include all central government institutions and 105 subnational entities, with 100 percent of information on budget execution now becoming available. Transparency and accountability also improved through the launching of the Economic Transparency Portal, through which all budget information is now readily accessible to the public. The time lag to produce aggregate financial data from government and decentralized entities was

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<sup>58</sup> Demonstration transactions include two transactions worth US\$9 million with *Credifamilia*, and a bond financing framework for a US\$26 billion toll road program in Colombia.

reduced from 35 days to just 1 day, and now there is full interoperability between SIIF-Nacion and the Bank of Republic's payment system. In addition, pilots were carried out to integrate the data generated by the various different government systems. Support from the Bank Group consisted of the Consolidation of National Public Management Information Systems project, the Strengthening Public Information, Monitoring, Evaluation for Results Management projects, the Colombia Subnational Institutional Strengthening project and the Strengthening Justice Services project. Additional support on the ASA side was provided through the Programmatic Approach for Public Sector in Colombia, involving 16 sub-tasks, offering knowledge and convening services to enhance public sector management capacity at both national and sub-national levels. This activity included among other things, RAS for developing public sector accounting standards, TA on modernization of the tax administration system, RAS for enhanced public asset management, and a Trust Funded advisory on strengthening the procurement system.

38. IFC's advisory activities in the extractive industries helped ten municipal governments, in rural and low-income areas, to improve their investment capacity and practices, so as to ensure a better allocation of resources obtained from royalty payments, whilst improving social accountability. Also, by end-2013, IFC began implementation of an advisory assignment aimed at helping the Government of Colombia to simplify the tax code and reduce the tax compliance burden on enterprises.

39. The Finance and Private Sector Development Policy Loan, provided by the Bank in 2009 and closed in 2012, focused on strengthening the financial system to prevent disruptive and costly financial crises, and consolidating the securities market to address the needs of individuals and the productive sector. A programmatic sustained Growth and Income Convergence Development Policy Series supported the implementation of policy reform to: (i) develop infrastructure financing and increasing access to finance for firms; (ii) improving the quality and allocation of productive skills; and (iii) promoting innovation and an efficient regulatory environment. The first DPL of the series was approved at the end of 2014, while the second is scheduled for Board approval early December 2015. On the ASA side, the Innovation and Competitiveness PA, involving nine sub-tasks, conducted by both Bank and IFC, focused on improving government capacity to foster innovation, improve governance of the national innovation system and create relevant knowledge tools by providing substantial analytic and advisory support. The activities in this PA were complemented by multiple lending operations, including the Science, Technology and Innovation APL (closing FY16), supporting human capital development in the knowledge economy, and the Subnational Institutional Strengthening project (closing FY17), which has been supporting management capacities of subnational governments, so as to be able to take advantage of royalties funds earmarked for innovation. Separately, IFC provided advisory assistance to Banco Davivienda on improving their SME Finance banking model, and to Bancamia on a micro-finance financial services project (though Banco Davivienda subsequently decided not to take advantage of IFC's suggestions for the SME Finance venture).

40. Convening Services: In addition to programmatic and other knowledge services, the Bank used its convening ability to organize some 19 SSKes in support of the overall Inclusive Growth and Enhanced Productivity engagement area. Activities that resulted included a study tour of Mexico and Colombia for the Philippines' Under-Secretary of Finance, SSKes on improving performance of Subnational Governments, on Poverty Committees Building in LAC and the Organization of Eastern Caribbean States (OECS), on strengthening M&E Networks for Evidence-

Based Decision-making, on lessons learned in the process of implementing public sector accounting reforms in Peru and Chile, and Investment Climate Reforms in Latin America and the Caribbean.

**Table 4. Summary of Rating by Engagement Area and by Outcome**

<b>Engagement Area 1</b>	<b>Outcome</b>	<b>Rating</b>
1. Expanding opportunities for Social Prosperity	1. Improved Coverage and Monitoring of Select Social Services in particular for the Poor	Mostly achieved
	2. Increased Access to Education for Students from Disadvantaged Households	
2. Sustainable Growth with Enhanced Climate Change Resilience	3. Improved Access to Sustainable Urban Services in Transport, Housing and Water	Mostly achieved
	4. Enhanced Capacity for disaster Risk management	
	5. More Sustainable and Productive Use of Targeted Rural Areas	
3. Inclusive Growth with enhanced Productivity	6. Improved Instruments for Fiscal and Financial Market Risk Management	Mostly achieved
	7. Improved Public Expenditure and Poverty Monitoring	
	8. Improved Instruments to Mobilize Capital	

### **III. OVERALL WORLD BANK GROUP PERFORMANCE**

41. Overall, the Completion and Learning Review rates overall Bank Group performance, taking into account CPS design and WBG implementation, as **Good**. This is based on the observed strong response to evolving circumstances during the CPS period, which demonstrates the WBG's ability to be flexible, responsive and innovative in dealing with the needs of a strong performing upper middle-income country that is still grappling with high rates of poverty and inequality. The less-than exemplary performance of some infrastructure projects, experiencing disbursement delays provides a degree of counterbalance. Implementation delays are due to weak capacity at the sub-national institutional level, changing priorities in government, high staff turn-over in counterpart agencies as well as challenges with budgetary assignment to participating cities.

#### **A. CPS Design**

42. **The design of the FY12-16 CPS was relevant and well aligned with the country's developmental and social priorities.** The FY12-16 CPS incorporated well the lessons from previous CPSs and from Colombia's own development experience and history of violence and conflict. This was reflected in the CPS Strategic Pillars, which closely reflected the direction and priorities of the National Development Plan, allowing the WBG to provide selective support so as to leverage maximum development impact from a given lending envelope and achieve added value to the country. The choice of pillars reflected strong local ownership, based on extensive dialogue and consultation with the Government and stakeholders.

43. To this end, the selection of focus areas and instruments for intervention was appropriate. Apart from the country dialogue with the Government the Bank also undertook a national client

survey undertaken in early 2011, at the start of the CPS process, and again in 2014, which identified the reduction of poverty, enhanced economic growth and employment generation, improved access to - and quality of – education, and peace, as the key national priorities at the time. The strategic focus of the CPS around the pillars of opportunities for social prosperity, sustainable growth, and inclusive growth with enhanced productivity, was consistent with these priorities.

44. The design of the World Bank’s interventions included a mix of financial and technical/knowledge services, combined with its convening services, aimed at bringing to bear the institution’s diverse strengths. On the lending side, this included nine DPLs providing an overall commitment of some US\$4.9 billion between 2013 and 2016, promoting equity, fiscal reform and influencing Colombia’s debt management strategy. At the same time, a programmatic approach to the provision of knowledge services was introduced, aimed at bringing about greater coherence and integration in diagnostic and advisory activities. This enabled several such tasks to be brought to bear in a ‘building-block’ approach, rather than in a fragmented manner, thereby enabling knowledge to be applied more strategically and effectively. PAs to knowledge services included SSKEs, which – built on Colombia’s position as both a global and regional player in South-South Cooperation – were aimed at building a market of knowledge supply and demand within sectors, globally. The CPS included an SSKE component promoting Colombia’s participation in WBI Pilot Brokering Mechanism aimed at helping countries document their knowledge-sharing needs and facilitate matches for exchanges between developing country partners.

45. The WBG’s interventions in Colombia included a strong complementary role for IFC and MIGA. Apart from its lending program, IFC was expected to contribute significantly to the knowledge services agenda, advising the Government in the area of infrastructure financing and creation of a PPP framework, and in capital markets deepening. Similarly, MIGA was expected to get involved in the financing of infrastructure projects, which the Government was supporting, helping in the mobilization of term finance through provision of sovereign and sub-sovereign risk guarantees.

46. The intervention logic underpinning the CPS results framework was clear and straightforward. The CPS objectives within 3 strategic engagement areas followed a strong logical framework and were generally relevant to the government’s development objectives. Individual outcome indicators flowing from these objectives were by and large measurable and easy to monitor. Their relevance to national goals and changes in the external environment was maintained through a set of revisions carried out after the mid-term review and reflected in the CPS Progress Report, 2014. Outcomes were streamlined from nine to eight, and outcome statements revised for better attribution. Of the 26 original indicators, 15 were revised, seven dropped for improved measurement, attribution and clarity, and five new indicators added to better account for results in areas where engagement had deepened.

47. Among Critical Risks, the CPS acknowledged Colombia’s vulnerability to commodity price shocks and of a possible deterioration of external financing conditions on the economy. Since commodity exports accounted for 63 percent of export revenue in 2010, and 73 percent of foreign direct investment inflows were in commodity-related projects, an adverse shock to oil and other commodities (e.g. coffee) could have resulted in a significant increase in Colombia’s financing needs. These risks turned out to have been overestimated. As it turned out, Colombia’s export growth benefited from increases in favorable terms of trade for its main export commodities, helping increase its share of world exports from 0.2 percent in 2002-03 to 0.4 percent in 2012-13.

Another external economic risk that the CPS anticipated was the possibility of a slower-than-expected global recovery, particularly of the USA, whose economic prospects were of particular consequence to Colombia, and of the prospects of a sharp increase in global food prices. This risk too turned out to have been overestimated, the US economy having achieved annual growth rates of GDP ranging from 2.2 percent to 2.4 percent<sup>59</sup> between 2012 and 2014.

48. Other risks identified in the CPS include the possibility of: (a) rising global food prices, which had a potential inflationary impact on the Colombian economy, which would lead to a contractionary monetary policy, which could in turn dampen the economic recovery, (b) policy slippages in implementing fiscal reforms, and (c) slippage of reform efforts in disaster risk management. These risks too have not materialized to any significant degree. Sound monetary policy management, through inflation targeting and use of a floating exchange rate regime, helped maintain price stability. Inflation, which ran at 6.5 percent in the beginning of the last decade, dropped to an average of 2.7 percent during 2012-14, while GDP volatility has been lower than in previous decades. Important fiscal reforms were not delayed: the Government implementing comprehensive tax reform and setting a fiscal consolidation rule and medium term fiscal framework which will gradually adjust the structural deficit to 1 percent by 2020. Finally, there has been no slippage in reform efforts in disaster risk management, which has remained a central theme of the Government's policy program.

49. The CPS incorporated the lessons from the previous CPS and Colombia's own development experience. The previous CPS was designed to be flexible and innovative in responding to Colombia's development needs, which proved to be a successful and replicable approach. One key lesson was that with the Government of Colombia wanting to borrow more than was possible under the Bank's exposure limits at the time, it was advisable to agree with the Government on an integrated package of financial, knowledge and convening services with a focus on provision of customized results-oriented development solutions in areas where the WBG had comparative advantage. This was something that proved to be a strong point of the new CPS. On the lending side, Colombia was one of the first client countries to take advantage of a flexible DPL with Catastrophic Deferred Drawdown Option, as part of its integrated approach to disaster risk management: an instrument that was put to good use again in the new CPS.

## **B. CPS Implementation**

50. **CPS implementation satisfactorily addressed the challenge of meeting a growing demand for WBG services and had a positive impact.** The Bank followed the overall direction of the CPS, while making minor adjustments to the program, based on the need to remain relevant. Most of the potential investments identified in the CPS were carried out, and some additional investments were added (e.g. Productive and Sustainable Cities DPL I and II, and a Second Disaster Risk DPL with Catastrophic DDO, extended for an additional three years in FY16) in keeping with evolving priorities. The volume of lending (up to May, 2015) approved during the CPS period (US\$3.5 billion) was consistent with the level anticipated in the CPS.

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<sup>59</sup> World Bank data.

51. Government Commitment: As with many Middle Income Countries (MICs), the World Bank's program in Colombia is based on strong client ownership. The large increase in Development Policy Loans (DPLs), particularly in FY15-16, reflects a response to external financing needs, but also to the Government's desire for World Bank support for its reform agenda. Triggers/ prior actions supported by the DPLs were derived directly from the National Development Plan and subsidiary sectoral strategies. For the most part, reform actions were all implemented as planned. The Government has also taken an active role in determining the technical and geographic scope of World Bank investment projects. In large programs in which both the Inter-American Development Bank (IDB) and the World Bank provided support, such as the Urban Transit Program, the Government itself determined the division of labor, asking the World Bank to address public transit challenges in large and medium-sized cities and directing the IDB to focus on smaller towns. Similarly, for the *Plan Pazcifico*, it was the Government that determined that the World Bank should support water, sanitation, and water transport services in the southern towns along the Pacific coast while the IDB would be asked to cover electrification in the northern coastal towns. Government ownership is also evident more generally in the size and composition of the investment portfolio: in the previous CPS period (2008-11), the Government had requested a number of smaller stand-alone projects across sectors, leading to inefficiencies and implementation difficulties, led the authorities to reverse course by seeking larger investments with embedded technical assistance. In the same vein, Government took an active role in helping the Bank to consolidate its lending portfolio, agreeing to partial cancellations and closing of small projects without extensions. It also actively sought Bank knowledge products, most conspicuously through a growing RAS program and a large number of South-South Knowledge Exchanges. For the latter, the Government explicitly asked the Bank to help position Colombia as an important source of development knowledge and expertise in areas ranging from coffee cultivation to land restitution.

52. As mentioned above, knowledge and convening services played an important role in the Bank Group's strategy for supporting the Government of Colombia. Tasks carried out under PAs covered the majority of strategic engagement areas under the CPS, directly complementing lending activity in these areas. Programmatic Approaches carried out at the request of the client included TA programs on poverty, labor markets, equity and monitoring & evaluation (M&E); on improving performance of social services; on social inclusion; on improving opportunities for education; on disaster risk management; on the public sector; and on sound financial sector development and fiscal contingencies. Additionally, diagnostic work was undertaken in such additional areas as sustainable, productive and inclusive cities; innovation and competitiveness; and peace consolidation through sustainable social and human development.

53. The impact of this work was significant. For instance, the PA on Social Inclusion III, which supported the first pillar on Opportunities for Social Prosperity, provided extensive TA on potential institutional arrangements for the Social Promotion sector, in addition to TA to assist Government in the re-design of targeting of the *Red Unidos* and *Familias en Acción* programs. The PA also helped initiate dialogue between the *Cajas de Compensación Familiar* (CCF) and policy makers, which resulted in establishment of a tri-partite committee. Training workshops were provided to help design the system of unemployment benefits, and the Bank helped design a strategy of the intermediation and employment services for the poorest. Another PA product, on "Improving the Performance of Social Services", supported the review and improvement of information systems and organizational arrangements for the new Health Insurance reform

(including developing a legal and regulatory framework), recommendations for an enhanced education information system based on international best practices, and development of the country's first multi-sector Early Childhood Development (ECD) strategy. The package of services provided under this PA was crucial in advancing policy dialogue and reform in the sector.

54. Collaboration between Bank and IFC has been strong in key strategic areas, interventions from the two institutions showing complementarity. An example is Colombia's ambitious roads program, which hopes to attract US\$25 billion of investments from the private sector. The Bank responded to the Government's request to build a PPP unit, bringing to bear international experience and best practices, and helping to design a governance framework to provide technical and budgetary autonomy to the unit. The Bank also provided assistance to the enactment of a new PPP Law that would incentivize financing, contract management and the structuring of PPP contracts. IFC, which had also been working the Government to support *Agencia Nacional de Infraestructura* (ANI) on PPP, helped in the standardization of the agency's documentation, development of a common framework for PPP contracts, and provision of guidelines for the specifics of each transaction. IFC also provided capacity building through five training models, covering various parts of the project cycle, with the help of WBI. After three years of work, the first nine projects (worth US\$5.5 billion) to be launched under the 4G program were recently awarded, with IFC continuing to advise on the standardization of documents. Both Bank and IFC continued to play a role in the mobilization of finance for this program – the Bank by assisting the Ministry of Finance in improving the overall environment of liquidity in capital markets, and by supporting FDN in its new capital market instruments for infrastructure financing of roads; IFC – through its Deep Dive initiative - by working to build long term local currency bond markets and strengthen the new infrastructure development bank (FDN). Towards this end, IFC invested \$47 million (17% equity) in FDN, and joined forces with the Financial Institutions Group (FIG) with a view to structure a potential investment (US\$75 million from its own account) in a debt fund which could bring money in from capital markets to invest in infrastructure in Colombia.

55. IFC's top priorities in Colombia during the CPS period have included advising the Government in the areas of infrastructure financing, creation of a PPP framework and deepening of capital markets in the country. Implementation in all three areas has been strong, through a combination of advisory and follow-up investment activities (to clients such as FDN, Bancamia, CorpBanca, Credivalores, DARP and Kandeo Fund). To help strengthen Colombia's competitiveness, IFC's aim has been to support other transport/logistics projects that would complement the above-mentioned roads program: for instance the Buenaventura Port operation, in addition to two investments in the telecoms sector and advisory services in the field of trade and logistics. An additional focus has been to support sustainable cities, through a combination of advisory and investment activities, such as green building codes, energy efficiency, mass transport projects, basic urban services and access to social services for the middle and lower-income segments of the population.

56. MIGA's role in Colombia has also been growing, with a current portfolio of nearly US\$100 million. MIGA's coverage has so far been in the financial services sector through two projects: the recently-issued (US\$95 million) Findeter project - the first non-honoring of a financial obligation of a state-owned enterprise, and the (US\$2 million) Pro-Credit Holding – the insurance of mandatory reserve at the Central Bank of Colombia. MIGA credit support to Findeter involves an expansion of lending operation of Findeter to infrastructure projects in Colombia, including in

areas of urban mobility, health, education and social housing, all of which complement the existing program of the IBRD (i.e, Productive and Sustainable Cities) and fit well within the pillars and objectives set in the proposed new CPF.

57. The Bank has also worked closely with other development partners, not only in lending activities but also to achieve synergies in knowledge and convening services. Both the Inter-American (IDB) and *Corporación Andina de Fomento* (CAF) have collaborated with the World Bank on various inter-disciplinary activities, such as the 4G program of transport with IFC. The Bank has played an active role in “*Grupo de Cooperantes*” that has been coordinating the work of all the bi-laterals and multilaterals development partners by participating in regular meetings as well as by providing proactive input to technical roundtables. In coordination with the Department of National Planning (DNP) and the IDB, the Bank has initiated the development of new harmonized procurement documents. It has also worked closely with the donor community on the Post-Conflict agenda, as well as on environment and climate change issues. To support the transition to peace, the Bank has worked with the UN to find mechanisms, such as a Multi-Donor Trust Fund (MDTF), to bring in international expertise, promote institutional strengthening, develop the port of Buenaventura and enhance the eco-tourism industry in the region. In this way, the Bank’s convening power has brought important bilateral players such as Norway and Sweden (which provided financial support to the MDTF) to the table. Additionally, the Governments of the UK, Canada, Netherlands, Switzerland and Korea have expressed interest in participating in a joint coordination effort to help in this transition.

58. The implementation of the strategy involved close supervision and annual (or more frequent) reviews of the portfolio. The Bank’s supervision effort involved continuous monitoring of activities at the project level, combined with a strong and on-going country dialogue. In addition, capacity building was provided via the Bank’s financial management and procurement workshops, which were scaled up to include operational aspects of project implementation, governance and anti-corruption, legal aspects and specific public financial management procedures (including budgetary and internal controls). On the lending side, the portfolio went from being very mature in FY14, with an average age of 4.8 years to about 3.7 years by end 2015 on account of strong portfolio actions. As outlined earlier, the portfolio has experienced some problems in the recent period, on account of procurement issues, with 20 percent of commitments currently at risk, mostly as a result of 4 problem projects, accounting for US\$328 million in net commitments. Proactive actions (including cancellation) have however been taken in all cases and it is expected that the portfolio will be restored to health fairly soon.

59. At the same time, the portfolio composition has seen a significant change in lending instruments in recent years in favor of large development policy operations. These are taking up an increasing share of the Bank’s lending volume to Colombia: From US\$600 million approved in FY13 and FY14 (for 3 operations and one operation respectively), the trajectory of DPLs has increased to a volume of US\$1.4 billion a year (for an average of two operations a year), in each of FY15 and FY16. The portfolio saw a sharp decline in the number of projects under implementation – from 20 in FY14 to 13 in FY15. In FY16, the total number of projects is expected to shrink further to around 10, with an average age of 3.7 years.

60. Attention to safeguard and fiduciary issues was integral to the design and implementation of the CPS framework. One of the three engagement areas of the strategy was ensuring sustainable growth with enhanced climate change resilience. An important focus of the pillar was ensuring

that a national policy for climate change would be developed, environmentally-friendly means of cattle ranching systems would be introduced, and that restitution claims of displaced persons would be properly addressed. When insufficient capacity to manage involuntary resettlement caused some implementation delays, these were addressed through efforts by the Bank to build long term capacity, by working with the Universidad de los Andes and other Latin American universities to design and deliver a professional and financially self-sustaining course on Involuntary Resettlement in the region. A GEF initiative provides over US\$10 million to improve governance and promote sustainable land use activities in order to reduce deforestation and conserve biodiversity in a number of indigenous reserves in different departments of the country. Much of the Bank's work in this area was carried out with the support and participation of development partners, such as the Inter-American Development Bank (IDB) and *Corporación Andina de Fomento* (CAF), and the government of the United Kingdom, among others. In addition, the Nordic countries were particularly engaged in the area of environmental protection.

### **C. Alignment with WBG Corporate Goals**

61. The CPS program was closely aligned to the WBG's goals of supporting poverty reduction and boosting shared prosperity – these being explicit goals of the Government of Colombia's National Development Plan ("Prosperity for All for 2010-2014") reflected in CPS the program. The engagement areas and pillars of the CPS were all strongly oriented towards ensuring that the poorest would have greater opportunities to participate in the social prosperity resulting from economic growth, and that future growth would be rendered sustainable. Implementation performance and results obtained from the CPS – including widening the coverage of poverty reduction programs, and ensuring greater access to primary, tertiary and secondary education for poorer segments of the population - were entirely consistent with this objective.

## **VI. KEY LESSONS LEARNED**

62. Capacity constraints, political economy factors and conflict at the sub-national level can severely delay implementation. Work at the subnational level continues to be constrained by weak capacity, local political instability and the risk of operating in conflict-affected areas. Sub-national regulation is constrained by excessive bureaucracy and lack of mechanism to facilitate operations. Credit to municipalities is constrained by a lack of effective financial management and the lack of coordination between municipalities and Tax Authorities. While the Sub-national Capacity strengthening project aims to address these constraints in the medium-term, project implementation arrangements need to take these constraints into account. This is particularly important as WB support increasingly focuses on the country's Pacific region and other disadvantaged territories, where conflict-related issues further constrain project implementation. Implementation support missions have to ensure safety of staff and maintain a strict security protocol, devised jointly with the region's security advisory group. Also implementation arrangements and contracting procedures have to account for the increased risk due to potential exposure to situations of conflict and possible rent-seeking by illegal groups.

63. Flexibility and a complementary approach to the choice of instruments has proven successful and should be maintained. In Colombia, policy implementation has traditionally been supported by TA – though in recent years, the Bank has moved away from small, self-standing TAs to reduce portfolio fragmentation in favor of larger investment project financing (IPF) with

TA components. However, TA is important in the context of DPFs to ensure that sectoral agencies are able to implement the reforms. In this context, the use of PAs by Bank and IFC has not only helped to decrease fragmentation and an ad hoc approach to provision of knowledge services, but has improved complementarity with financial services, thereby significantly increasing the effectiveness of advisory and diagnostic activities. South-South Knowledge Exchanges are most effective when integrated in programmatic engagements.

64. There has been an increasing focus on gender-related activities in the portfolio, but a more strategic and consistent approach to promoting gender equality through the Bank's portfolio is needed. The number of projects, including DPLs, that were gender informed rose from 40 percent in FY10/11 to 83 percent in FY12/13 and dropped again in FY14/15 to 60 percent. However, most of these operations were not gender informed in all three dimensions (analysis, actions, M&E). Addressing this would call for an inclusion of technical assistance to strengthen the government's capacity to implement recent reforms to sustain momentum and strengthen the effectiveness of the interventions and policies.

65. Additionally, in the case of the DPL for Enhancing Fiscal Capacity for Shared Prosperity, which aimed to support the reduction of gender inequities. One of the expected results, an increase in the government's budget assigned to specific measures to protect victims of gender violence, was not effectively achieved because the funds were never disbursed, due to operational and normative issues.<sup>60</sup> While the operation's actual impact on gender equality has been modest, there may be indirect effects resulting from it: First, it has served to move the policy making process by making evident that current implementation arrangements for the provision of services to victimized women are inadequate and additional discussions are needed with regards to operationalizing of the provision of services. Second, there may be symbolic effects of including a gender component into a DPL as recently shown in an internal and external review of similar operations in Brazil: The review highlighted that through the inclusion of reforms related to gender equality, gender issues were placed at the core of the development policies of the respective states which has proven to have symbolic value and resulted in increased visibility and bargaining power of weak institutions<sup>61</sup>.

66. Under the Poverty PA activities, the Bank has also supported the Government of Colombia (GoC) in addressing teenage pregnancy. The Bank presented the Regional Study on teenage pregnancy in Latin America (Azevedo et al 2012), followed by a dialogue with *Instituto Colombiano de Bienestar Familiar* (ICBF), the institution leading the implementation of the new teenage pregnancy prevention strategy. As part of that dialogue the Bank prepared a technical note on teenage pregnancy and opportunities for youth to inform the preparation of that strategy<sup>62</sup>.

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<sup>60</sup> The reasons that impeded the provision of services were normative ineligibility of certain categories of expenses (i.e., room, transportation, food); difficulties in the identification of beneficiaries; lack of adequate infrastructure at the municipal level (i.e., lodging facilities); and lack of clarity in payment procedures to beneficiaries

<sup>61</sup> One of the key recommendations going forward emerging from that review is improved support beyond DPL supervision activities, including technical assistance to support the strengthening of the (often recent and rather weak) institutions charged with implementing gender equality policies.

<sup>62</sup>[http://imagebank.worldbank.org/servlet/WDSContentServer/IW3P/IB/2015/07/06/090224b082fd38f7/1\\_0/Rendered/PDF/Enhancing0yout0egnancy0in0Colombia.pdf](http://imagebank.worldbank.org/servlet/WDSContentServer/IW3P/IB/2015/07/06/090224b082fd38f7/1_0/Rendered/PDF/Enhancing0yout0egnancy0in0Colombia.pdf)

### Annex 1. Self-Evaluation CPS Results Matrix

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
<b>Engagement Area 1: Expanding Opportunities for Social Prosperity (Rating: Mostly Achieved)</b>				
<b>Outcome 1: Improved Coverage and Monitoring of Select Social Services in particular for the Poor (Rating: Mostly Achieved)</b>				
<p>Consolidate and complement the supply of services and social programs around Unidos</p> <p>Institutionalize labor markets</p>	<p>1. Better coverage of <i>Red Unidos</i> program (alignment of two key poverty reduction programs) Baseline: 0 Target: 1.5 million beneficiary households</p> <p>2. Increase in the coverage of municipalities that offer active labor market policies (including <i>Servicio Publico de Empleo</i> Centers) Baseline: 0 Target: 300 new municipalities.</p> <p>3. Strengthened information systems to monitor service delivery and strengthen accountability in health, education and ECD Baseline: Multiple information systems do not effectively capture productivity and quality of services in health, education and ECD Target: Unified information systems capture productivity and quality of services in health, education and ECD</p> <p>4. Number of Certified Territorial Entities that have an agreement, program of activities, and include</p>	<p><i>Achieved.</i> 1.969.602 (As of June 2015) - Coverage and targeting of <i>Red Unidos</i> is under revision as the new 3-year operation phase began later in 2015. The target for actual coverage remains unchanged, however, there will likely be a change in the families covered by the program.</p> <p><i>Partially Achieved.</i> 129 municipalities Indicator was reformulated at CPSPR stage to: "Increase in the coverage of municipalities that offer active labor market policies (including <i>Servicio Publico de Empleo</i> Centers)". In 2015 the number of job centers (centros de empleo) is 466 in 129 municipalities in all 34 departments.</p> <p><i>Partially Achieved.</i> Health system in progress (via SISPRO). DNP is currently working on a platform of interoperability of registries that would include all social programs, RUA, PILA, and SISBEN. In health, the MSPS has consolidated health information systems in the SISPRO (Sistema Integral de Información de la Protección</p>	<p><b>Financial Services:</b> Second Phase of the Expansion of the Program of Conditional Transfers-Familias en Acción Project – Social Safety Net II (<i>P101211</i>) CLOSED Social Safety Net III AF (<i>P104507</i>) CLOSED Rural Education Project (<i>P082908</i>) Antioquia Upper Secondary Education Project (<i>P052608</i>) CLOSED Growth and Productivity DPL (PREM/FPD/Social) FY15 –</p> <p><b>Knowledge Services</b> PKS Effective Social Protection II (<i>P123158</i>) CLOSED PKS on Social Inclusion III (<i>P129859</i>) PKS Improved Performance of Social Services (<i>P123301</i>) CLOSED PA Improving Performance of Social Services (<i>P145684</i>) Youth Reintegration Project (Colegio del Cuerpo (<i>TF057249</i>) CLOSED Labor Inclusion Model for Intellectually Challenged Youth (<i>GFYI, TF010110</i>) Youth Initiative - Audiovisual Materials Project (<i>GFYI, TF010108</i>) Avian Influenza (<i>TF 098473</i>) CLOSED Financial Capabilities and Education Measurement (<i>FLIT, TF097524</i>) CLOSED Implementing the Right to Health (<i>NTF, TF096788</i>) CLOSED Governance, transparency, accountability in education (<i>IDF, P125541</i>) RAS - Strengthening of the Colombian National Health Superintendency (SNS) (<i>P152004</i>)</p> <p><b>Convening Services</b> Beyond the Transfers: Building Capacity through KE on CCT Programs in LAC Gov. Indonesia Study Tour– Social Assistance Programs and Systems FY12 Roundtable on Conflict, Security and Development Cali International Conference on Crime and Violence Prevention</p>	<p>Need for strengthened and integrated SP Info systems and linkage to labor and other productive programs.</p>

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
	attention to ethnic populations in their Rural Education Plan. Baseline: 0 (2008), 21 (2012) Target: 36 (2015)	Social - that provides unified information on provision of services, insurance coverage and affiliation.  <i>Achieved.</i> 36 Entities (As of June/2015) Indicator added at mid-point, to measure progress in education coverage in rural/ post-conflict areas and of ethnic populations.	Support for South-South Dissemination on DDR (WBI initiative) Study tour to Israel on risk adjustment and related health policies Pakistan study tour on CCT programs in Mexico and Colombia  <b>IFC (Investment)</b> Fundacion Cardiovascular Hospital, Bucaramanga, serving low-income populations. <u>Pipeline:</u> Medellin PMLA- Promotora Medica Las Americas Hospital	
<b>Outcome 2: Increased Access to Education for Students from Disadvantaged Households (Rating: Achieved)</b>				
Enhance the quality of education and the development of competencies	<p>1. Increase in enrollment rates (primary and lower secondary; and secondary education) of students from poor and rural households (31 poorest territorial entities, including 17 departments and 13 municipalities).</p> <p>Baseline (Revised). NER PRIMARY: 90%; LOWER SECONDARY 74.9 UPPER SECONDARY 46.6.</p> <p>Revised Target 2016: NET PRIMARY: 93%; LOWER SECONDARY 78% UPPER SECONDARY 50%.</p> <p>2. Percentage of students enrolled in the first year in tertiary education (whose income is below twice the minimum salary) and number of women benefitting from ACCESS loans</p> <p>Target: 63% Women with access: 130,000 (2016)</p>	<p><i>Achieved.</i> Gross enrolment rates: Primary: approx. 100% Lower Secondary: 101.4% Upper Secondary: 77.3% <i>Data as of Dec. 2014 (latest available data)</i></p> <p><i>Mostly Achieved:</i> Percentage of students enrolled: 59.2% (Mar 2015) (most recent data available)</p> <p><i>Achieved.</i> Number of women benefitting from ACCESS loans: 129,960 women (Sept 2015) – (Source: ISR P145782 – Sequence #3)</p>	<p><b>Financial Services</b> Rural Education Project (P082908) CLOSED Antioquia Upper Secondary Education Project (P052608) CLOSED Access with Quality to Higher Education II-SOP PHASE 2 (P105164) CLOSED Access &amp; Quality of Upper Secondary Education (FY15) - (P145353)- CLOSED Access with Quality to Higher Education II- (P145782) <b>Risk Management:</b> Local currency financing for ICETEX, Antioquia <b>Knowledge Services</b> PKS Improved Opportunities in Education (P123144, P132235) CLOSED PKS Education Quality Report (ICFES)-(P106710) CLOSED <b>Convening Services</b> High-ranking Peruvian officials to learn from Escuela Nueva Model SSKE on Improved ECD Action Plans in La Paz and El Alto Vietnam MOET Study Tour to Caldas, Colombia <b>IFC (Investment)</b> Ongoing and potential new projects in technical and vocational adult education piloting financial literacy programs.</p>	<p><i>With increasing access rates, there's need to focus on quality of education and on ensuring transition to upper secondary and tertiary education.</i></p>
<b>Engagement Area 2: Sustainable Growth with Enhanced Climate Change Resilience (Rating: Mostly Achieved)</b>				

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
<b>Outcome 3: Improved Access to Sustainable Urban Services in Transport, Housing, and Water (Rating: Partially Achieved)</b>				
<p>Implement integral mobility and urban development policies around the promotion of financially and environmentally sustainable mass public transportation solutions</p> <p>Incorporate sustainability parameters in urban development through programs of urban renovation and efficient urban mobility systems</p>	<p>1. Increased population benefitting from improved transportation services in:</p> <p>large cities: Baseline: 1,740,000 (2011, includes T. Milenio-Bogota) Target: 2.100.000 (2014)</p> <p>Medium-sized cities: Baseline: 0 (2013) Target: 150,000 (2016)</p> <p>2. Number of new affordable homes constructed enabled by IFC support Number of low income families with access to affordable and safe housing solutions as a result of the new housing scheme for voluntary savings (VIPA) Baseline 2012: 0 Target end 2015: (i) 2,500 affordable new homes (IFC), (ii) 86,000 families (through VIPA)</p> <p>3. Number of (additional) people benefitting from improved access to water, sewerage</p>	<p><i>Achieved.</i> - 4,398,185 (June 2015) Understood as Average of daily passengers using the Integrated Transport Systems. Includes Barranquilla, SITP Bogota, Bucaramanga, Cali, Pereira, Soacha and Valle de Aburra.</p> <p><i>Not Yet Achieved.</i> (Target intended for 2016) - The program targeting medium-sized cities started only in 2014. Execution pace of projects has been slow due to MoF's decision not to allocate resources for this purpose, for that calendar year. Preparation of bidding processes is underway but will only yield results by CY16 and is also subject to project restructuring</p> <p><i>Not achieved.</i> The first disbursement to Triada is pending hence the investment has not yet enabled IFC client to achieve expected results in terms of residential units constructed for low income house families</p>	<p><b>Financial Services</b> La Guajira Water and Sanitation Proj (P096965) Bogota Urban Services AF (P074726) - CLOSED Solid Waste Mgmt Project (P101279) Macroproyectos Project (P110671) - CLOSED Integrated Mass Transit Systems (P082466 / P114325) CLOSED Rio Bogota Project (P111479) Productive and Sustainable Cities DPL (P130972) - CLOSED National Urban Transport (P117947) Productive and Sustainable Cities DPL II (P145766) (FY15) Programmatic Sustainable Development DPL (P150475) FY16</p> <p><b>Knowledge Services, incl. joint WB-IFC</b> Sustainable, Productive and Inclusive Cities PA (P143513) strategic Basin Planning for the Rio Bogota (WPP, TF095149) CLOSED Experience of Specialized Water Operators in Colombia (SFLAC TF098814) Rio Bogota Environmental (SFLAC, TF097840) Cali Smart Cities</p> <p><b>Convening Services</b> BRT Study Tour - Da Nang Sustainable City Development Project China Study Tour to Colombia – Innovative Urban Planning Solutions</p> <p><b>IFC (Investment)</b> Triada LIH – Low-income housing Recaudo Bogota- electronic payment system for urban bus transport EPM- water services Green building projects (hotels, housing) PPP structuring: FONADE-IFC MoU; Colombian Roads project; Concession structuring "Ruta del</p>	<p>While implementation in large cities was very successful, capacity constraints and resulting bottlenecks in budget allocation resulted in execution lags at the sub-national level.</p>

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
	<p>services, and electricity in Medellin and surrounding areas Baseline 2012: 0 Target 2015: 1.85 million people benefitting from improved services and 450,000 new customers.</p>	<p><i>Achieved.</i> 3 million people (1.1 million with new and improved water services + 1.9 million with improved sewerage systems) benefitting from improved access to water and sewerage services in 2014 Added to measure IFC supported investment to EPM (Empresas Públicas de Medellín).</p>	<p>Sol"; Transportation/Telecom projects from currently 10 to 16 IFC Advisory: Green building codes, energy efficiency, cleaner production</p>	
<b>Outcome 4: Enhanced Capacity for Disaster Risk Management (Rating: Mostly Achieved)</b>				
<p>Implement good governance models to strengthen the institutionalization of SNPAD <i>(Sistema Nacional para la Prevención y Atención de Desastres)</i></p> <p>Reduce vulnerability, prepare Colombia for climate change adaptation, and leverage opportunities derived from</p>	<p>1. Number of new financial instruments to mitigate natural disaster risks that have been implemented. Baseline (2012): 0 Target (2014): 3 (achieved)</p> <p>2. National Policy for Disaster Risk Management formulated. Baseline: No (2011) Target: Yes (2016)</p>	<p><i>Achieved.</i> 3 – (i) a catastrophic DPL with a deferred drawdown option of US\$250 million signed with World Bank in 2012, (ii) a financial protection sub-account of the National Fund for Disaster Risk Management put in place with Law 1523 of 2012, and (iii) mandatory standard terms and conditions for the insurance of road and infrastructure against disaster risk (such as flooding and earthquakes)</p> <p><i>Partially Achieved.</i> The "General Component" of the National DRM: 100%</p>	<p><b>Financial services</b> Fiscal Sustainability and Growth Resilience DPL series (FY12-13) (P123267) - CLOSED APL1 Disaster Vulnerability Proj.(P082429) CLOSED APL2 Disaster Vulnerability Proj.(P085727) - CLOSED CAT DDO (P113084) CLOSED CAT DDO II (P126583) <b>Risk Management:</b> Blending model for structuring IBRD financial package Loan customization for CAR (use of local currency) Full menu of IBRD CAT risk financing, weather derivative and/or Cat-Bond <b>Knowledge Services</b> Consolidating Disaster Risk Management PA (P145500) Risk Modeling Bogota (GFDRR , TF091242, Recipient) CLOSED</p>	

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
international carbon markets	3. Government has developed a national policy for climate change and a national low-carbon growth strategy. Baseline: No (2011) Target: Yes (2016)	formulated The "Programmatic Component" of the National DRM: under review and adjustment. The full National Policy is expected to be approved by end of CY15.  <i>Achieved.</i> Yes (Under Law 1450, CONPES 3700) Colombia has been a partner country in the REDD+ where it supports market-based mechanisms and has benefitted from the World Bank Forest Carbon Partnership Facility (FCPF), through a number of initiatives. Both programs critical for establishing the roadmap derived from Law 1450 for Climate Change adaptation in Colombia.	Flood Protection in Barranquilla ( <i>SFLAC, TF096784</i> ) CLOSED Barranquilla- integrated urban flood prevention ( <i>GFDRR, TF096323/4</i> ) CLOSED Strengthening crisis preparedness framework ( <i>FIRST, TF095378</i> ) CLOSED Disaster Risk Management Analysis (CCDRMA) ( <i>GFDRR TF098966</i> ) CLOSED FCPF REDD Readiness Trust Fund, CLOSED. <b>Convening Services</b> SSKE on use of CCTs to address natural disasters (with CIDE Mexico) <u>Pipeline</u> : SSKE: DRM incorporation into Territorial Planning: Honduras/ Colombia	
<b>Outcome 5: More Sustainable and Productive Use of Targeted Rural Areas (Rating: Achieved)</b>				
Strengthen the protection and restoration of biodiversity and its ecosystem services  Promote linkages and value addition in agricultural	1. Area newly brought under environmentally-friendly cattle ranching production (silvopastoral livestock) systems Baseline: 0 (2011) Target: 50,500 (2014)  2. Number of land restitution claims of internally displaced persons processed who abandoned their land due to forced displacement	<i>Partially Achieved.</i> 25,513 (05/2015) 63,000 is the new target value under the US\$20.7 million Additional Finance grant that extends until 2018  <i>Achieved.</i>	<b>Financial Services</b> Sustainable Dev. Proj. + AF ( <i>P082520</i> ) - CLOSED Agricultural Transition ( <i>P082167</i> ) CLOSED Rural Productive Partnerships II Project ( <i>P104567</i> ) - CLOSED Facilitating Access to Justice for Victims Project (pipeline) <u>Grants</u> : Mainstreaming Cattle Ranching GEF +AF ( <i>P104687</i> )	The very successful 'Alianzas Productivas' project is a good model of bringing smallholders into the value chain and could bear important benefits in addressing the

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
<p>production, forestry and fishery</p> <p>Articulate social and economic resettlement policies for victims of forced displacement due to violence (PVDFV)</p>	<p>Baseline: 0 in 2012. Target: increased number by end 2014.</p> <p>3. (i) Number of families that continue adopting sustainable production and management systems in conservation mosaics and (ii) Number of hectares of core conservation area brought under improved management systems in the Amazon Basin. Baseline 2012: 0 Target 2014: 300 and 2.6 million hectares of core conservation areas and 57% of the surrounding territories have been brought under improved management systems in the Amazon Basin</p> <p>4. Number of additional families benefitting from high value agricultural value chains Baseline: 0 (2010) Target: 41,245 families from 498 new partnerships achieved in Dec 2013.</p>	<p>14,848 (12/2014) - By February 2014, 39% of the persons requesting restitution were women. 41% by December 2014</p> <p><i>Achieved.</i> 677 families (10/2014) 2.64 million hectares - 51% of the surrounding territories (10/2014)</p> <p><i>Achieved.</i> 42,813 families (12/2014) – project closed 06/2015.</p>	<p>Protected Areas GEF(TF094084, TF056351) CLOSED GEF Protected Areas AF (P091932) National Adaptation Plan (P083075) CLOSED Rio Amoya CF (TF053534) CLOSED San Nicolas Carbon Sink CF (TF056577) CLOSED Forest Conservation in the Amazon (P144271) – Pipeline Inst. Community Strengthening for Local Governance (JSDF, TF091174) Peace and Development AF (P051306) CLOSED TF Gender and IDPs (GENTF, TF095198) CLOSED Protection of Land and Patrimony of IDPs Phase 3 (SPBF, TF094596) <b>Knowledge Services</b> PA Environmental/ Mining Knowledge Services (P143933) PA Strengthening Environmental and Natural Res. Institution (P123864) CLOSED Integrated National Adaptation Plan (INAP) GEF (TF054614) Netherlands Conservation Incentives Grant (TF094084) FCPF REDD Readiness (TF097224/P120899) CLOSED Agriculture Commodity Exchange RAS P130560 CLOSED PA Peace Consolidation (P144491) Human Rights-Basic Social Services in Peace and Dev. Zones (NTF, TF096627) CLOSED MDTF Peace and Post-Conflict <b>Convening Services</b> FCPF Regional Workshop on "Social Inclusion in REDD+ Readiness" Green Growth Policies Workshop Workshop on Evaluation approaches for Productive Alliance projects FY12 Roundtable on Conflict, Security and Development</p>	<p>inclusion and post-conflict agenda.</p>

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
			Cali International Conference on Crime and Violence Prevention <u><b>IFC (Investment)</b></u> FDN equity and Advisory Facility - Pipeline Oil, Gas and Mining Sector projects: early mining exploration in Western Colombia (El Dovio); Greenfield LNG development – Pipeline Transformation projects in agriculture (cocoa, dairy, soy and sugar); Forestry <u><b>IFC (Advisory)</b></u> Extractive Industries Adv. Services: EcoOro Extractive Res. Industry; Royalty Management; Royalty Monitoring;	
<b>Engagement Area 3: Inclusive Growth with Enhanced Productivity (Rating: Mostly Achieved)</b>				
<b>Outcome 6: Improved Instruments for Fiscal and Financial Market Risk Management (Rating: Mostly Achieved)</b>				
Establish a Fiscal Rule as a policy instrument to consolidate fiscal discipline and macroeconomic stability	1. Central Government fiscal deficit 2014. Baseline 2010: 3.9% of GDP Target 2014: 2.3% of GDP or less  2. Number of institutions in the capital markets with at least 3 recommendations/policies/practices/procedures of the revised regulatory framework implemented	<i>Partially Achieved</i> 2.4% (2015) The structural deficit was 2.3% of GDP in line with the country's fiscal rule, but a sharp fall in oil prices led to a 0.1% of GDP of cyclical deficit.  <i>Mostly Achieved.</i> 2. 1) - Ministry of Finance (mutual funds decree, hybrid issuance regime decree, and April 2014 decree on debt capital funds and prudential limits for banks and FDN to facilitate infra financing) 2). SFC (mutual funds regulation, formalization of MILA -- creation of MILA coordination committees)	<u><b>Financial Services</b></u> Fiscal Sustainability and Growth Resilience DPL series (FY12-13) CLOSED Enhancing Fiscal Capacity to Promote Shared Prosperity DPL (P145605) - CLOSED  <u><b>Knowledge Services</b></u> PA Sound Financial Sector Development (P133789) National Level Public Finance Study (P106916) CLOSED TA to improve the monitoring of social impact of the crisis CLOSED Institutional Mineral Rights Cadastre Reform (SFLAC) Banking ROSC CLOSED Government Debt and Risk Mgmt TA (P129819) Fiscal Policy for Sustained and Inclusive Growth PA (P133307) – Pipeline Mineral Sector Reform RAS I & II <u><b>Convening Services</b></u> Philippine Delegation to Mexico and Colombia on Fiscal Risk Management <u><b>IFC (Advisory)</b></u>	<i>Indicator selection should reflect areas where WB program has direct impact and its interventions can be attributed to it.</i>

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
			Extractive Industries Royalty Management; Royalty Monitoring; Revenue management advisory services in mining (municipalities) Deepening Colombia's capital markets in key sectors (regulatory and institutional reforms, transaction support activities) (IFC00578507-TF098321 ESMID)	
<b>Outcome 7: Improved Public Expenditure and Poverty Monitoring Systems (Rating: Mostly achieved)</b>				
Promote efficiency in implementing resources from the national budget	<p>1. Public Management Information Systems provides on time, reliable and consistent information on budget and investment execution Baseline 2011: does not provide. Target: does provide by 2015</p> <p>2. The Subnational Government's integrated financial control model has been designed and approved by Ministry of Finance and Ministry of Planning. Baseline 2013: no integrated model. Target 2016: designed and approved</p> <p>3. Endorsement of annual release of monetary and multidimensional poverty indicators and its</p>	<p><i>Achieved</i> Yes. The successful launch of SIIF-Nación system facilitated the development and launching of the Economic Transparency Portal16, through which 100 percent of consolidated budget information (including information on income, expenditures, contracting, accounting and regional level data) is published and accessible to the public one day after it becomes available.</p> <p><i>Not Yet Achieved</i> Target will be monitored for progress at second year of implementation (02/2016). In the meantime, the results of the Reimbursable Advisory Services to DNP for the Conceptual Design and Implementation of a Results-based Public Investment Management Model (P154144) will be</p>	<p><b>Financial Services</b> <u>Lending:</u> Consolidation of National Public Management Information Systems Project (P106628) - CLOSED Government-wide Administrative and Financial Management Systems Project (pipeline) Strengthening Justice Services (P083904) - CLOSED AF Justice Services Strengthening Project (pipeline) Facilitating Access to Justice for Victims Project (pipeline) Strengthening Public Information, Monitoring, Evaluation for Results Management SIL(P099139) - CLOSED Sub-National Institutional Strengthening (P123879) <u>Lending:</u> Sustainable Growth and Income Convergence DPL I (FY15) &amp; II (FY16) <b>Knowledge Services</b> PA Poverty and Equity (P133763) PA for Public Sector in Colombia (P143384) Legal claims mgmt system (IDF, TF058311) CLOSED Expanded subnational rapid assessments of PSM Decentralization Study (P101308) CLOSED Strengthening Procurement System (TF092702) CLOSED Procurement Law Reform Implementation (IDF, TF092702/P109841) CLOSED Advisory work on accounting and financial reporting standards CLOSED</p>	<p><i>As mentioned in several occasions, implementation capacity at sub-national level presents an important constraint.</i></p> <p>Knowledge and financial services complemented each other well in driving results despite the challenges of working at sub-national level.</p>

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
	<p>corresponding micro data by the Monetary Poverty Expert Committee and the Multidimensional Expert Committee Baseline: 0 Target: 1</p>	<p>incorporated into the definition of the integrated financial control model.</p> <p><i>Achieved</i> 1. Monetary and multidimensional poverty data for 2013 were validated by the expert committees during in March 2014. Likewise, poverty data for 2014 was validated in April 2015. During the ICR mission, authorities mentioned that the institutionalization of expert committees to validate the production and dissemination of multidimensional poverty index has served to improve the quality, transparency and replicability of poverty data and other social indicators.</p>	<p>Pipeline: OECD Agenda Programmatic RAS RAS for Information Management Systems and Analytical Tools in Procurement (Colombia Compra Eficiente) (P148034) RAS Institutional Strengthening and Technical Assistance on Decentralization (P145012) RAS for Enhanced Public Asset Management (P150057) RAS Civil and Family Courts (P144772) Justice Sec. Strategy Post-Conflict RAS (P148969) RAS Administrative Courts (P131016) <b>Convening Services</b> SSKE: Participation in expert committee on poverty measurement Monitoring and Evaluation Networks for Evidence-Based - Decision Making SSKE: Improving performance of subnational governments <b>IFC (Advisory)</b> Doing Business in Colombia Round 3 and Trade Logistics <i>NatPlan Colombia</i> Project (Municipal construction permits) Trade Logistics Program</p>	
<b>Outcome 8: Improved Instruments to Mobilize Capital (Rating: Mostly achieved)</b>				
<p>Extend the access to and use of formal financial services</p> <p>Establish a vision and an integral policy for capital markets as a driver of the productive sector</p>	<p>1. New financial products for low-income population and SMEs launched Baseline 2012: 0 Target 2016: at least 2</p> <p>2. Number of new instruments for infrastructure finance launched in the market (InfraBond, InfraFund, etc.)</p>	<p><i>Partially Achieved</i> Davivienda: 0 products for SME launched (AS project was dropped in 2014) Bancamia: 0 products for low income population launched by 2104</p> <p><i>Achieved</i></p>	<p><b>Financial Services</b> <u>Lending:</u> Science, Technology, and Innovation (P117590) Finance and Private Sector Development (P116088) – CLOSED <u>Lending – Pipeline:</u> Growth and Productivity DPL (PREM/FPD/Social) FY15 <b>Knowledge services, incl. combined WBG</b> Colombia Deep Dive – IFC-WB</p>	

Government Objectives 2011-2016	CPS Outcome Indicators (Baseline and Targets)	Status and Evaluation Summary (As of September 2015)	WBG Activities that Contributed to the Outcome	Lessons Learned and Suggestions for the New CPF
	<p>Baseline: 0 (2013) Target: 2 (mid-2016).</p> <p>3. Volume of client MSME loans outstanding supported by IFC. Baseline: US\$1.7 billion (2012) Target US\$16 billion (2016)</p>	<p>(ESMID) engaged with entities in Colombia to develop demonstration transactions (in the non-government bond markets) to fund infrastructure and housing in Colombia. <u>2 market-ready bond transactions were achieved</u> with Credifamilia in Colombia that amount to US\$ 9 Million in the inaugural bond. Credifamilia is expected to issue additional tranches of its long term bond for the remaining US\$ 46 million authorized, which is likely to encourage other NBFIs (la Hipotecaria, Acercasa) to follow suit. Demonstration transactions also include a bond financing framework for a US\$ 26 bn toll road program in Colombia. Bond issues will finance half of the 4G road concession program funding needs. Infrastructure bonds will likely materialize within 2018-2020 with brownfield transactions potentially happening within 1-3 years. Note: 'Market ready' is measured by official engagements reached between issuers and their transaction advisers (including expressions of</p>	<p>Sound Financial Sector Development PA (P133789) joint WB-IFC Innovation and Competitiveness PA (P144510) Cooperation agreement on Investment Climate: Regional Doing Business Reform Advisory project (P131158) Innovation, Productivity and Entrepreneurship (TF096995) CLOSED Financial capabilities Assessment (P122698) CLOSED Diagnostic Facility for Shared Growth, (TF096995) CLOSED Support for the Reorganization of INCO (PPIAF, TF099124) CLOSED Pipeline: OECD Agenda Programmatic RAS Banco AV Villas and its partner DDDedo (an airtime distribution network) for a mobile low-cost savings account for low-income population (CGAP). <b>Convening Services</b> SSKE Strengthening Bolivia's National Science, Technology and Innovation System <b>IFC (Investment)</b> FDN investment for infrastructure finance Avantel 4G LTE (equity investment) Virgin Mobile Colombia (VMCO) Pacific Infrastructure-Liquid terminal Cartagena (equity/assent mgnt) PetroNova (equity investment) GFO (Grupo factoring de Occidente)-loan Tier 2 insurance companies and mobile banking Credivalores-credit to low income segment MAS Colombia International Private Equity Fund - Pipeline Quimbaya- Infra and SME equity and south-south expansion <b>IFC (Advisory)</b> Royalty management advisory services for Innovation at regional level SME factoring (primarily with grants)</p>	

<b>Government Objectives 2011-2016</b>	<b>CPS Outcome Indicators (Baseline and Targets)</b>	<b>Status and Evaluation Summary (As of September 2015)</b>	<b>WBG Activities that Contributed to the Outcome</b>	<b>Lessons Learned and Suggestions for the New CPF</b>
		<p>interest issued or mandate letters signed)</p> <p><i>Achieved</i> US\$ 16.8 billion cumulative in the 2012-14 period</p>	<p>Gender and microfinance sector support DARP Program (Distressed Assets Relief Program Grupo Sura Pension Fund (equity, structuring) Banco Davivienda-SME Finance (Adv. Services) Bancamia a Micro-Finance Financial Service (MFS) project (Adv. Services) Infrastructure advisory, PPP structuring for highways, ports Innovative mobile financial services for underserved low income individuals</p>	

## Annex 2. Colombia: Active, Closed IBRD Lending Operations per CPS Engagement Area

Project ID	Project Name	Net Comm (\$US mil)	Status*		Implementation - CPS Period						
			A	C	Approval	Closing					
						FY12	FY13	FY14	FY15	FY16	FY17+
<b>Engagement Area 1: Expanding Opportunities for Social Prosperity</b>											
P101211	Support for the Second Phase of the Expansion of the Program of Conditional Transfers-Familias en Accion Project	636.5		X	2009	X					
P105164	Second Student Loan Support Project, APL Phase I	300		X	2008		X				
P051306	Peace and Development Project (1st Phase APL)	7.8		X	2010		X				
P052608	Antioquia Upper Secondary Education	20		X	2008			X			
P082908	Colombia Rural Education Project (APL Phase II)	40	X		2008					X	
P145782	Access with Quality to Higher Education	200	X		2014						X
<b>Engagement Area 2: Sustainable Growth with Enhanced Climate Change Resilience</b>											
P113084	Disaster Risk Management DPL w/Catastrophe DDO	150		X	2009	X					
P082167	Agricultural Transition	30		X	2005	X					
P130972	Productive and Sustainable Cities DPL	150		X	2013		X				
P145766	Productive and Sustainable Cities DPL II	700	X		2015					X	
P082466	Integrated Mass Transit Systems	300		X	2010		X				
P082429	Disaster Vulnerability Reduction First Phase APL	110 (rev)		X	2005		X				
P085727	Disaster Vulnerability Reduction Project - APL2	80		X	2006			X			
P101279	Solid Waste Management Program Project	20	X		2010					X	
P082520	Sustainable Development Investment Project (including AF)	17		X	2006				X		
P074726	Bogota Urban Services Project	130		X	2009				X		
P110671	National Macro-Proyectos Social Interest Program Project	40		X	2011				X		
P126583	Second Disaster Risk Management DPL with Catastrophe DDO	250	X		2013					X	
P111479	Rio Bogota Environm. Recuperation and Flood Control Project	250	X		2011					X	
P096965	La Guajira Water & Sanitation Infrast. and Service Mgmt Proj	90	X		2007						X
P117947	Support to the National Urban Transit Program Project	292 (rev)	X		2012						X
P150475	Programmatic Sustainable Development DPL	700			2016						X
<b>Engagement Area 3: Inclusive Growth with Enhanced Productivity</b>											
P123267	First Programmatic Fiscal Sustainability & Growth Resilience DPL	300		X	2012	X					
P116088	Finance and Private Sector Development	300		X	2010	X					
P129465	Second Programmatic Fiscal Sustainability & Growth Resilience DPL	200		X	2013		X				
P106628	Consolidation of National Public Management Information Systems	25		X	2010			X			
P083904	Justice Services Strengthening Project	20		X	2010			X			
P145605	Enhancing Fiscal Capacity to Promote Shared Prosperity DPL	600		X	2014				X		
P099139	Strengthening Public Information, Monitoring, Evaluation for Results Management in Colombia	8.5		X	2009				X		
P104567	Second Rural Productive Partnerships	30		X	2008				X		
P117590	Science, Technology and Innovation	25	X		2011					X	
P149609	Sustainable Growth and Income Convergence DPL	700	X		2015						X
P123879	Sub-National Institutional Strengthening	70	X		2014						X
P154821	Sustainable Growth and Income Convergence DPL II *	700			2016						X

\* A – Active, C – Closed. Operations approved during CPS period are shaded.

\*\* In pipeline for FY16 approval.

Status as of end September, 2015

**Annex 3. Selected Indicators of Bank Portfolio Performance and Management**  
As of 02/18/2016

Indicator	FY13	FY14	FY15	FY16
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	19.0	19.0	13.0	11.0
Average Implementation Period (years) <sup>b</sup>	5.0	4.9	3.7	3.2
Percent of Problem Projects by Number <sup>a, c</sup>	26.3	21.1	30.8	27.3
Percent of Problem Projects by Amount <sup>a, c</sup>	34.6	17.4	25.8	18.7
Percent of Projects at Risk by Number <sup>a, d</sup>	26.3	21.1	30.8	27.3
Percent of Projects at Risk by Amount <sup>a, d</sup>	34.6	17.4	25.8	18.7
Disbursement Ratio (%) <sup>e</sup>	17.0	6.7	13.1	4.0
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	yes	yes	yes	yes

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	156	13
Proj Eval by OED by Amt (US\$ millions)	15,592.9	1,863.7
% of OED Projects Rated U or HU by Number	21.4	7.7
% of OED Projects Rated U or HU by Amt	12.9	1.1

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Annex 4. Colombia Lending Program: Indicatively Planned FY12/13 vs. Actual FY12-16**

Project ID	Project Name	Approval FY		Net Comm. Amount (US\$ mil)	
		Proposed	Actual	Proposed	Actual
P117947	Support to the National Urban Transit Program Project	FY12	FY12	350	350 (292 rev)**
P126583	Second Disaster Risk Management DPL with Catastrophe DDO	FY12	FY13	150	250
P082520	Sustainable Development Investment Project (including AF)	FY12	FY12	10	10
P123267	First Programmatic Fiscal Sustainability & Growth Resilience DPL	FY12	FY12	300	300
P123879	Sub-National Institutional Strengthening	FY12	FY14	150	70
-	Small-holder Agriculture Competitiveness	FY12	-	150	-
P145353	Improving Access and Quality of Upper Secondary Education	FY13	FY14	150	-
-	Social Safety Net III	FY13	-	150	-
-	Disaster Vulnerability Reduction Phase 2 APL1	FY13	-	100	-
-	Barranquilla Flood Protection	FY13	-	100	-
P130972	Productive and Sustainable Cities DPL***	FY13	FY13	100	150
P129465	Programmatic Fiscal Sustainability and Growth Resilience (DPL II)	FY13	FY13	200	200
-	Innovation, Competitiveness, and Entrepreneurship	FY13	-	100	-
P145605	Enhancing Fiscal Capacity to Promote Shared Prosperity DPL*	n/a	FY14	-	600
P145782	Access with Quality to Higher Education II-SOP PHASE 2*	n/a	FY14	-	200
P145766	Second Programmatic Productive and Sustainable Cities DPL	FY15	FY15	700	700
P149609	First Sustainable Growth and Income Convergence DPL	n/a	FY15	700	700
P150475	Programmatic DPL for Sustainable Development	n/a	FY16	700	700
P154821	Second Sustainable Growth and Income Convergence DPL	n/a	FY16	700	700
<b>Total FY12-FY16</b>		<b>Count: 19</b>	<b>Count: 14</b>	<b>4,810</b>	<b>4,930(4,872 rev)</b>

\* Note: CPS only outlined program for FY12-13

\*\*of which US\$58 million were cancelled in FY14, leading to a net commitment of US\$292 million for this project.

## Annex 5. IFC Committed and Outstanding Portfolio (January 2016)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY10	ALQUERIA	5.00	5.00	0.00	0.00	0.00	5.00	5.00	0.00	0.00	0.00
FY10	ASHMORE COLINFRA	0.00	17.00	0.00	0.00	0.00	0.00	11.79	0.00	0.00	0.00
FY16	ASHMORE FUND II	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	AVANTEL BVI	0.00	12.21	0.00	0.00	0.00	0.00	12.21	0.00	0.00	0.00
FY10	BANCAMIA	0.00	12.06	0.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
FY15	BANCAMIA	30.47	0.00	0.00	0.00	0.00	30.47	0.00	0.00	0.00	0.00
FY16	BANCAMIA	13.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY02	BCSC	0.00	5.50	0.00	0.00	0.00	0.00	5.50	0.00	0.00	0.00
FY06	BCSC	0.00	12.78	0.00	0.00	0.00	0.00	12.78	0.00	0.00	0.00
FY08	BOGOTA MUNI	28.50	0.00	0.00	0.00	0.00	28.50	0.00	0.00	0.00	0.00
FY09	CARUQUIA	3.88	0.00	0.87	0.41	0.00	3.88	0.00	0.87	0.08	0.00
FY12	CARUQUIA	0.00	0.00	0.00	0.43	0.00	0.00	0.00	0.00	0.11	0.00
FY14	COLOMBIAN MINES	0.00	0.11	0.00	0.00	0.00	0.00	0.11	0.00	0.00	0.00
FY08	COMPAS	5.87	0.00	0.00	0.00	0.00	5.87	0.00	0.00	0.00	0.00
FY14	CORPBANCA COLOMB	0.00	0.00	42.50	0.00	0.00	0.00	0.00	42.50	0.00	0.00
FY13	CREDIVALORES	8.57	0.00	0.00	0.00	0.00	8.57	0.00	0.00	0.00	0.00
FY15	CREDIVALORES	18.19	0.00	0.00	0.00	0.00	11.19	0.00	0.00	0.00	0.00
FY09	DARP COVINOC SA	0.00	2.19	0.00	0.00	0.00	0.00	2.19	0.00	0.00	0.00
FY13	DARP SPV CC	0.00	12.00	54.19	0.00	0.00	0.00	4.51	9.53	0.00	0.00
FY14	DARP SPV CC	0.00	0.00	0.00	0.00	37.98	0.00	0.00	0.00	0.00	9.53
FY11	DARP SPV COVINOC	0.00	0.00	4.01	0.00	0.00	0.00	0.00	4.01	0.00	0.00
FY07	DAVVIENDA I	0.00	28.81	0.00	0.00	0.00	0.00	28.81	0.00	0.00	0.00
FY09	ECOORO	0.00	1.82	0.00	0.00	0.00	0.00	1.82	0.00	0.00	0.00
FY15	ECOORO	0.00	0.26	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00
FY16	FCP 4G CREDICORP	0.00	45.71	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00
FY14	FDN	0.00	41.00	0.00	0.00	0.00	0.00	41.00	0.00	0.00	0.00
FY16	FINANDINA	30.47	0.00	0.00	0.00	0.00	30.47	0.00	0.00	0.00	0.00
FY12	FUNDACION CARDIO	24.03	0.00	0.00	0.00	0.00	9.03	0.00	0.00	0.00	0.00
FY13	GFO	1.94	0.00	0.00	0.00	0.00	1.94	0.00	0.00	0.00	0.00
FY09	GUANAQUITAS	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY12	GUANAQUITAS	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY14	KANDEO FUND II	0.00	20.00	0.00	0.00	0.00	0.00	4.74	0.00	0.00	0.00
FY14	MAS FUND III	0.00	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	MOVILRED	0.00	10.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
FY14	PACIFIC INFRA	0.00	31.19	0.00	0.00	0.00	0.00	31.19	0.00	0.00	0.00
FY16	PACIFIC INFRA	0.00	1.83	0.00	0.00	0.00	0.00	1.83	0.00	0.00	0.00
FY15	PACIFICMIDSTREAM	0.00	63.94	0.00	0.00	0.00	0.00	36.31	0.00	0.00	0.00
FY16	PICHINCHA COLOMB	40.63	0.00	0.00	0.00	0.00	40.63	0.00	0.00	0.00	0.00
FY07	PROCAFECOL	0.00	11.46	0.00	0.00	0.00	0.00	3.46	0.00	0.00	0.00
FY13	RECAUDO BOGOTA	23.51	0.00	13.72	7.36	0.00	7.01	0.00	13.72	3.03	0.00
FY15	SERENA DEL MAR	0.00	0.00	18.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY15	SPV NEW CREDIT2	0.00	0.00	26.99	0.00	0.00	0.00	0.00	15.83	0.00	0.00
FY10	TCBUEN	21.00	0.00	7.53	0.00	85.81	21.00	0.00	7.53	0.00	85.81
FY14	TCBUEN	19.00	0.00	0.00	0.00	66.49	19.00	0.00	0.00	0.00	66.49
FY13	TRIADA SAS	0.00	0.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY08	TRIBECA FUND I	0.00	15.00	0.00	0.00	0.00	0.00	14.19	0.00	0.00	0.00
FY09	UNIMINUTO	1.99	0.00	0.00	0.00	0.00	1.99	0.00	0.00	0.00	0.00
FY13	VM COLOMBIA	0.00	0.00	6.00	0.00	0.00	0.00	0.00	6.00	0.00	0.00
FY14	VM COLOMBIA	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY10	Z FRANCA CELSIA	24.87	0.00	0.00	0.00	4.74	24.87	0.00	0.00	0.00	4.74
<b>Total Portfolio:</b>		<b>301.63</b>	<b>389.87</b>	<b>184.31</b>	<b>9.25</b>	<b>195.02</b>	<b>249.42</b>	<b>237.72</b>	<b>99.99</b>	<b>3.22</b>	<b>166.57</b>

**Annex 6. IFC Investment Operations Program**  
(February 2016)

	FY12	FY13	FY14	FY15	FY16	FY02
<b>Original Commitments (US\$m)</b>						
IFC and Participants	510.51	149.90	340.04	273.14	198.90	0.00
IFC's Own Accounts Only	186.51	149.90	222.04	273.14	198.90	0.00
<b>Original Commitments by Sector (%) - IFC Accounts only</b>						
COLLECTIVE INVESTMEN	0.00	0.00	6.76	7.32	36.83	0.00
OIL, GAS AND MINING	0.00	9.99	0.43	27.55	0.00	0.00
FOOD & BEVERAGES	0.00	0.00	0.00	0.00	0.00	0.00
FINANCE & INSURANCE	63.33	67.32	51.57	57.80	62.16	0.00
ELECTRIC POWER	13.78	0.00	0.00	0.00	0.00	0.00
INDUSTRIAL & CONSUME	0.00	0.00	0.00	0.00	0.00	0.00
INFORMATION	0.00	16.01	6.91	0.00	0.00	0.00
TRANSPORTATION AND W	0.00	0.00	34.34	0.00	1.01	0.00
WHOLESALE AND RETAIL	0.00	0.00	0.00	0.00	0.00	0.00
EDUCATION SERVICES	0.00	0.00	0.00	0.00	0.00	0.00
UTILITIES	0.00	0.00	0.00	0.00	0.00	0.00
HEALTH CARE	16.08	0.00	0.00	7.32	0.00	0.00
AGRICULTURE AND FORE	0.00	0.00	0.00	0.00	0.00	0.00
CHEMICALS	0.00	0.00	0.00	0.00	0.00	0.00
PULP & PAPER	0.00	0.00	0.00	0.00	0.00	0.00
CONSTRUCTION AND REA	0.00	6.67	0.00	0.00	0.00	0.00
ACCOMMODATION & TOUR	6.81	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>100</b>	<b>99.99</b>	<b>100.01</b>	<b>99.99</b>	<b>100</b>	<b>0</b>
<b>Original Commitments by Investment Instrument (%) - IFC Accounts only</b>						
EQUITY	0.00	9.99	49.18	60.83	51.56	0.00
GUARANTEE	63.33	6.95	0.00	0.00	0.00	0.00
LOAN	36.30	45.36	31.53	20.87	48.44	0.00
QUASI EQUITY	0.00	6.67	0.00	0.00	0.00	0.00
QUASI LOAN	0.00	26.02	19.14	18.31	0.00	0.00
RISK PRODUCT	0.38	5.00	0.16	0.00	0.00	0.00
<b>Total</b>	<b>100.01</b>	<b>99.99</b>	<b>100.01</b>	<b>100.01</b>	<b>100</b>	<b>0</b>

## Annex 7. Colombia: Active, Closed Trust Funds per CPS Engagement Area

Project ID	Project Name	Trust Fund ID	US\$, 000	Status*			Implementation CPS Period						
				A	C	D	Approval FY	Closing					FY17+
								FY12	FY13	FY14	FY15	FY16	
<b>Engagement Area 1: Expanding Opportunities for Social Prosperity</b>													
P127301	Labor Inclusion Model for Intellectually Challenged Youth (GFYI)	TF 10110	15	X			2012		X				
P052608	Empowering Young Women Affected by Violence in Colombia	TF 93829	1,483	X			2009			X			
P127302	SK Producciones - Youth Collective Group	TF 10108	23.1	X			2012			X			
P115630	Protection of Land and Patrimony of IDP	TF 94596	6,000	X			2010			X			
P148552	Collective Reparation for Victims through Social Reconstruction	TF 18908	4,700	X			2015					X	
P125541	Enhancing Governance, Transparency, Accountability in Education	TF 10384	326.7	X			2012				X		
P125697	JSDF Colombia: Soccer Together	TF 99171	1,900	X			2011				X		
P051306	Peace and Development Project - Access to Opportunities for Young People in Colombia (1st Phase APL) and AF	TF 91174, TF 93141	1,735	X			2008 2011				X		
<b>Engagement Area 2: Sustainable Growth with Enhanced Climate Change Resilience</b>													
P074426	Jepirachi Carbon Off Set Project and AF	TF 93087 TF 51156	675			X	2003 2010	X					
P121007	Traditional Knowledge: Prescription for Environm. Land Managm't	TF 96718	199.3	X			2011	X					
P083075	Integrated National Adaptation Program	TF 56350	5,400	X			2007	X					
P091932	National Protected Areas Conservation Trust Fund	TF 56351	15,000	X			2006		X				
P120159	Barranquilla Urban Flood Management	TF 96015	725	X			2010			X			
P120899	FCPF REDD Readiness	TF 97224	200	X			2011			X			
P078220	Amoya River Environmental Services	TF 53534	8,952	X			2011			X			
P104687	Mainstreaming Sustainable Cattle Ranching	TF 96465	7,000	X			2010					X	
	Mainstreaming Sustainable Cattle Ranching (Follow up)	TF 17041	20,700	X			2015					X	
P091932	National Protected Areas Conservation Trust Fund	TF 11814	4,000	X			2012				X		
P132851	Commercial Reforestation on Lands Dedicated to Extensive Cattle Grazing in Magdalena Bajo Seco Region	TF 15074	5,241	X			2014					X	
P098615	San Nicolas Carbon Sequestration Project	TF 90526	486	X			2007					X	
P100738	Caribbean Savannah Carbon Sink project	TF 57994	988	X			2007					X	
P088752	Rio Frio Carbon Offset Project	TF 54033	1,188	X			2006					X	
P151568	Strengthening Capacity on Environmental Good Practices for Commercial Reforestation in the Magdalena Bajo Seco	TF 18361	74.04	X			2015					X	
P144271	Forest Conservation and Sustainability in the Heart of the Colombian Amazon Project	TF 18478	10,400	X			2015					X	
P120899	FCPF REDD+ Readiness Preparation	TF 18501	3,600	X			2015						
P111517	TransCaribe Bus Rapid Transit System	TF 11200	99.8	X			2012				X		
P151249	Preparation of National Strategy for Infrastructure Development	TF 16515	400	X			2014					X	
<b>Engagement Area 3: Inclusive Growth with Enhanced Productivity</b>													
P109841	Procurement Law Reform Reglementation (IDF)	TF 92702	365	X			2009	X					
P125763	Building the Foundations for a Longitudinal Survey in Colombia	TF 99705	38.63	X			2012		X				
P083904	Justice Services Strengthening - Peaceful Dispute Resolution Services for the Poor	TF 91176	1,900	X			2008				X		
P144363	Strengthening the Ministry of Labor's Capacity to Design Interventions and Manage for Results	TF 14557	675	X			2013					X	

\* A – Active, C – Closed, D – Dropped. Operations active for remainder of CPS Report are shaded.

Status as of August 2015

### RETF Approvals and Disbursements, FY12 - FY16 (US\$ mill.)

Fiscal Year	Disb	Commit
FY12	9.92	10.40
FY13	5.97	1.70
FY14	10.30	9.83
FY15	10.35	39.97
FY16	.42	--
<b>Grand Total</b>	<b>36.96</b>	<b>61.90</b>

## Annex 8. Colombia CPS Knowledge Services Program per CPS Engagement Area

Project ID	Project Name	Type*: PA/ PKS/ D/ ESW / RAS	Number of Subtasks	Status**				Implementation	
				P	A	C	D	FY Approval	FY Delivery
<b>Engagement Area 1: Expanding Opportunities for Social Prosperity</b>									
P145684	Improving Performance of Social Services	PA	2		X			2014	2017
P152004	Strengthening of the Colombian National Health Superintendency	RAS	Sub task		X			2015	2016
P144491	Peace Consolidation Through Sustainable Social & Human Dev.	PA	1		X			2013	2015
P145380	Land Governance Assessment JIT	TA				X		2013	2014
P150807	Knowledge Exchange JIT	TA			X			2014	2016
P150806	Social-Inclusive Innovation	TA			X			2014	2016
P153595	Public Expenditure Review of Science, Technology and Innovation	RAS	Sub task		X			2015	2016
P119018	Technology Extension	TA	Sub task		X			2012	2016
P149365	Enhancing Social Protection System	PA	3		X			2014	2017
P155746	Support to UNIDOS Articulation Model with Rural Focus	RAS	Sub task		X			2015	2016
P154686	Documenting the Creation of a Sub-System	TA	Sub task		X			2015	2017
P154706	Technical Assistance to the Ministry of Labor - ALMPs	TA	Sub task		X			2015	2017
P123158	Enhanced Social Promotion	TA	Discrete			X		2011	2014
P123144	Improved Opportunities in Education/Skills for Shared Growth	TA	Discrete			X		2010	2013
P123301	Improved Performance of Social Services	TA	Discrete			X		2010	2012
P132235	Improving Opportunities for Education II	TA	Discrete			X		2012	2014
P129859	PKS on Social Inclusion III	TA	Discrete		X			2013	2014
<b>Engagement Area 2: Sustainable Growth with Enhanced Climate Change Resilience</b>									
P143513	Sustainable, Productive, and Inclusive Cities	PA	8		X			2013	2015
P125690	Macroproyectos de Interés Social: Developing a Policy	TA	Sub task			X		2012	2013
P131011	Private Financing Window for Low-Income Housing Projects	TA	Sub task			X		2013	2013
P133301	Design of a Targeted Public Transport Subsidy Scheme	TA	Sub task			X		2013	2014
P124007	Institutional Strengthening and Capacity Building for Rio Bogota	TA	Sub task			X		2011	2014
P126501	Financing Infrastructure for Urban Development	TA	Sub task		X			2012	2016
P149271	Bogota Metro Financing Options	TA	Sub task		X			2014	2016
P154027	Design of Regional Transport Authorities for Colombian Cities	RAS	Discrete		X			2015	2017
P150268	Poverty and Social Impacts of Public Transport Tariff Change	TA	Sub task		X			2014	2016
P143933	Environment/Mining Knowledge Serv.	PA	9		X			2013	2016
P133272	Energy Policy Dialogue	TA	Sub task			X		2013	2013
P146921	Energy Policy Dialogue (Cont.)	TA	Sub task			X		2014	2015
P148112	Assessment and Training Options for ASM	TA	Sub task			X		2014	2015
P131847	Extractive Industries Technical Advisory Facility	TA	Sub task		X			2012	2016
P143725	Wealth Accounting and Valuation of Ecosystem Services	TA	Sub task		X			2013	2016
P148032	Strengthening Environmental Institutions in Colombia I	TA	Sub task		X			2014	2016
P148233	Development of Commercial Planted Forest	TA	Sub task		X			2014	2016
P121640	Urbanization Review	ESW	Discrete			X		2011	2012
P125932	Support to Infrastructure Concession Entity Restructuring	TA	Discrete			X		2011	2013
P124909	Low-carbon Development	ESW	Discrete			X		2011	2013
P123864	Strengthening Environmental and Natural Res. Institution	TA	Discrete			X		2011	2013
P125514	Institutional & Mineral Rights	TA	Discrete			X		2011	2013
P145500	Consolidating Disaster Risk Management	PA		X				2014	2016
P132933	Empresa Nacional de Renovación y Desarrollo Urbano	RAS	-			X		2013	2013
P130560	Agriculture Commodity Exchange	RAS	Discrete			X		2012	2014
P145462	Mineral Sector Reform	RAS	Sub task			X		2014	2015
P150217	Mineral Sector Reform Part II	RAS	Sub task			X		2014	2015
<b>Engagement Area 3: Inclusive Growth with Enhanced Productivity</b>									
P133763	Poverty and Equity PA	PA	3		X			2013	2015
P146623	Inclusive Policies and Markets	ESW	Sub-task			X		2014	2015
P146622	Equity Diagnostics	TA	Sub-task			X		2014	2015
P146624	Monitoring and Evaluation Technical Assistance	TA	Sub-task			X		2014	2015
P155623	Strategy for ICT-enabled Municipal Services	TA	Sub task		X			2012	2016
P153593	Support to e-Government Unit at Ministry of Information and Tech.	RAS	Sub task		X			2015	2016
P153594	Trade in Professional Services in Colombia	TA	Sub task		X			2015	2016
P143384	Programmatic Approach for Public Sector in Colombia	PA	16		X			2013	2016
P144772	Designing Performance Improvement Strategies in the Civil and Family Courts in Colombia	RAS	Sub task			X		2013	2015
P145012	Institutional Strengthening and TA on Decentralization	RAS	Sub task			X		2014	2015
P146234	Citizens Visible Audits II	TA	Sub task			X		2014	2015
P148034	Information Management Systems and Analytical Tools in Proc.(Compra Eficiente)	RAS	Sub task		X			2014	2015

Project ID	Project Name	Type*: PA/ PKS/ D/ ESW / RAS	Number of Subtasks	Status**				Implementation	
				P	A	C	D	FY Approval	FY Delivery
P148969	Justice Sector Strategy Post-Conflict	RAS	Sub task			X		2014	2016
P155528	Designing Standards Oral Com. Lawsuits	RAS	Sub task		X			2015	2016
P150057	Enhanced Public Asset Management	RAS	Sub task			X		2014	2015
P156042	FM Operational Workshop	TA	Sub task			X		2015	2016
P156043	Knowledge Services for Accounting Reform	TA	Sub task			X		2014	2016
P148732	Public Sector Accounting Reform I	RAS	Sub task		X			2014	2015
P155509	Public Sector Accounting Reform II	RAS	Sub task		X			2015	2016
P149558	Modernization of the Colombian Tax Administration System (DIAN)	RAS	Sub task		X			2014	2016
P150200	Tax Simplification Project for the City of Santiago de Cali	TA	Sub task		X			2015	2016
P153533	Design of a Social Investment Index	RAS	Sub task		X			2015	2016
P154144	Conceptual Design and Implementation of a Results-based PIM	RAS	Sub task		X			2015	2016
P155717	Impact Evaluation for Public School Meal Program Framework	TA	Sub task	X				2015	2017
P157031	Public Expenditure and Financial Accountability	TA	Sub task	X				2016	2016
P144510	Innovation and Competitiveness PA	PA	9		X			2014	2017
P150799	Royalties Investment for Innov. (IFC)	TA	Sub task			X		2013	2015
P150805	Innovation for Logistics Services (IFC)	TA	Sub task		X			2014	2016
P150808	Innovation Advisory Council (IFC)	TA	Sub task			X		2013	2016
P133307	Strengthening Fiscal Policy for Sustained and Inclusive Growth	PA		X				2015	2016
P133789	Sound Financial Sector Development	PA	13		X			2014	2015
P131589	FSAP Update	ESW	Sub task			X		2014	2014
P145702	National Risk Assessment	TA	Sub task			X		2013	2014
P149769	Support for Capital Markets Development	TA	Sub task			X		2014	2014
P153165	Rural Finance Policy Note	ESW	Sub task			X		2014	2015
P146266	Understanding Illegal Activity and Money Laundering	TA	Sub task			X		2015	2015
P148637	Strengthening SROs Network	TA	Sub task			X		2013	2015
P149561	Infrastructure Financing JIT	TA	Sub task			X		2014	2015
P150294	Strengthening Deposit Insurance for Cooperatives	TA	Sub task			X		2014	2015
P149146	Financial Capabilities Assessment Follow up	TA	Sub task		X			2014	2016
P149567	ANIF Capital Markets Conference	TA	Sub task		X			2014	2016
P150295	Pensions Reform	TA	Sub task		X			2014	2016
P151408	Investments of Institutional Investors in Road PPP	TA	Sub task		X			2014	2016
P152278	Strengthening Supervision of Conglomerates	TA	Sub task		X			2015	2016
P126865	Productivity, Competitiveness and Entrepreneurship	ESW	Discrete				X	2012	2014
P122698	Financial Capability Assessment	TA	Discrete			X		2011	2013
P129819	Government Debt and Risk Mgmt	TA	Discrete		X			2014	2017
P118488	Public Sector Accounting Standards	TA	Discrete			X		2011	2013
P131016	Case File Review and Stocktaking of Administrative Courts	RAS	Discrete			X		2013	2014
P150626	Supporting the Education Sector Policy Agenda	PA			X			2015	2017
P153567	Peace and Post-Conflict Consolidation	PA			X			2015	2017
<b>Entire CPS</b>									
P147717	Colombia Policy Notes	ESW	-			X		2014	2015

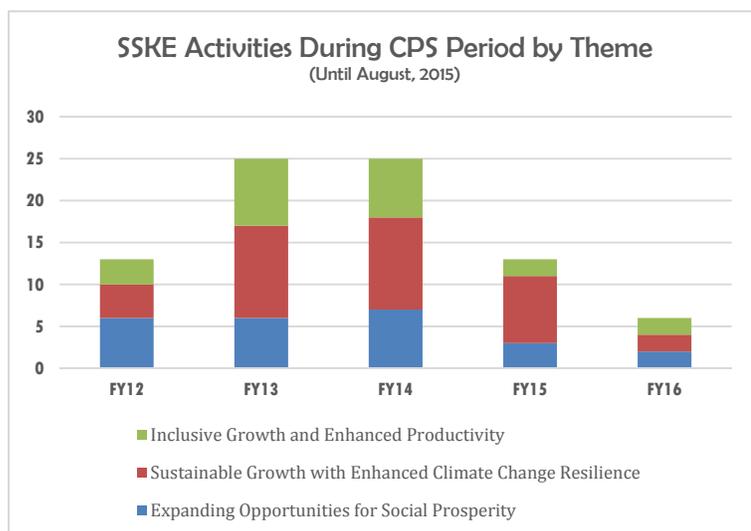
\* PA – Programmatic Approach, D – Discrete Task, ESW – Economic and Sector Work, RAS – Reimbursable Advisory Services  
A – Active, C – Closed, D – Dropped

## Annex 9. Update on Colombia’s Role in South-South Knowledge Exchanges

1. **Colombia continues to be a global and regional player in South-South Cooperation (SSC).** The country has served as the co-chair of the global Task Team on SSC, and the Government developed a Strategy for International Cooperation for 2010-2014, which was then followed up and complemented by the International Cooperation Roadmap 2015-2018. Colombia’s Agency for International Cooperation (APC) has consolidated its role as coordinator of SSC based on the needs of partners and Colombia’s expertise and priorities. APC has supported initiatives to map Colombia’s cooperation activities, and capture and disseminate good practices in SSC and South-South Knowledge Exchange (SSKE). In recent years, the Government and APC have worked to deepen regional cooperation, including a Program of Cooperation with MesoAmerica, which supports sharing Colombia’s experiences in governance, public services, social promotion, and other sectors. They have also promoted a portal for good practices in international cooperation (Colombia Buenas Prácticas) and continues to be a key partner in the Iberoamerican Program on Strengthening South-South Cooperation, an inter-governmental initiative of 20 countries focusing on agency development in areas like result management, information systems, good practices, and triangular cooperation. The Government has been supporting APC in its effort to position Colombian institutions as a prime source to share global expertise.

### 2. **Convening Services, including South-South Knowledge Exchanges have steadily increased.**

South-South Cooperation has gained relevance and Colombia still strives to promote itself as a regional and global SSKE leader. Convening Services are an integral part of Programmatic Approaches or similar activities and are aligned with the objectives and results of the CPS engagement areas. During the strategy covered by the closing Strategy, the portfolio of exchanges has grown from only 2 recorded SSKE activities in FY11 to 13 in FY12, 32 in FY13, 25 in FY14, 13 in FY15. So far, 6 exchange activities have taken place



or find themselves at the preparation stages for FY16. Of these 91 overall SSKE activities, 26 were in support of engagement area I, 43 for engagement area 2 and 22 supported engagement area 3 of the CPS.

3. **Reflecting its commitment to South-South learning, Colombia engaged in 2011 in a pilot program of the World Bank Institute (WBI).** Under this Pilot, WBI provided funding to Colombian agencies to capture lessons from Colombia’s *Familias en Accion* Conditional Cash Transfer Program and its *Unidos Social* promotion program, and package these experiences into knowledge offers. The Pilot, which included Colombia and five other countries, surfaced lessons

on how to broker SSKE among knowledge provider and recipient countries. It revealed the importance of building a deep market of knowledge supply and demand within sectors globally, and the role that Communities of Practice (CoPs) can play in fostering connections and stimulating bilateral exchanges. The Pilot suggested that knowledge offers should be framed around the innovations of a country's experience, and use engaging media, such as presentations and videos. As one result of the Pilot, there was interest in circulating these Colombia SSKE knowledge offers, including within a regional CoP and a regional conference. More broadly, the Pilot helped confirm demand in Colombia and elsewhere for support in helping institutions to build their capacity to share their know-how. This informed follow-on activities, including the Bank's organization of a High-Level Meeting in Bali in July 2012 on country-led knowledge hubs, and the development of a global CoP to promote dialogue on supporting such hubs ([www.knowledgehubs.org](http://www.knowledgehubs.org)).

4. **In 2013, the World Bank launched a related Pilot to build the capacity of knowledge hubs to share their knowledge with others.** This Pilot has provided a range of technical assistance to sector-level institutions in Brazil, Indonesia, and Nigeria, as well as to Colombia's National Administrative Department of Statistics (DANE). In November 2013, WBI organized a workshop with senior staff of DANE to assess its capacities in knowledge sharing, develop a corporate vision, and formulate an action plan, which supports forming a knowledge sharing task force and strengthening institutional policies. Through 2014 and 2015, WBI has continued to work with DANE to build its knowledge sharing capacity, including by advising on how to capture and package its operational lessons and experiences, training staff on a results-oriented methodology for designing knowledge exchanges, and piloting new approaches and tools through an exchange with a peer institution in the region.

**South-South Facility funded SSKEs - Examples**

- In 2014, Nigerians benefitted from the Colombian/Brazilian experiences on how to successfully implement reforms on the water sector (at federal and state level) in order to increase sustainable access to water services in the urban areas.
- The Government of Nicaragua will send a delegation of officials to Colombia in 2015 as they plan to design and implement public policies to develop the IT and ITES sector as a tool to attain this goal and boost productivity, innovation and entrepreneurship. The Nicaraguans lack skills and knowledge on how to tackle this fast moving sector, and current initiatives to boost the IT-ITES industry have not yielded the expected results.
- In 2015, a Korean and Costa Rican delegation is to visit Colombia to learn about the Universal Health Coverage scheme, its financial management model and structure.

5. In 2014, Mexican officials from Energy and Mining institutions came to Colombia to learn about the general characteristics of the Colombian energy sector, specifically the experience of deregulating the electricity sector, designing a leading electricity market, and establishing a main system operator. As part of the exchange activities in recent months, Colombian forestry experts were on the receiving end as Chile provided its expertise to support the Government's effort to define the most appropriate model for commercial reforestation in Colombia and how these commercial planted forests should be developed in an economically-profitable, socially-inclusive and environmentally-friendly way.

## ANNEX 4. SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

As of 02/18/2016

Indicator	FY13	FY14	FY15	FY16
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	19.0	19.0	13.0	11.0
Average Implementation Period (years) <sup>b</sup>	5.0	4.9	3.7	3.2
Percent of Problem Projects by Number <sup>a, c</sup>	26.3	21.1	30.8	27.3
Percent of Problem Projects by Amount <sup>a, c</sup>	34.6	17.4	25.8	18.7
Percent of Projects at Risk by Number <sup>a, d</sup>	26.3	21.1	30.8	27.3
Percent of Projects at Risk by Amount <sup>a, d</sup>	34.6	17.4	25.8	18.7
Disbursement Ratio (%) <sup>e</sup>	17.0	6.7	13.1	4.0
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	yes	yes	yes	yes

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by OED by Number	156	13
Proj Eval by OED by Amt (US\$ millions)	15,592.9	1,863.7
% of OED Projects Rated U or HU by Number	21.4	7.7
% of OED Projects Rated U or HU by Amt	12.9	1.1

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

\* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

## ANNEX 5. OPERATIONS PORTFOLIO (IBRD/IDA and Grants)

As of 01/31/2016

Closed Projects 219

### IBRD/IDA\*

Total Disbursed (Active)	1,549.07
of which has been repaid	8.14
Total Disbursed (Closed)	9,716.38
of which has been repaid	4,744.08
Total Disbursed (Active + Closed)	11,265.44
of which has been repaid	4,752.22
Total Undisbursed (Active)	1,713.51
Total Undisbursed (Closed)	7.02
Total Undisbursed (Active + Closed)	1720.524441

### Active Projects

Project ID	Project Name	Last PSR			Fiscal Year	Original Amount in US\$ Millions					Difference Between Expected and Actual		
		Supervision Rating		Development Objectiv		Implementation Progress	IBRD	IDA	Grants	Cancel.	Undisb.	Disbursements <sup>a/</sup>	
		Development Objectiv	Implementation Progress									Orig.	Frm Rev'd
P145782	CO Access with Quality to Higher Educa	S	S	2014	200.0	0.0		0.0	140.5	42.1	0.0		
P096965	CO APL1 La Guajira Water and Sanit.	MS	MS	2007	90.0	0.0		0.0	40.7	40.7	21,965.7		
P126583	CO Disaster Risk Mgmt Cat DDO II	MS	MS	2013	250.0	0.0		0.0	250.0	0.0	0.0		
P144271	CO Forest Conservation in the Amazon	S	S	2015	0.0	0.0	10.4	0.0	7.7	-0.5	0.0		
P150475	Colombia DPL for Sustainable Develop	#	#	2016	700.0	0.0		0.0	0.0	0.0	0.0		
P154821	Colombia Growth and Convergence DF	#	#	2016	700.0	0.0		0.0	700.0	0.0	0.0		
P104687	CO Mainstreaming Sust. Cattle Ranchir	S	S	2010	0.0	0.0	7.0	0.0	2.3	2.3	11.1		
P111479	CO Rio Bogota Environ Infrastructure	MU	MS	2011	250.0	0.0		0.0	235.5	-14.5	0.0		
P123879	CO Subnational Institut. Strengthening	MS	MU	2014	70.0	0.0		0.0	65.6	5.7	4.9		
P117947	CO Support Nat'l Urban Transit Progar	MS	MU	2012	350.0	0.0		58.0	271.2	-20.8	0.0		
P149609	Sust. Growth and Income Convergence	#	#	2015	700.0	0.0		0.0	0.0	0.0	0.0		
<b>Overall Result</b>					<b>3,310.0</b>	<b>0.0</b>	<b>17.4</b>	<b>58.0</b>	<b>1,713.5</b>	<b>55.0</b>	<b>21,981.7</b>		

\* Disbursement data is updated at the end of the first week of the month.

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

## ANNEX 6. STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO (January 2016)

FY Approval	Company	Committed					Disbursed Outstanding				
		Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY10	ALQUERIA	5.00	5.00	0.00	0.00	0.00	5.00	5.00	0.00	0.00	0.00
FY10	ASHMORE COLINFRA	0.00	17.00	0.00	0.00	0.00	0.00	11.79	0.00	0.00	0.00
FY16	ASHMORE FUND II	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	AVANTEL BVI	0.00	12.21	0.00	0.00	0.00	0.00	12.21	0.00	0.00	0.00
FY10	BANCAMIA	0.00	12.06	0.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
FY15	BANCAMIA	30.47	0.00	0.00	0.00	0.00	30.47	0.00	0.00	0.00	0.00
FY16	BANCAMIA	13.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY02	BCSC	0.00	5.50	0.00	0.00	0.00	0.00	5.50	0.00	0.00	0.00
FY06	BCSC	0.00	12.78	0.00	0.00	0.00	0.00	12.78	0.00	0.00	0.00
FY08	BOGOTAMUNI	28.50	0.00	0.00	0.00	0.00	28.50	0.00	0.00	0.00	0.00
FY09	CARUQUIA	3.88	0.00	0.87	0.41	0.00	3.88	0.00	0.87	0.08	0.00
FY12	CARUQUIA	0.00	0.00	0.00	0.43	0.00	0.00	0.00	0.00	0.11	0.00
FY14	COLOMBIAN MINES	0.00	0.11	0.00	0.00	0.00	0.00	0.11	0.00	0.00	0.00
FY08	COMPAS	5.87	0.00	0.00	0.00	0.00	5.87	0.00	0.00	0.00	0.00
FY14	CORPBANCA COLOMB	0.00	0.00	42.50	0.00	0.00	0.00	0.00	42.50	0.00	0.00
FY13	CREDIVALORES	8.57	0.00	0.00	0.00	0.00	8.57	0.00	0.00	0.00	0.00
FY15	CREDIVALORES	18.19	0.00	0.00	0.00	0.00	11.19	0.00	0.00	0.00	0.00
FY09	DARP COVINOC SA	0.00	2.19	0.00	0.00	0.00	0.00	2.19	0.00	0.00	0.00
FY13	DARP SPV CC	0.00	12.00	54.19	0.00	0.00	0.00	4.51	9.53	0.00	0.00
FY14	DARP SPV CC	0.00	0.00	0.00	0.00	37.98	0.00	0.00	0.00	0.00	9.53
FY11	DARP SPV COVINOC	0.00	0.00	4.01	0.00	0.00	0.00	0.00	4.01	0.00	0.00
FY07	DAVMIENDA I	0.00	28.81	0.00	0.00	0.00	0.00	28.81	0.00	0.00	0.00
FY09	ECOORO	0.00	1.82	0.00	0.00	0.00	0.00	1.82	0.00	0.00	0.00
FY15	ECOORO	0.00	0.26	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.00
FY16	FCP 4G CREDICORP	0.00	45.71	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00
FY14	FDN	0.00	41.00	0.00	0.00	0.00	0.00	41.00	0.00	0.00	0.00
FY16	FINANDINA	30.47	0.00	0.00	0.00	0.00	30.47	0.00	0.00	0.00	0.00
FY12	FUNDACION CARDIO	24.03	0.00	0.00	0.00	0.00	9.03	0.00	0.00	0.00	0.00
FY13	GFO	1.94	0.00	0.00	0.00	0.00	1.94	0.00	0.00	0.00	0.00
FY09	GUANAQUITAS	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY12	GUANAQUITAS	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY14	KANDEO FUND II	0.00	20.00	0.00	0.00	0.00	0.00	4.74	0.00	0.00	0.00
FY14	MAS FUND III	0.00	15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY14	MOVILRED	0.00	10.00	0.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
FY14	PACIFIC INFRA	0.00	31.19	0.00	0.00	0.00	0.00	31.19	0.00	0.00	0.00
FY16	PACIFIC INFRA	0.00	1.83	0.00	0.00	0.00	0.00	1.83	0.00	0.00	0.00
FY15	PACIFICMIDSTREAM	0.00	63.94	0.00	0.00	0.00	0.00	36.31	0.00	0.00	0.00
FY16	PICHINCHA COLOMB	40.63	0.00	0.00	0.00	0.00	40.63	0.00	0.00	0.00	0.00
FY07	PROCAFECOL	0.00	11.46	0.00	0.00	0.00	0.00	3.46	0.00	0.00	0.00
FY13	RECAUDO BOGOTA	23.51	0.00	13.72	7.36	0.00	7.01	0.00	13.72	3.03	0.00
FY15	SERENA DEL MAR	0.00	0.00	18.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY15	SPV NEW CREDIT2	0.00	0.00	26.99	0.00	0.00	0.00	0.00	15.83	0.00	0.00
FY10	TCBUEN	21.00	0.00	7.53	0.00	85.81	21.00	0.00	7.53	0.00	85.81
FY14	TCBUEN	19.00	0.00	0.00	0.00	66.49	19.00	0.00	0.00	0.00	66.49
FY13	TRIADA SAS	0.00	0.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY08	TRIBECA FUND I	0.00	15.00	0.00	0.00	0.00	0.00	14.19	0.00	0.00	0.00
FY09	UNIMINUTO	1.99	0.00	0.00	0.00	0.00	1.99	0.00	0.00	0.00	0.00
FY13	VM COLOMBIA	0.00	0.00	6.00	0.00	0.00	0.00	0.00	6.00	0.00	0.00
FY14	VM COLOMBIA	0.00	0.00	0.00	0.35	0.00	0.00	0.00	0.00	0.00	0.00
FY10	Z FRANCA CELSIA	24.87	0.00	0.00	0.00	4.74	24.87	0.00	0.00	0.00	4.74
<b>Total Portfolio:</b>		<b>301.63</b>	<b>389.87</b>	<b>184.31</b>	<b>9.25</b>	<b>195.02</b>	<b>249.42</b>	<b>237.72</b>	<b>99.99</b>	<b>3.22</b>	<b>166.57</b>

# ANNEX 7. MAP OF COLOMBIA

IBRD 33388R1

