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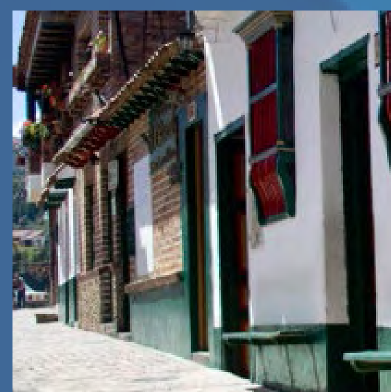

Country Program Evaluation

Colombia

2007-2010

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This evaluation was led by Roberto Iunes (until April 2011) and Héctor V. Conroy (since May 2011), the latter under the general direction of Cheryl W. Gray. The evaluation team consisted of Jorge F. Chávez, Antonio Cusato, Viviane Espinoza, Tatiani Fontes, and Johanna Ramos, with the assistance of Camilo J. Pecha, Virginia Poggio, and Roni Szwedski.

ABBREVIATIONS

Bancóldex	Banco de Comercio Exterior de Colombia [Foreign Trade Bank of Colombia]
CAF	Corporación Andina de Fomento [Andean Development Corporation]
CAN	Country Department Andean Group
CCLIP	Conditional credit line for investment projects
CONPES	Consejo Nacional de Política Económica y Social [National Economic and Social Policy Council]
CPE	Country program evaluation
DANE	Departamento Administrativo Nacional de Estadística [National Administrative Department of Statistics]
DNP	Departamento Nacional de Planeación [National Planning Department]
FAZNI	Fondo de Apoyo Financiero para la Energización de las Zonas No Interconectadas [Financial Support Fund for Electrification of Non-Interconnected Areas]
FCL	Flexible credit line
FDI	Foreign direct investment
FINDETER	Financiera de Desarrollo Territorial S.A.
FTA	Free trade agreement
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
LRR	Loan Results Report
MAVDT	Ministry of the Environment, Housing, and Regional Development
MIF	Multilateral Investment Fund
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PCR	Project completion report
PISA	Programme for International Student Assessment
PND	Plan Nacional de Desarrollo [National Development Plan]
PPMR	Project performance monitoring report
PRAP	Programa de Renovación de la Administración Pública [Public Administration Reform Program]
PSDS	Private Sector Development Strategy
PSP	Public service provider
SGP	Sistema General de Participaciones [Revenue-sharing System]
SISBEN	Sistema de Selección de Beneficiarios Para Programas Sociales [Social Program Beneficiary Selection System]
SMEs	Small and medium-sized enterprises
SUI	Sistema Único de Información [Consolidated Information System]
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

Over the last ten years, Colombia experienced sustained growth, at an average annual rate of 4%. At the same time, the country's macroeconomic conditions evolved positively: private investment grew at an annual rate of 5.5%, net public debt fell to 38% of GDP, international reserves remained high, and inflation was brought down to just over 3% in 2010.

In addition, the country saw major improvements in different social aspects: crime rates fell substantially, the coverage of some basic services increased, and poverty, while remaining high, decreased. However, there are still a number of challenges to the country's development. They include unemployment, a stagnant export sector, weak and deteriorating infrastructure, poverty, and inequality in both income and opportunities.

The country's finances have been gradually improving. Between 2006 and 2008, the central government's primary balance posted a surplus for the first time since 1994. This result was partly due to mining and energy revenue (mainly from oil, whose price has risen over the decade). Although having commodities is an advantage, the possibility of a drop in prices represents a vulnerability. Also, fiscal stability could be compromised by the following factors: the high degree of inflexibility in public spending, some contingent liabilities such as pensions and health care, and relatively low tax revenues, which are presently about 12% of GDP.

Consistent with the above context, Colombia is approaching a financial situation in which other sources of financing are becoming more accessible and competitive with the multilateral banks. Although some fiscal vulnerabilities persist that could delay this process, the country has been able to sell bonds on favorable terms on international markets, maintain a series of flexible lines of credit with the International Monetary Fund (IMF) and recover its investment grade rating (in March 2011). At the same time, it has begun to undertake sector reforms that, among other aspects, establish mechanisms for domestic financing.

The above is reflected in the country's demand for fast-disbursing loans from the multilateral banks in 2007-2010, which was weaker than in earlier periods. This explains why disbursements by the Bank in the form of policy-based loans were lower in both absolute and relative terms than in the previous four years and also lower than planned in the country strategy. For their part, the World Bank and the Andean Development Corporation (CAF) also provided fewer fast-disbursing loans to Colombia than in the period 2003-2006.

The 2008-2009 international financial crisis increased Colombia's demand for liquid resources. The Bank attempted to address this situation by approving fast-disbursing loans. However, its response was insufficient since it did not evince a clearly countercyclical pattern, a finding that coincides with statements made by the Colombian authorities.

In contrast, the Bank's cooperation was delivered efficiently. In comparison with other countries in the region, preparation times for operations with Colombia were shorter in almost every stage. However, compared with other sources of financing, the Bank imposes higher transaction costs on the country (such as the time needed to approve operations and the requirement to use the Bank's information systems).

In terms of results, there were two areas of work in which the Bank maintained a presence and was relevant during the period: social investment and decentralization. In the first, it confirmed itself as a stable partner in the creation and operation of a long-term social safety net whose objective is to end poverty and its transmission from parents to children. In the second, cooperation was crosscutting, since work was done with subnational institutions in diverse sectors, such as transportation, business development, housing, and modernization of the State.

The Bank continued its long-term work with Colombia to modernize and improve the efficiency of the oversight agencies and the judicial branch, helping the country to obtain sizeable savings. It also supported several important sector reforms that led to the creation of the National Competitiveness Council and modification of the revenue-sharing system in 2007. In the health sector, the Bank's work lacked continuity; however, operations that had been approved earlier concluded with positive results in vaccination, and in the efficiency and productivity of the hospital system.

Give the situation described, the Bank should prepare itself for a major change in its relationship with Colombia. The country is already selective with regard to the areas and modalities in which it seeks Bank cooperation. In future, this trend can only sharpen as the country's economic situation continues to improve. Therefore, the Bank should look for niches for cooperation in which it can provide the greatest possible value-added for the country. In this quest, its objective should also be to become competitive with the alternative sources of financing and nonfinancial support that are available to Colombia.

Recommendations

- **Step up efforts to lower the transaction costs that the Bank's cooperation imposes on the country.** One effective way of doing this is to increase the use of country systems. The Bank has already begun to work toward this goal—for example, with the use of the Integrated Financial Information System. However, it should redouble its efforts to help the country improve other systems—the procurement and auditing systems, for example—to attain the minimum quality standards established by the Bank. In fact, experience in developing and implementing complex systems in the country has been good (such as some of the systems created as part of the Public Administration Reform Program) and can be drawn upon.

  Another way of lowering transaction costs is to align IDB systems and procedures with those of other development agencies with which action could be coordinated—the World Bank, for example. This would allow the country to avoid having to use multiple information systems and meet different procedural requirements.

  The Bank's operations should also endeavor to measure their own transaction costs and include, at the design stage, efforts to lower them.

- **Improve evaluability, monitoring, and evaluation of the country strategy and the projects financed by the Bank.** Working toward this objective, it is recommended that the Bank should consolidate a relationship of mutual cooperation with the country's own monitoring and evaluation system. An effort should be made to use indicators that are already in that system. The country, in turn, could consider incorporating new indicators that are relevant for tracking its progress in areas in which the Bank cooperates. In addition, the Bank could link each project it finances to an independent evaluation that could subsequently be included in the country's evaluation systems.

- **Identify and strengthen the Bank's capacity in the areas and sectors in which the country will concentrate its demand for financial cooperation.** Since the country will become even more selective about the specific areas in which it will request cooperation from the Bank, it is important for the Bank to identify them and prepare to provide the country with the greatest possible value-added, specializing and strengthening its role as a knowledge bank. This objective requires an active and close dialogue with the National Planning Department (DNP) and with other areas of the government, academia, and other relevant actors that could help the Bank identify the areas of specialization necessary to attain this goal. Once these areas have been identified, it is recommended that the Bank should focus its financial and human resources on them. This measure will help the Bank to position itself in the country and to offer high value-added in specific areas of cooperation. The findings of this country program evaluation (CPE) suggest that the crosscutting areas of decentralization and social protection are some of the areas in which the country receives value-added from the Bank and in which it would therefore continue to request its cooperation. However, the Bank's Management would need to confirm or refute this finding in its dialogue with the country.

- **Identify international development experiences that have been successful and present them to the country.** On repeated occasions, the Colombian authorities have expressed a wish for the Bank to provide them with more information on development policies in other countries, not just in Latin America. In response, the Bank should identify gaps in knowledge in specific areas of interest to Colombia and try to fill them through different activities to create knowledge—research, seminars, and conferences, for example. These activities should involve actors from different spheres, such as the government, academia, development agencies, the private sector, etc.

  The Bank should take care to present to the country only those development experiences whose effectiveness has been demonstrated with solid evidence and that are applicable to the Colombian context. It should also place its experience and knowledge in these areas at the country's disposal, and to that end, it should administer its human and financial resources so that it can continue to acquire international knowledge and deliver it not just to Colombia, but to the rest of its member countries.

  Apart from the recommendations made for the specific case of Colombia, two more general suggestions are made below:

- **First, it is suggested that the Bank should increase its preparedness to address widespread restrictions on liquidity.** Colombia and other countries in the region want the Bank to play a countercyclical role. However, the Bank had a hard time meeting the liquidity demands of its borrowing member countries during the 2008-2009 global financial crisis. A similar situation could recur if the prices of various commodities were to plunge dramatically. Accordingly, it is recommended that the Bank should perform a retrospective analysis of its response to the recent financial crisis on the regional level and determine whether it was adequate or not. If it was not, the analysis should identify the reasons and propose solutions that could be implemented so it is better prepared to respond to a sudden increase in demand for financial resources on the regional or global levels.

- **Second, it is suggested that the Bank should evaluate the impact of its realignment on its own work and its relationship with its borrowing member countries.** The information gathered for this evaluation indicates that the realignment changed the relationship with Colombia, which suggests that something similar may have occurred with other countries. The Bank would benefit from learning whether the realignment has made its work more effective and efficient. The next step would be to identify whether there are aspects of the realignment that should be adjusted to attain that objective.

I. THE COUNTRY AND THE CONTEXT IN THE PERIOD

A. General description of the country

1.1 Between 2001 and 2010, Colombia experienced one of its longest periods of growth in recent decades. Thanks to countercyclical monetary and fiscal policies and a stronger financial system,[1] the country was relatively successful in weathering the adverse effects of the 2009 international crisis. However, despite a more stable macroeconomic environment, cautious management of the economy, and substantial reductions in crime rates and violence, the country has been unable to return to the growth path observed between 1950 and 1980 (Figures 1.1 and 1.2). The adverse effects of the armed conflict,[2] coupled with weakening of the industrial sector, the economy's limited capacity to create jobs, and high inequality indexes, pose a number of persistent challenges that could affect the pace of growth in the long term.

B. The recent context

1.2 After the sharp downturn in economic activity toward the end of the 1990s,[3] Colombia achieved average growth of 4.1% between 2000 and 2008. Despite the loss of dynamism in the economy as a consequence of the global financial crisis, in 2009 the country's growth rate was 1.5%, which was higher than that of Chile, Brazil, Mexico, or Peru.[4] The year after that, GDP grew by 4.3%, which indicates that the economy has returned to the pace of growth experienced during much of the decade that began in 2000.

1.3 The country's economic performance during the period can mainly be attributed to growth in domestic demand and, in particular, to the impulse provided by private consumption and investment (Table 1.1). An analysis of GDP performance from the supply side reveals that construction, commerce, and financial and nonfinancial services were the most robust sectors. If average GDP growth is compared by type of activity between the periods 2001-2006 and 2007-2010, a sharp increase can be seen in the contribution of mining, in contrast to a weaker contribution by manufacturing and agriculture (Table 1.2). The latter was affected by the La Niña phenomenon that afflicted Colombia during 2010. According to government figures, by May 2011 La Niña had affected more than 3.3 million people and close to 800,000 households and caused flooding in 1,027 of the country's 1,108 municipios.[5]

1.4 The reduction in violence that had an impact on the Colombian economy during the 1990s brought clear benefits. The Democratic Security Policy first implemented in 2002 was successful in reducing murders, kidnappings, and terrorist attacks (Figure 1.3), helping to make Colombia attractive for investors. Gross investment grew significantly, from 15.4% to 22.7% of GDP between 2001 and 2009. In particular, private investment posted higher growth, rising from 13.4% to 19.6% of GDP (Figure 1.4).

1.5 The creation of legal instruments, such as stability contracts and free trade zones, and the improvement in security have, in turn, attracted foreign direct investment (FDI), which grew from an average of about 2.3% of GDP in the first four years of the decade to 3.5%

between 2007 and 2010. This growth was mainly in the mining and energy sector, and as a result this sector's share of total FDI grew from 56.8% in 2006 to 72.7% in 2010 (Figure 1.5).

1.6 Although Colombia has had the region's largest current account deficit during the decade of the 2000s (Figure 1.6), the public sector no longer bears principal responsibility for financing it as it did in the 1990s. The recent increases in FDI and private savings have instead become its main source of financing (Figure 1.7).

1.7 Since 2003, the exchange rate has been highly volatile, presenting periods of strong appreciation. The factors that have contributed to appreciation of the Colombian peso include the larger supply of dollars from the increase in FDI, the rise in commodity prices, particularly oil, the growth in offshore capital, and the weakness of the dollar with respect to currencies such as the euro, the yen, and the renminbi (Figure 1.8).[6] Although steps have been taken to counteract this trend, such as interventions by Banco de la República in the exchange market and controls on the entry of capital during 2007 and 2008, they have not had the desired effect.[7] Real appreciation, which was on the order of 26.7% between 2000 and 2010 (Figure 1.9), does not appear to have been offset by growth in factor productivity or lower labor and shipping costs.[8]

1.8 Appreciation of the exchange rate has contributed to the increase in international reserves, which rose to nine months of imports and 10% of GDP (Figure 1.10). However, these two phenomena—appreciation of the exchange rate and increase in international reserves—are not limited to Colombia. They have been observed in other parts of the region.[9]

1.9 The balances of the central government and the nonfinancial public sector showed a tendency to improve. The overall deficit of the central government fell consistently between 2001 and 2008, from 4.8% to 2.3% of GDP, and the primary balance was in surplus from 2006 to 2008, for the first time since 1994. However, the overall and primary balances deteriorated in 2009 and 2010 (Figures 1.11 and 1.12) owing to the adverse effects of the global financial crisis on the economy and hence on tax revenues (Table 1.3). During the years of contraction, the government adopted a countercyclical policy that sought to prioritize spending on sectors with high impact in terms of growth and employment,[10] without impairing long-term fiscal sustainability.[11] This measure prevented the deficit from increasing.

1.10 Colombia receives significant revenues from its mining and energy sector. Between 2003 and 2008, the receipts generated by this sector were estimated to be equivalent to 2.6% of GDP.[12] This may explain part of the primary surplus observed between 2006 and 2008: "The higher income associated with the increase in oil prices and volumes exported is one of the factors that explain the improvement in public finances in recent years"[13] (Figures 1.12 and 1.13).

1.11 The country's debt indicators have evolved positively in general, although they continue to be high. The central government's gross debt fell gradually from 49.2% of GDP in 2002 to 36.8% of GDP in 2008. The 2009 global financial crisis and the ensuing sluggish economic growth caused the debt level to rise slightly (Figure 1.14). Projections by the International

Monetary Fund (IMF) suggest that debt levels will continue to fall.[14] In parallel, the composition of the debt improved significantly. First of all, it became denominated mainly in local currency (Figure 1.15); second, the debt at fixed rates grew to 92%; and third, interest rates on both domestic debt (Figure 1.16) and foreign debt (Figure 1.17) tended to fall.

1.12 In general, Colombia's macroeconomic performance has been strong. This includes a successful inflation-targeting model, which reduced annual inflation by 5.58 percentage points, from 8.75% in 2000 to 3.17% in 2010. Intervention interest rate levels have permitted the monetary authority to hold inflation within the target range—except in 2007 and 2008—and to support GDP growth in the short term.[15] Meanwhile, interest rates on 90-day certificates of deposit continue to be low compared to their historical averages (Figure 1.18).

1.13 However, and despite the reduction in country risk in global markets—similar to some of its regional comparators (Figure 1.19)—it was only in March 2011 that Colombia was able to recover the investment grade rating it had lost during the 1998-1999 crisis.[16] The main reasons for the revision of its risk rating include the favorable outlook in the mining and energy sector, due not only to the rise in oil prices but also to the increase in crude and natural gas production levels (Figure 1.20) and to the fact that Ecopetrol's proven reserves grew by 11.4% between 2009 and 2010. Although the mining and energy boom is an opportunity for the country, it involves important challenges such as avoiding more pressure on the exchange rate and deterioration in the industrial sector, improving intraregional transportation infrastructure, and introducing a fiscal rule that permits surplus resources to be saved.[17]

1.14 Despite this positive picture, Colombia still faces major challenges that impede its development and impair the standard of living of its population.

C. Development challenges

1. Growth and productivity

1.15 To a large extent, economic growth in the last decade was sustained by the increase in investment. However, a large part of that investment went to housing construction (Figure 1.21),[18] a sector that is difficult to associate with increases in productivity. Meanwhile, FDI has been concentrated in mining and oil, which are purely extractive activities. These sector concentrations, coupled with low and declining labor productivity in the industrial and services sectors, may explain why income levels in Colombia and the rest of Latin America are lagging behind the developed economies.[19]

1.16 **External sector.** In 2004, Colombia started negotiating a free trade agreement (FTA) with the United States (whose Congress has not approved it yet) and it subsequently signed or negotiated another eight trade agreements.[20] Despite these initiatives, it continues to be a relatively closed country. Between 2000 and 2008, its average openness index was around 29%—33% if trade in nonfactor services is included—while in the same period the figure for Chile was 57%, for Mexico 51%, and for Peru 35%.[21] As well, Colombia's exports as a percentage of GDP are significantly lower than the average for countries with investment grade and are in the lower quartile among emerging countries.[22] Furthermore, its levels of per capita exports and imports are among the lowest in Latin America (Figure 1.22).

1.17 The country's export dynamics in recent years have not centered on goods with high value-added, a sector that generates much of the country's formal wage employment, but have mainly been driven by mining and energy commodities. Between 2001 and 2007, nontraditional exports accounted on average for close to 54% of the total, while between 2008 and 2010, the bulk of the country's exports were traditional,[23] due to the increase in oil and coal exports (Figure 1.23). Exports of industrial products made up the majority of nontraditional exports and trended upwards until 2008 (Figure 1.24). They fell by 15.4% in the following year, partly because of the political distancing between Colombia and two of its five main trading partners, Ecuador and Venezuela.

1.18 **Infrastructure**. Colombia has made progress in the coverage of public utilities such as water and electricity. It has attained levels of close to 90% which are higher than the regional standard (Figures 1.25 and 1.26). However, the country has infrastructure gaps that have hampered its competitiveness. This is due, among other factors, to low public investment (caused by fiscal inflexibility and the priorities of the 1991 Constitution), the country's geographic complexity, weakness in the institutional framework, the absence of a multimodal transport system, and the lack of continuity in policies and projects.[24] The World Economic Forum's 2010 Report ranks the perception of the quality of Colombia's infrastructure in 83rd place out of 133 countries (Figure 1.27). The country needs roads that link production centers to ports. In general, the percentage of paved roads is lower that would be expected given Colombia's per capita GDP (Figure 1.28). As for port infrastructure, Colombia ranks 107th out of 133 countries, which is below the mean and behind countries such as Chile, Uruguay, Argentina, Paraguay, and Ecuador. Its airport infrastructure is rated higher—81st out of 133 countries—but is still below the regional average.

1.19 **Labor market.** The Colombian labor market combines high unemployment with high informality levels. Both indicators have begun to fall gradually in recent years (Figure 1.29). However, unemployment has not dropped below 10%—except in some months during the first half of the last decade (Figure 1.30)—and informality exceeds 50%. These problems are caused by demand and supply factors. On one side lie market inflexibilities and high labor costs, such as a minimum wage that is among the highest in the region (Figure 1.31)[25] and payroll taxes that increase nonwage costs by about 60%.[26] On the other side, an inadequately skilled workforce and limited access to higher education (paragraph 1.30) create a disconnect between the educated segment of the workforce—which makes up a small percentage of the total workforce and is mainly university-trained (Table 1.5)—and the needs of the production sector, which focus more on the demand for technicians and technology specialists.[27]

2. Fiscal balance

1.20 Despite the improvement in its balances (paragraph 1.9), Colombia is still fiscally fragile. Revenue from mining and energy extraction activities is an advantage but could represent a vulnerability to fluctuations in the prices of these commodities. The country also faces challenges related to tax revenue and public expenditure.

1.21 **Tax revenue.** Tax pressure in Colombia is among the lowest in the region (Figure 1.32) despite the 16 tax reforms between 1990 and 2010,[28] the increase in revenue from the income tax and the value-added tax, and the introduction of new taxes.[29] The situation can be attributed to the small size of the tax base, the existence of a complex system of differential rates, and the uncertainty associated with the complexity and instability of the tax system.[30]

1.22 **Public expenditure.** The central government's imbalance has worsened since the early 1990s (Figure 1.33). The 1991 Constitution enshrined important civil rights and increased the power of Congress and the Constitutional Court with respect to the executive branch.[31] This has decentralized the country administratively and territorially and has given rise to a series of laws and decrees[32] favoring those rights, which have brought about necessary improvements in the standard of living of the low-income population but have also increased public expenditure and made it highly inflexible.[33]

1.23 As a result, social spending rose from just over 9% of GDP in 1990 to about 16% in 2008.[34] Spending on health care explains a large part of this increase, particularly during the second half of the 1990s. Data from the World Bank indicate that Colombia currently ranks third highest in spending on health among the IDB's borrowing member countries—just after Costa Rica and Guyana. The country allocated about 5.4% of public spending as a percentage of GDP to health care during the period 2000-2007 (Figure 1.34).

1.24 The health care system[35] has fiscal sustainability problems "since two thirds of health care funding rests on the subsidized regime and just one third on the contributory regime […] In fact, just 29% of the economically active population contributes actively to the health care system."[36] Also, a recent Constitutional Court ruling[37] declared the distinction between the coverage limits in the two regimes to be unconstitutional and this could lead to additional expenditures estimated to be in excess of 4% of GDP.[38]

1.25 Another main source of pressure on the central government's budget has been the public pension system. This item has risen continually over the last two decades, from just over 1% of GDP in 1995 to about 4% in recent years (Figure 1.35). The increase has been caused by different factors related to legal and institutional inflexibilities,[39] and to the high degree of informality in Colombia's labor market (paragraph 1.19).

1.26 Transfers to the subnational governments are another source of pressure on spending. Articles 356 and 357 of the Constitution oblige the central government to hand over a growing percentage of its current income to the subnational level.[40] The resulting pressure on the central government's budget led to changes in 2001 in the criteria and procedures for making transfer payments under the revenue-sharing system (SGP).[41] Although these adjustments have led to less volatility and greater control over growth in transfers (Figure 1.36), the SGP is tied asymmetrically to economic growth: if it is under 4% (even negative) in real terms, transfers grow at a predetermined rate; but if it is over 4% in real terms, transfers grow faster. This, coupled with the creation of the growth in education surcharge will mean that the SGP/GDP ratio will continue to "hover around 4.5%-5%, including resources from the Fondo Nacional de Pensiones de las Entidades Territoriales [National Pension Fund for the Subnational Governments], during 2008-2016."[42]

3. Inequality

1.27 Colombia is highly unequal and there are signs that the situation may have worsened. In terms of interpersonal income distribution, the Gini coefficient was estimated at 0.578 in 2009 and was among the highest in Latin America in 2005-2007 (Figure 1.37). Furthermore, the percentage of income in the hands of the wealthiest 10% of Colombians has risen and the percentage in the hands of the poorest 20% has fallen substantially (Figure 1.38).

1.28 Inequality in Colombia makes for large differences in development opportunities, not just between socioeconomic groups, but also between regions and ethnic groups. Afro-Colombians and indigenous groups[43] present economic and social indicators below the average of the general population in access to education, educational levels, and employment, etc., and are the most affected by internal displacement (paragraph 1.32).[44] Also, in terms of regional inequality, between 2007 and 2009 there was a large increase in the gap between departments with the highest and lowest percentages of population with unmet basic needs, with the percentage in the former group rising from a factor of 5.6 higher than in the latter group to a factor of 7.4 higher, and a distancing of the department with the largest percentage of people with unmet basic needs from the national average (Figure 1.39).[45]

1.29 Inequality is also reflected in the pattern of public social spending. A recent study shows that the wealthiest quintile captures approximately 31% of that spending when spending on pensions is excluded, or almost 45% if pensions are included (Table 1.6). Thus "even though the share of the poorest population improves when pensions are excluded, the percentage of public spending that stays in their hands continues to be much lower than in quintile 5 and than it should be, given that this spending is supposed to be targeted to the very poor."[46]

1.30 **Education.** Colombia faces serious challenges in education. Greater efforts to increase funding for education, which are reflected in the increase in public spending on this item as a percentage of GDP (Figure 1.40), have not been enough to improve the country's performance in terms of coverage (Figure 1.41) and quality. Proof of this is found in the most recent results of the tests administered by the Programme for International Student Assessment (PISA) in 2009,[47] which show that the country lags far behind in learning (Figure 1.42). In addition, education gaps between the different socioeconomic levels and between urban and rural environments are wide and do not appear to have narrowed in recent years (Figures 1.43 and 1.44). This situation affects the prospects for reducing socioeconomic disparities and for economic growth in the long term, since the workforce being created is mainly unskilled.

1.31 **Poverty.** Despite the systematic reduction in poverty and indigence levels between 2002 and 2009—by about 8.2 and 3.3 percentage points, respectively—more than 45% of Colombians are living in poverty today and 16% are indigent (Figure 1.45).[48] The creation of large-scale social programs such as those that made up the Social Support Network (Empleo en Acción, Jóvenes en Acción, and Familias en Acción) after the 1999 crisis has contributed to these changes. However, poverty levels are persistently high, particularly in rural areas. In those areas, poverty and indigence are markedly higher and slower to fall than in urban areas (Table 1.7).

1.32 **Forced displacement.** The violence afflicting Colombia has led to large-scale forced displacement of the population.[49] The worst period was between 1998 and 2002, when illegal armed groups, financed by drug trafficking, were gaining in strength. The causes of this forced displacement are complex. Although the armed conflict is viewed as the general cause, this social problem is also related to economic interests such as land tenure, territorial expansion for farming and business, and drug trafficking.[50] Counteracting the perverse effects of that displacement is the main humanitarian challenge and one of the most important social and economic problems facing Colombia.

II. THE BANK'S PROGRAM DURING 2007-2010

A. Intent of the program

2.1 Colombia has prioritized the strategic areas and tools it wishes to focus on in its work with external financing agencies, including the Bank. The previous Country Program Evaluation (CPE) stated: "The country has been conditioning the Bank's role, its operations, and its areas of involvement; the percentage of borrowing; the operating windows it is interested in using; and the instruments used. This is supported by a complete institutional framework (National Development Plan, National Economic and Social Policy Council, Senior Fiscal Policy Council, projected fiscal frameworks, debt management system, etc.) that defines the underlying decision-making processes. Ultimately, these processes are what makes authorization of external borrowing feasible."[51]

2.2 The dialogue between the Bank and the country for the period in question took place within the general strategic framework defined by the 2006-2010 National Development Plan (PND) entitled "Community-based Government: Development for All." As the presentation of the strategy states "The core areas targeted by the country strategy are based primarily on Colombia's PND."[52] The country strategy draws on an extensive technical analysis of different sectors performed by the Bank, but the working areas are identified once the PND has been completed, without the government being apprised of the technical analysis. From the country's standpoint, this is a more passive and discrete position than the one taken by the World Bank, which shares its sector analyses during preparation of the PND.

2.3 The general objective of the Bank's country strategy was to support the country's growth and reduce poverty and inequality.[53] Although this objective is a desideratum that is common among the countries of the region, the discussion on inequality in the preceding chapter shows that it takes on particular significance in Colombia's case.[54] To channel its work in the country, the Bank's country strategy defines three areas of action: competitiveness, social development, and governance and strengthening of the State. These areas are basically the same as in the previous strategy (period 2003-2006)[55] and are more closely related to the Bank's organizational structure than to any singularity in the Colombian context since they do not correspond directly to those of the PND or the country's specific challenges. The strategic areas are sufficiently broad to incorporate any subject that could arise in any of the Bank's areas of work.[56] Competitiveness is the broadest area of all since it covers environmental management, risk, sustainable economic growth, and even water and sanitation,[57] an area normally grouped with the social development sectors.

B. Materialization of the program

2.4 The program of sovereign guaranteed operations proposed in the country strategy differs significantly from the program that was approved. Prediction was poor in the three areas: 50% in competitiveness, 43% in social development, and 50% in governance and strengthening of the State (Table 2.1). In total, just 14 of the 29 projects proposed in the country strategy were approved and none of the 10 projects in the pipeline was approved. This last fact confirms that the Bank's program is essentially defined by the country (paragraphs 2.1 and 2.2).

2.5 One third of the 15 projects that were not approved (Table 2.2) are in the electric energy and water and sanitation sectors (construction of infrastructure). In these areas, external financing—including from the multilateral banks—is being replaced by various funds (some with private sector participation) that centralize and channel resources for these investments. In the electric energy sector, CONPES document No. 3453 of December 2006 established the following financing arrangement: "For implementation of the different management plans, the Ministry of Mines and Energy may use resources such as: (i) the Financial Support Fund for Electrification of Non-interconnected Areas (FAZNI); (ii) the National Royalties Fund; (iii) rates paid by users; (iv) counterparts from the subnational governments; and (v) funds from the national budget to cover subsidies for lower rates and finance the commercial operation and maintenance of the electricity infrastructure in zones that are not interconnected."[58]

2.6 In the water and sanitation sector, the Consorcio de Financiamiento de Inversiones en Agua [Water Investment Financing Consortium] was created in 2008 composed of three private trust companies. Its objective is to administer "an independent fund to collect, handle, guarantee, and make payment for management of the resources of the departmental water plans for all the departments and municipios that decide to join as trustors."[59] The idea, then, is for the consortium to manage an increasing percentage of the financing for works in the sector.

2.7 The anticipation capacity of the program was greater than its predictive capacity but even so it was low. Of the 21 operations approved, seven were not included in the country strategy, but they represented 29% of the amounts approved with sovereign guarantees in the period. As noted later (paragraph 2.16), at least two of these operations were a response to the 2008-2009 global financial crisis.

2.8 The Bank's ability to predict in the private sector was also low. Six loans were approved between 2007 and 2010 for a total of US$455 million (for an average of almost US$76 million which is the highest among the Bank's borrowing member countries during the period, if the Transantiago operation, CH-L1052, is excluded).[60] However, just one of those six projects was anticipated in the strategy and only one of the three projects listed in the strategy was approved (Table 2.2). These data reflect the scant ability to predict demand for loans by the private sector. Furthermore, the program did not respond to the areas originally identified as priorities.

2.9 As for the Inter-American Investment Corporation (IIC), the country strategy stated that "IIC interventions will expand its work in the financial system."[61] Between 2007 and 2010, the Corporation approved nine projects totaling nearly US$63 million, which corresponded to approximately 4% of the total approved in the same period. However, of those nine projects, three were in the electric power sector and just one was in the financial sector. Thus, the program that was approved did not correspond to the intent of the country strategy.

C. Relevance of the program

2.10 The Bank's program was relevant in that it targeted a large part of its actions and funds to addressing some of the country's main development challenges. Of the 21 sovereign guaranteed operations approved during the period, one third (26% of the amount) were in the transport and social investment sectors, which were identified in the first chapter as being some of the country's main challenges. The program that was approved focused two thirds of its operations—64% of the amount—on four sectors: water and sanitation, financial and capital markets, transport, and social investment.

2.11 Generally speaking, if the approvals for both the public and private sectors are taken into account, the Bank's program focused on the area of competitiveness. If approvals in the water and sanitation sector are included in the social development area—as is normally done and was the case in the preceding country strategy—39% of the amount approved corresponded to that area of action, while 55% went for social development, and 6% for governance and strengthening of the State (Figure 2.1). These figures differ slightly from those observed during the period 1998-2006, when "[b]y strategic area, 66% of the amount approved corresponded to the area of 'poverty and inequality,' followed by 'reactivation and competitiveness' with 30%, and 'governance' with 4%."[62] Therefore, in the period 2007-2010 the Bank focused its support relatively more on the area of competitiveness than in the preceding period.

2.12 This allocation of funds contrasts with the composition of central government spending, which allocated 76% of its investments in these three areas to social development

(Table 2.3). As mentioned earlier, the country is selective in the use it makes of multilateral cooperation. Specifically, and with respect to the distribution of its spending, the country relies relatively more heavily on that source of financing for competitiveness than for social development or governance and modernization of the State. Between 2007 and 2010, the IDB and the World Bank had very similar distributions of the amounts approved, which concentrated more on competitiveness than did total government spending. However, most of what the central government receives from the IDB and the World Bank goes for social development. Funds from the Andean Development Corporation (CAF) are used mainly for competitiveness and, second, for modernization of the State.

2.13 Between 2007 and 2010, the Bank approved 94 nonreimbursable technical-cooperation projects for Colombia for approximately US$33.9 million. The country received the second largest number of technical-cooperation projects (after Brazil) and was fourth in terms of amounts approved (after Haiti, Brazil, and Mexico).[63] The program consisted of many scattered operations (15 of 19 sectors) whose average value was lower than the Bank average (approximately US$361,000 compared to US$438,000). This allowed the Bank to maintain a presence in areas where there are few lending operations—such as education, modernization of the State, and the environment—and to include such sensitive issues as citizen security and forced displacement.

2.14 During this period, the Multilateral Investment Fund (MIF) approved its largest number ever of operations for Colombia: 37 projects for a total of about US$42 million. These figures were almost double the amount approved in the preceding four years (2003-2006). As a result, Colombia received the second largest volume of MIF approvals (after Brazil) for the period 2007-2010. The funds were mainly used to support projects by small and medium-sized enterprises (SMEs) and, to a lesser extent, microenterprises.

2.15 Operations with the private sector approved through the Structured and Corporate Financing window did not fall under the framework of the dialogue with the central government and therefore were not consistent with its priorities. The projects for this sector did not correspond to the priorities laid down in the Private Sector Development Strategy (PSDS) cited in the country strategy: "The PSDS identified a series of priority activities in the 2007-2008 business plan for three work areas: (i) infrastructure and logistics; (ii) financial sector; and (iii) renewable energy and late-yield agroindustry."[64] The projects in these areas are few, isolated, and do not constitute a priority effort.

D. Instruments used

2.16 The program with Colombia used a wide variety of lending instruments to deliver its support to the public sector. Among the most important in terms of percentages were relatively large programmatic policy-based loans (PBLs). The programmatic PBLs accounted for about 22% of projects (6 of 27) and 40% of the amounts approved for Colombia. Looking at the use of this instrument inside the Bank as a whole, the figures fall to 12% and 18%, respectively. The intensive use of PBLs is the result of demand by the country for unrestricted funds to meet its fiscal commitments and to stimulate the economy in the trough of the economic cycle.

2.17 During the 2008-2009 global financial crisis, Colombia faced a sharp economic slowdown. Annual quarterly growth was close to zero (0.05%) in the fourth quarter of 2008 (Figure 2.2). Given this contingency, the country increased its demand for liquid resources and the Bank attempted to respond with a combination of programmatic PBLs and conditional credit lines for investment projects (CCLIPs). Shortly after the announcement of the Lehman Brothers' bankruptcy, a programmatic PBL (CO-L1072) entered the pipeline but took 21 months to be approved. Two months after Banco de la República drastically lowered the reference rate, three operations entered the pipeline: a CCLIP (CO-X1007) with its first associated loan (CO-L1078), a loan (CO-L1052) under CCLIP CO-X1003—approved six months before the fall of Lehman Brothers—and a programmatic PBL (CO-L1079). The first of these operations took just one month to approve (Table 2.4). According to Management, operation CO-L1078 "injected liquidity into the market and maintained the confidence of the financial sector and the real sector."[65] The programmatic PBL CO-L1066 was approved just two months after Banco de la República lowered its interest rates, i.e. 10 months after it entered the pipeline. This preparation time is considerably shorter than for other programmatic PBLs in the period, which suggests that approval of operation CO-L1066 may have been accelerated to respond to the crisis.

2.18 Thus, the Bank's response to the global financial crisis in Colombia's case appears to have contained elements of expeditiousness (operations CO-L1078 and CO-L1066) but also of slowness (operation CO-L1072). In terms of amounts, the Bank disbursed approximately US$950 million between different programmatic PBLs and CCLIPs during the five quarters the crisis lasted (2008-IV to 2009-IV). Although this amount is only slightly higher than the sum of the three immediately previous programmatic PBLs (Figure 2.2), if all operations with the country are considered, 2008 saw the second largest disbursement of the decade (US$1,387,200,000). Furthermore, the second and third largest approvals were made in 2008 and 2009, and the percentage of total approvals by the Bank for Colombia remained in line with previous years (Figure 2.3). In short, the Bank made efforts to respond to the crisis but they were not sufficient, since no clear countercyclical pattern is evident.

E. Coordination with other multilateral lending institutions

2.19 Although the country strategy expected that "the Bank would become Colombia's main source of multilateral financing,"[66] the IDB's importance as a source had gradually been waning. Its funds accounted for 60% of the country's multilateral financing in January 2002 but just 40% in October 2010 (Figure 2.4).[67] This trend is due to two complementary factors: (a) the fact that external financing has fallen compared to domestic financing (between 2001 and 2010, the external debt fell from nearly 50% to 29.2% of the total debt); and (b) the World Bank's share of Colombia's external debt has increased.

2.20 Between 2002 and 2010, the World Bank's contribution to Colombia's multilateral financing rose from under 24% to over 52%. In 2007-2010, it approved 27 loan operations for a total of almost US$4.3 billion—about 10% more than the IDB. These figures reflect the fact that the World Bank's program with Colombia is its third largest in Latin America and seventh largest in the world in terms of exposure.

2.21 Coordinated by the central government, the relationship between the IDB and the World Bank has been good overall. For example, the social protection programs—Familias en Acción—have been approved in alternate years by the two institutions. However, there is some competition in the area of infrastructure, where the World Bank has had a strong presence in water and urban infrastructure projects. Another area where the World Bank has a much stronger presence than the IDB is education (Table 2.6).

2.22 The Andean Development Corporation (CAF) was the multilateral institution that approved the most funds for Colombia during the period under consideration: US$5.738 billion, about 57% of which went to the private sector (Table 2.7). According to the Colombian authorities, this can be explained by its greater speed in preparing projects and its lower transaction costs and technical requirements. Nonetheless, the CAF has also gradually come to play a smaller role in multilateral financing for Colombia (Figure 2.4).

2.23 Coordination with the CAF is not as close as with the World Bank. However, in 2009 the two institutions participated together with the Colombian government and the International Finance Corporation in setting up an investment fund (of up to US$500 million) to provide public-private infrastructure financing, known as the Colombian Infrastructure Fund.[68] Most of the CAF's loans to the Colombian government during the period were for the transportation sector and to support improvements in government management (Table 2.8).

2.24 For its part, the International Monetary Fund (IMF) had no program with Colombia during the period under consideration. However, the country's good macroeconomic performance and the risks stemming from the international financial crisis meant that in May 2009, the IMF granted it a flexible credit line (FCL) for US$10.5 billion for one year (the third FCL granted by the IMF, after Mexico and Poland). This FCL was renewed in 2010 and again in May 2011 for a term of two years and an amount of US$6.220 billion, mainly on account of the country's vulnerability to drops in commodity prices. These FCLs have not been drawn on and represent, above all, backing that gives the market confidence.

F. Evaluability of the country strategy

2.25 Although the country strategy document had a results matrix with indicators, the Country Office prepared a new results matrix to improve the evaluability of the strategy and link the indicators defined by the country itself in the PND to the loan operations and the country strategy (Table 2.9), for which it drew on the support of sector specialists and external consultants. Since the new matrix is more evaluable than the previous one, the Office of Evaluation and Oversight (OVE) considers this new matrix—not approved by Management—as its point of reference for the present evaluation.

2.26 The country strategy continues to be fundamentally impossible to evaluate despite the change in the matrix. This is due to the following factors: (a) the excessive number of indicators (128) resulting from the attempt to make the objectives of the different operations correspond to those of the country strategy; (b) the large percentage (about 75%)

of output indicators; and (c) the absence of indicators directly related to the country strategy's general objectives of growth, poverty reduction, and inequality reduction.

III. PROGRAM EXECUTION

3.1 In the period 2007-2010, the Bank approved 27 loans for Colombia (21 with sovereign guarantees and six with the private sector) for US$3.917 billion. The analysis in this and the following chapter also considers 15 operations that were approved prior to 2007 and which at the beginning of that year had an undisbursed balance of more than 40% of the amount approved (Table 3.1). At the start of the period, these inherited operations still had US$651 million to disburse.

A. Execution efficiency

3.2 During the period under study, the Bank disbursed US$3.411 billion in loans (about 70% of what was available for disbursement and 85% of what was envisaged in the country strategy). Nineteen percent of this amount corresponded to operations inherited from previous strategies and 81% to operations approved between 2007 and 2010. Approximately half of the funds disbursed were for seven programmatic operations and the other half for 27 investment operations with sovereign guarantees (Table 3.2).

3.3 Portfolio disbursements were determined to a large extent by the rapid execution of PBLs. However, their share as a percentage of the loan portfolio has tended to decline. Since the country is making large repayments, maintaining a positive flow of financing with it depends largely on fast-disbursing operations (Figure 3.1).

3.4 This reflects the use that Colombia makes of unrestricted instruments as a source of budget support. It was relatively important, for example in 2008, when IDB approvals of PBLs amounted to about 1.5% of government income. When its borrowing from the World Bank and the CAF is included, between 2007 and 2010 Colombia received a total of US$4.9 billion in loans of this kind (Table 3.3). This amounted to an annual average of 0.5% of GDP.

3.5 Despite this, the country received fewer unrestricted funds from the IDB than had been anticipated in the country strategy and fewer than it had received in the previous four years. Between 2007 and 2010, the Bank provided Colombia with US$1.750 billion through programmatic loans. This was 27% less than the US$2.400 billion that the country strategy had expected to be disbursed through this instrument[69] and 39% less than the US$2.864 billion disbursed between 2003 and 2006 through PBLs, programmatic PBLs, and emergency loans (Figure 3.2).

3.6 With regard to preparation times, greater efficiency is apparent in the case of Colombia, with lower values than the Bank's general average. The six PBLs took approximately 12 months to be approved after entering the pipeline, which is shorter than the Bank average of just over 15 months.

3.7 As for the 15 investment projects[70] approved between 2007 and 2010, average approval time in Colombia's case was shorter than in the Bank as a whole (17 months compared to about 20 months), but a bit longer than the average for the other countries in the Country Department Andean Group (CAN), where the average is just over 15 months (Table 3.4).

3.8 The average time between approval and signature (2.7 months) is considerably shorter than the Bank average (4.6 months) and also shorter than for the other CAN countries (3.7 months). This efficiency is basically independent of the Bank and reflects the speed with which the Colombian government acts. However, it is also apparent that once an operation is signed, the procedures for obtaining eligibility are carried out more efficiently than the average for the Bank and the average for the CAN countries.[71] This suggests that once approved, the processes for obtaining eligibility were significantly more efficient in the case of Colombia than in the Bank as a whole and in the other CAN countries.[72] Lastly, once an operation is declared eligible, the time until the first disbursement tends to be shorter for Colombia than for the Bank as a whole and the other CAN countries.

B. Bank-country relationship

3.9 Overall, the relationship between the Bank and the country was good and the dialogue fluid. However, the country's perception of the Bank's action to address the international financial crisis is negative. According to the Colombian authorities, the absence of clear criteria and rules for the allocation of funds during the crisis meant that the Bank's response was not as effective as it could have been. In mid-crisis, the scarcity of its funding meant that operations in the public and private sector competed with each other. It became necessary to cancel approval of non-sovereign guaranteed operations in the pipeline, which increased dissatisfaction among government authorities.

3.10 In contrast, the country takes a positive view of the financial innovations introduced by the Bank, such as the transformation of loans with a basket of rates to loans with LIBOR rates, and the conversion of balances into local currency—the latter in response to a request by Colombia.

3.11 Another event that marked the relationship between the Bank and the country during the period under study was the Bank's realignment. In this regard, the "country focus" was implemented in Colombia through modernization and strengthening of the Country Office's internal team, and through the decentralization of responsibilities and resources to Bogota. (Figure 3.3). The government, at the level of the Ministry of Finance and the National Planning Department, noted the technical and operational strengthening of the Country Office[73] and welcomed it as a positive development. However, the authorities also underlined the loss of autonomy by the Country Office with respect to technical and operational decisions that came to depend more on Headquarters.

3.12 Nonetheless, the authorities expressed satisfaction with efforts by the Country Office to lower the transaction costs imposed by the uncertainties generated during the realignment process. They also recognized the proactive behavior of the Country Office in drafting two memoranda of understanding—one to transfer execution responsibilities from external units to the line ministries and the other to develop the area of evaluation and results measurement. Lastly, the Colombian authorities recognized the efforts of the Country Office to use country systems that were up to Bank standards, such as the financial management system used for the national budget, the Integrated Financial Information System, and its acumen in rejecting those that were not, such as the procurement system, and the system of the Office of the Controller General.

IV. RESULTS ASSOCIATED WITH THE PROGRAMMING EXERCISE

4.1 This chapter looks at the results of the Bank's work with Colombia during the period 2007-2010. As the basis for its organization, it makes use of the three strategic areas defined in the country strategy and considers only those projects that disbursed at least 40% of their funds during the period (Table 3.1). As a result, it includes some projects that were approved before 2007 and excludes others that have had few disbursements, even though they may have been approved between 2007 and 2010. Stress has been placed more on project outcomes than outputs.

4.2 The analysis was based solely on verifiable information so that its conclusions could be replicated. Attempts were made to obtain the most reliable and objective information possible. Given this intention and the fact that no impact evaluations were performed for this CPE, the following order of precedence was given to the different sources of information: (a) quantitative evaluations (preferably of impact) by independent bodies; (b) data from different sources that permitted relevant information to be presented on project outcomes; (c) information presented by Management and validated by OVE; (d) evaluations by beneficiaries (in this case by the Colombian government); and (e) evaluations and information presented by Management that could not be validated by OVE.

4.3 The analysis of the extent to which project objectives were attained is affected by project evaluability. A review of 14 of the 15 projects approved between 2007 and 2010 found that they have 92 indicators for 27 of their 28 development objectives (one of the objectives has no indicators). Sixty-two percent (57) of these indicators refer to outputs and just 38% (35) to outcomes. As for metrics, 87% of the indicators have baselines, 45% have milestones, and 90% have targets. Only 10 of the 92 indicators have all the elements required for an effective evaluation, i.e. outcome indicators with complete metrics. However, those indicators are just some of a number of others used to evaluate the development objectives, so that on their own they are not sufficient to adequately evaluate the results. Therefore, none of the projects contains all the elements required for an effective evaluation. However, if it is accepted that the absence of milestones does not necessarily stand in the way of a satisfactory evaluation, 3 of the 14 projects reviewed could be evaluated. All their indicators are outcome indicators and they contain baselines and targets for their objectives.[74] In a fourth project, most of the indicators (3 out of 5) are outcome indicators and all the indicators have baselines and targets.[75]

Table A. Summary of results

Project	Indicator	Results anticipated	Attribution to the Bank	Source	More info.
Competitiveness					
Competitiveness Enhancement Program(CO-L1007 and CO-L1027)	Growth competitiveness index	Worse	Low	PCR(v)	Paragraph 4.6 Table 4.1
	Business competitiveness index	Better	Low	PCR(v)	
	Global competitiveness index	Same	Low	PCR(v)	
	Quality of railway infrastructure	Better	Low	PCR(v)	
	Quality of port infrastructure	Worse	Low	PCR(v)	
	Quality of air transport infrastructure	Worse	Low	PCR(v)	
	Quality of energy supply	Better	Low	PCR(v)	
	Fiscal freedom index	Better	Low	PCR(v)	
	Government expenditure index	Better	Low	PCR(v)	
	Financial freedom index	Worse	Low	PCR(v)	
	Economic freedom index	Better	Low	PCR(v)	
	Time to export (days)	Better	Low	PCR	
	Financial depth (% GDP)	Better	Low	PCR(v)	
Investment Projects, Productive Restructuring, and Export Development (CO-L1078 and CO-L1082)	Number of small projects financed	3,500	High	LRR	Paragraphs 4.8 and 4.9
	Loan terms	Better	High		
Lending Program for Public Service Providers (CO-L1012 and CO-L1052)	% of total financial sector portfolio to PSPs managed by FINDETER	Better	High	LRR LRR (pv) OVE/ Findeter	Paragraphs 4.11 and 4.12 Table 4.2 Figures 4.1 and 4.2
	% of FINDETER portfolio with terms of over 8 years	Better	High		
	% of FINDETER loans with terms of over 8 years	Better	High		
	% of loans from the IDB credit line out of total FINDETER loans with terms of over 8 years	Better	High		
	Average term of loans from the IDB credit line longer than the average term of FINDETER loans	Better	High		
Integrated Mass Transit System for Santiago de Cali (CO-L1001)	Travel times	Better	High	PPMR Metro Cali	Paragraph 4.13 Table 4.3
	Increase in the number of passengers	Better	High		
Social development					
Program to Support Consolidation of Reforms in the Water and Sanitation Sector (CO-L1066 and CO-L1079)	Water system coverage	Better	Low	DANE SUI	Paragraph 4.20 Tables 4.4 and 4.5 Figure 4.3
	Sewer system coverage	Better	Low		
	Number of municipios directly providing service	Better	Low		
	Number of PSPs	Same	Low		
	% of PSPs registered in the Users Register	Same	Low		
	Number of departmental water plans	1,018	Low		
Pereira Water and Sanitation Program (CO-0182)	Water system coverage	Better	High	PCR	Paragraph 4.21 Table 4.6
	Sanitation system coverage	Better	High		
	Service continuity	Same	High		
Expanded Immunization Program (CO-L1002)	Percentage of coverage of OPV, DPT/Penta, Hep. B. HiB, T.V.	Better	High	PCR	Paragraph 4.27 Table 4.7
	Percentage of coverage of BCG	Worse	High		
	Percentage of children with complete vaccination series by their first birthday	Better	High		
	Percentage of children between 12 and 23 months with triple viral vaccine	Better	High		
	Average days between order and delivery of biologicals nationally	Better	High		
	% of departments that present coverage reports within the established times and conditions	Better	High		

Project	Indicator	Results anticipated	Attribution to the Bank	Source	More info.
Program for the Reorganization, Redesign, and Modernization of Health Service Networks (CO-L1017)	Provision of ambulatory services Provision of hospital services Health promotion and disease prevention Use of operating rooms Use of hospital beds Length of hospitalization Hospital occupancy rate Productivity (costs/services)	Indeterminate Indeterminate Better Indeterminate Better Better Better Better	High High High High High High High High	Peñaloza et al. (2007)	Paragraph 4.28 Table 4.8
Rural Low-income Housing Program (CO-L1003)	Rural families who have upgraded their housing quality (improvement in SISBEN) Number of subsidies granted	Better 17,222	High High	PCR PCR (v) MADR	Paragraph 4.29
Governance and strengthening of the State					
Program to Strengthen the Office of the Attorney General of the Nation (CO0258)	Backlog Savings through in-court and out-of-court settlements Citizen confidence Public image	Better Better Better Indeterminate	High High High High	DNP (2008)	Paragraph 4.33 Table 4.9
Public Administration Reform Program (CO0266)	Fiscal savings Stability of current spending by the national government Productivity of national government agencies	Better Better Mixed	Low High High	UNDP and DNP (2010)	Paragraph 4.35 Tables 4.10, 4.11, and 4.12
Improving the Quality of Public Services (CO-L1011)	Wait time at Specialized District Service Centers (CADEs) Wait times at SuperCADEs	Better Better	High High	PPMR	Paragraph 4.36 Table 4.13 Figure 4.4

(1) pv = partially validated by OVE; v = validated by OVE

Source: OVE

A. Results in competitiveness

4.4 The objective in the area of competitiveness was "[to] support Colombia in its effort to enhance the country's competitiveness and, in particular, enterprise development, through the promotion of a favorable business climate and the improvement of physical and institutional infrastructure."[76]

4.5 That objective required an institutional structure to promote competitiveness in Colombia, which, in 2007, was still rudimentary. The central government had begun to work on competitiveness in the 1994-1998 PND. In 1999 it launched the National Productivity Policy under which it began to promote production clusters, and in 2004 it developed the Domestic Agenda for Productivity and Competitiveness whose objective is to identify short- and medium-term plans, programs, and projects to boost the economy's competitiveness. Even so, in 2006, two international consultants found that the institutional structure in competitiveness had weaknesses.[77] At that point, the country began a process of institutional reform in the area of competitiveness.

4.6 The Bank supported these efforts through the Competitiveness Enhancement Program (CO-L1007 and CO-L1027). Specifically, it promoted the creation of the National Competitiveness and Productivity Commission and 32 regional competitiveness commissions. It also helped to prepare the National Competitiveness and Productivity

Policy (CONPES document 3527). Although the country's overall progress (or setbacks) in the area of competitiveness cannot be attributed to the Bank, the project's results matrix included global indicators such as the growth competitiveness index and the economic freedom index, among others. The project completion report (PCR) presents the baseline and updated values (Table 4.1) and shows that between 2005 and 2010, the country obtained some positive results in competitiveness but also suffered some setbacks.

4.7 The impacts of this program should be observable in the specific areas of intervention: governance and transparency, access to financing, bureaucratic inefficiency, training and labor market inflexibility, and information technologies.[78] However, as mentioned in the discussion of phase one in the previous CPE: "The actions [described in the policy matrix] do not reflect the responses demanded by the impact on competitiveness in terms of reducing market failures."[79] For example, to address the problem of a "poorly trained workforce and inflexible labor market," the operation only proposed to outsource the training services of the National Learning Service (SENA).[80]

4.8 The Bank also supported business development through the Program for Investment Projects, Productive Restructuring, and Export Development (CO-L1078 and CO-L1082), a multisector credit program that finances the aProgresar Program of Colombia's Banco de Comercio Exterior (Bancóldex). The program seeks "to support initiatives to expand production by small and medium-sized entrepreneurs"[81] and, according to Management, as of September 2010 it had financed 3,500 small projects.

4.9 Bank support through operation CO-L1078 was one of the strategies of the Ministry of Finance to assure financing for production during the international financial crisis.[82] According to Management, the aProgresar program "gave SMEs access to financing for fixed investments when previously financial intermediaries had only lent them short-term working capital. Furthermore, the loan terms have been getting significantly longer, from lines with a maximum of three years to lines with a maximum of six years for SMEs."[83] A recent evaluation of the impact of Bancóldex found that the funds channeled through that financial institution produce increases in the production, employment, investment, productivity, and export capacity of the beneficiary enterprises.[84] These results do not correspond specifically to the aProgresar line and therefore their attribution to the IDB is low.

4.10 Colombia is lagging far behind in infrastructure (paragraph 1.18). Between 1990 and 2009, "the Bank was heavily engaged in Colombia's road infrastructure sector, having strongly supported core processes in that sector's development: revamping of institutions, decentralization of road systems, and private-sector engagement through concessions." These processes were also present in the country's other infrastructure sectors, which the Bank promoted during the period 2007-2010 through several operations.

4.11 One is the Lending Program for Public Service Providers (PSPs), a line of credit that constitutes a multisector credit program administered by Financiera de Desarrollo Territorial (FINDETER). Through first-tier banks, FINDETER finances "infrastructure and service projects related to public service delivery."[85] The program has already executed two loans: the first (CO-L1012) focused on "on improving the maturity terms for lending to PSPs" and the second (CO-L1052) sought "better access to financing for PSPs with limited project preparation capacity."[86] According to a Management report, these loans helped to enable FINDETER's loan operations with maturity terms of over eight years to rise to 38.8% of its total portfolio (compared with 25.7% in 2007). They also explain why this institution went from financing 29% of the financial sector's public services portfolio in 2006 to 37.4% in 2008. OVE had access to FINDETER's database and verified that the loans financed by the Bank have longer average maturities than the other loans made by that financial institution and their share in FINDETER's portfolio is larger among loans with maturity periods of over eight years (Table 4.2 and Figure 4.1).

4.12 This program had good flexibility with respect to the activities eligible for financing. It financed infrastructure works (electric substations, for example) as well as investments to increase the management capacity of the PSPs. In sector terms, the loans benefited residential public utilities, tourism, health, education, and transport (Figure 4.2). The program, therefore, was crosscutting in nature, which permitted it to offer comprehensive support for Colombia's PSPs.

4.13 On the subnational level, infrastructure support was also provided directly. This was the case with the project Porce III Hydroelectric Plant (CO-L1005) whose objective was "to help meet Colombia's growing demand for electric power."[87] As of March 2011, the project's physical works had an implementation rate of 98.82%.[88] Another example is the loan for the Integrated Mass Transit System for Santiago de Cali (CO-L1001), which sought to "improve the transportation options of the population of the city of Cali, in particular low-income segments [through] a modern bus transportation system."[89] The operation has not concluded yet but the project performance monitoring report (PPMR) indicates reductions in travel times and wait times at the system's bus stations. Furthermore, a municipal government report points to large increases in the number of passengers (Table 4.3).

4.14 The Bank also cooperated with the country in promoting private-sector participation in infrastructure services. The Program to Support Private Participation and Concessions in Infrastructure began in 1996 with operation CO0179 and continued with two loans (CO0263 and CO-L1065). This is a program to finance preinvestment studies, design projects, and build up the technical capacity of institutions involved in the design, regulation, and supervision of public policies in the infrastructure sector.

4.15 According to a Management report,[90] the second phase[91] helped to involve two private companies in the operation of the integrated mass transport systems in Barranquilla and Bucaramanga, complete the El Dorado airport concession, and take preliminary steps for the inclusion of private companies in the operation of other services such as regional airports, electric power in zones that are not interconnected, and water and sanitation services, among others. The program set coverage, efficiency, and quality targets, but these will not be verified until three years after project completion (in 2012). Even so, as the loan proposal for phase three mentions, these results do not depend directly on the program and therefore can only be partially attributed to the Bank.

4.16 Although Colombia has made good progress in infrastructure, some indicators show that infrastructure quality has declined. The percentage of paved roads in good condition, for example, fell from 78% to 56% between 1998 and 2008, while roads in poor condition rose from 5% to 13% of the total.[92] In addition, the quality indexes for port and air transport infrastructure included in the results matrix for operation CO-L1027 worsened between 2005 and 2010.[93] This fact is indicative of a failure to invest in maintenance, a problem that had already been pointed out in the two previous CPEs.[94]

4.17 In environmental matters, the Bank has been supporting the country since 1993 by strengthening the Ministry of the Environment, Housing, and Regional Development (MAVDT), supporting the national environmental system (SINA I), and supporting sustainable management of several watersheds, among other initiatives. Between 2007 and 2010 there were two loans in this area. The first, the Program to Support the National Environmental System (SINA II, CO0262), seeks to "help improve the status of natural resources and the environment" by providing technological support for MAVDT, developing the environmental information system, and financing priority environmental investments in regional or local initiatives, among others. The second was the first programmatic loan in the Program to Support the Development of a Climate Change Agenda (CO-L1063). As of May 2011, the outputs established in the results matrix had not been completed. However, the country is working to formulate a national climate change policy and to produce a study on the economic impacts of climate change, with the Bank as a partner in its preparation.

B. Results in social development

4.18 The Bank worked primarily in two social development areas between 2007 and 2010. It supported the government in reforms in the water and sanitation sector[95] with the objective of improving efficiency in the delivery of these services, and financed direct investments in infrastructure. It also cooperated in establishing a basic social protection mechanism and in the fight against the intergenerational transmission of poverty through the conditional cash transfer program Familias en Acción and, more recently, Red Juntos (now known as Red Unidos). The Bank has also had a presence in the housing and health sectors and, to a lesser extent, in education.

4.19 The water and sanitation sector in Colombia has undergone several reforms that have deeply affected its operation. In 1994, Law 142 was enacted, which permitted private sector participation in the delivery of services and made the municipios responsible for guaranteeing service. One effect of this law was the dispersion of providers in the sector. The Bank has supported more recent changes intended to reduce that dispersion[96] and ensure that part of the funds transferred to the subnational governments under the revenue-sharing system are assigned specifically to this sector, on the basis of equity and efficiency criteria.

4.20 Toward the end of 2008, the Bank approved the Program to Support Consolidation of Reforms in the Water and Sanitation Sector. The first two phases (CO-L1066 and CO-L1079) have supported implementation of changes in the revenue-sharing system (Law

1176 of 2007), some modifications in the legal framework to improve monitoring and supervision of the municipios, and the design and implementation of departmental water plans. Data from the Office of the Superintendent of Residential Public Utilities suggest that delivery of the services has been formalized, since fewer municipios provide the service directly. However, the total number of PSPs does not appear to have fallen while the percentage that are registered with the Office of the Superintendent does not appear to have increased (Table 4.4). The number of departmental water plans has grown and a recent DANE report indicates that there was a slight increase in the coverage of these services between 2008 and 2010 (Figure 4.3 and Table 4.5). However, this change cannot be attributed directly to the reforms or to the Bank's work.

4.21 The government has sought to finance infrastructure in the sector through domestic mechanisms (paragraph 2.6).[97] Accordingly, some operations, such as the Manizales and Villamaría Sanitation Program (CO-L1006) of 2004, have been in the pipeline for a long time.[98] Nonetheless, two operations of this kind were approved in 2009 although disbursements have not begun.[99] During the period, the Pereira Water and Sanitation Program (CO0182) concluded with more than half the funds executed.[100] This project, which at the outset encountered problems with the reform of Empresa de Acueducto y Alcantarillado de Pereira, was restructured in 2006 and extended to 2010. According to the authorities and the PCR, the program was successful in its second phase and was able to exceed the water and sanitation coverage targets and to maintain service continuity levels at 99% (Table 4.6).

4.22 Another area with a direct impact on the standard of living and where the country has made great progress is social protection. The Social Protection System was created in 2002 "as a series of policies to reduce vulnerability and improve the quality of life of Colombians, particularly the most vulnerable." Today, the system encompasses the Familias en Acción and the Red Juntos programs.

4.23 The Bank has been supporting Familias en Acción since its inception in 2001 through a long series of loans and technical-cooperation projects. During the period 2007-2010, it cooperated by financing stage two of the program through two loans in a multiphase program (CO-L1021 and CO-L1059). In this second stage, Familias en Acción is no longer responding to a social emergency situation (as it did originally in the 1999 crisis). The country is now using it as a basic long-term tool for poverty reduction. It has expanded to urban areas and become part of the Red Juntos. Familias en Acción is a successful program that currently assists 62% of the poorest families (SISBEN classification 1).[101] Its main achievements include having achieved good levels of targeting[102] and having increased school attendance, improved nutrition for children over three years of age, and increased consumption.[103] The results of the program cannot be completely ascribed to the Bank, but it has partly depended on the Bank to maintain its operations in recent years.

4.24 In addition to Familias en Acción, Colombia launched Red Juntos in 2008 with the objective of improving the living conditions of 1.5 million people living in extreme poverty. Drawing on the design of Chile Solidario, this program has incorporated Familias en Acción as its base and has three components: (i) family support (the program adapts to the needs of each family); (ii) supply management; and (iii) preferential access to the supply of social services. The Bank supported the country in the design of a medium- and long-term social policy framework and in the inclusion in the PND of policies to promote the education and health of the very poor. These initiatives led to the launch of a pilot test of Red Juntos (80,000 families) through the Social Reform and Equity Program (CO-L1026). Today, Red Juntos benefits just over 93% of the 1.47 million families living in extreme poverty.

4.25 The Bank's work in social protection responded in a timely manner to the different socioeconomic contexts in the country—the crisis at the end of the 1990s and the improvements to the social safety net. As a result, the Bank has positioned itself as a stable and relevant collaborator for the country in these areas.

4.26 In the health sector, the Bank's work has been outstanding and constant for more than 10 years. As the previous CPE states, the Bank "participated initially with technical support […] and then with financial support to broaden coverage of the subsidized regime […], the restructuring and rationalization of public health service delivery […], and the adoption of national policies for service delivery and the introduction of improvements to system quality."[104] However, between 2007 and 2010 its engagement was limited to the continuation of two loans that had begun in the previous period and the implementation of one new technical-cooperation project.

4.27 The Expanded Immunization Program (CO-L1002) sought to bolster the immunization program and broaden vaccination coverage, which are challenges that the country has been facing since the crisis at the end of the 1990s. According to the PCR, eight of the ten proposed results indicators[105] show forward progress (Table 4.7). However, the targets for the most important component in the operation—which seeks to improve vaccination levels in a targeted group of municipios in a critical coverage situation—were relaxed, and one of the two indicators was changed for another that was less strict. Also, the results should be viewed with caution because they are based on samples that are too small to be informative: "It is therefore difficult to establish whether the differences in higher or lower coverage during the project in a given municipio are real and significant or random sampling effects."[106]

4.28 The other project, Expansion of the Program for the Reorganization, Redesign, and Modernization of Health Services Networks (CO-L1017), continues the efforts of a previous project (CO0139) to reorganize the country's hospital system. According to a quasi-experimental impact evaluation,[107] between 2004 and 2006 the program achieved improvements in health promotion and disease prevention, in hospitalization times, in bed and hospital occupancy rates, and in productivity (Table 4.8). Also, the most recent PPMR notes that there has been forward progress in seven of the eight indicators presented in the results matrix.

4.29 In the housing sector, the Bank has cooperated in upgrading the housing of the very poor through two loans: the Urban Social Housing Program (CO0241) and the Rural Low-income Housing Program (CO-L1003). For the latter, which concluded in 2010, the

PCR reports that it exceeded its objectives in terms of the number of new and improved houses and helped about 13,645 of the beneficiary families to improve their SISBEN classification. Management reports that the program Strengthening of Low-cost Housing and Territorial Development Policy (CO-L1018) has delivered more subsidies than originally planned and shows a good rate of progress in the construction of new houses. However, it suffers from major delays in the components for housing improvement and own-site construction.

4.30 The Bank has had a weak relationship with Colombia in the field of education in the last 20 years, approving just two projects (in 1999 and 2006). Given this situation, it is not surprising that the previous CPE found that "[i]n education, the Bank's contribution was limited and was not central to the sector reforms undertaken by the country."[108] This was the case despite the fact that "the only relevant operation carried out" during the period 1998-2006, the New School System Program, was intended to achieve that goal. During the period under examination, the Bogota Equity in Education Program (CO-L1010), which sought to "enhance equity and quality in preschool, primary, secondary, and postsecondary education,"[109] has financed the construction of various schools in marginalized areas in Bogota and is expected to contribute to improvements in levels of schooling in the beneficiary areas. Although the program has not concluded, an impact evaluation is in the process of being commissioned with an external consultant.

C. Results in governance and modernization of the State

4.31 Cooperation in these areas is particularly complex in Colombia because the country is going through a sweeping process of institutional transformation. The 1991 Constitution had significant impacts on the judicial branch and the oversight bodies in terms of their relative power, their functions, and, thus, their performance. The Office of the Attorney General, for example, "had become consolidated as an inefficient entity with a huge backlog of cases, scant training opportunities for officials to perform their work, obsolete technology infrastructure, and a poor perception of its actions among the citizenry and the government community."[110]

4.32 Similar problems were also present in the civil service. With the decentralization process that began in 1991, it was expected that the national government would reduce its size and spending, but the contrary occurred. In 1990, the executive branch was composed of 204 agencies; by early August 2002, the number had grown to 302. Also, between 1990 and 2003, "central government spending—not including the decentralized sector—rose from 9.4% to 20.6% of GDP."[111]

4.33 The Bank has been working actively with the country for over 10 years to improve the efficiency—and in some cases the transparency—of the government oversight agencies and the judicial branch. The most recent example of this long-term cooperation is the Project for Strengthening Judicial Services (CO-L1041). It has not yet begun to disburse but was preceded by operations to support the Office of the Controller General (CO0244) and the Office of the Attorney General (CO0258). This last program had the aim of modernizing the Office of the Attorney General to build its institutional capacity for the protection of human rights and accountability. The Mission Information System was created with that in mind and training was provided for officials in its use. These measures and others succeeded in reducing the backlog of cases and increasing the savings to the government from alternative means of dispute resolution (Table 4.9).[112] However, an evaluation of the Office of the Attorney General by the Office of the Controller General in 2010 found some problems in the operation of the Mission Information System.[113]

4.34 The previous CPE for Colombia noted that "The Bank's contribution in this area was not up to the magnitude of the challenges targeted in the program objectives. The intent was ambitious, in seeking to tackle virtually all aspects of public management."[114] Although this judgment continues to be valid, some positive results have been obtained.

4.35 The Public Administration Reform Program (PRAP) sought to make the federal government efficient through vertical reforms—inside the agencies affected—and crosscutting reforms. Through the sale of assets, improvements in operating balances, and reductions in pension liabilities (through personnel cuts), the government generated savings of more than 5% of GDP (Table 4.10).[115] The Bank cooperated with Colombia by financing part of the PRAP (about 30%, Table 4.11). The operation (CO0266) was able to successfully implement several complex information systems such as the Asset Management System, the Government Procurement and Contracts System, the e-Government Services Portal and, in August 2010, the Government Jobs Information and Management System. However, it was unsuccessful in implementing another—the Consolidated Litigation Information System of Colombia. The program was also able to reduce the cost of the executive branch's payroll and hold current government spending steady as a percentage of GDP. However, it had mixed results within the agencies, with productivity increasing at some of them but falling at others (Table 4.12).[116]

4.36 The Bank is also financing the program Improving the Quality of Citizen Services (CO-L1011), whose objective is to help raise the level of satisfaction of the residents of Bogota with the services provided by city hall. The operation has begun to yield results even though just under half the funds have been disbursed. Specifically, the most recent PPMR notes that the project has been able to reduce wait times at municipal service points (Table 4.13). Though it has not been possible to validate this information, it is consistent with the results of the survey Bogotá Cómo Vamos, which suggests that the improved services are highly appreciated by the public (Figure 4.4).

4.37 As mentioned earlier, one area of work that is especially relevant for Colombia is decentralization. The 1991 Constitution included specific mandates determining central government transfers to the subnational governments. At the end of the 1990s, the sustainability of the transfer system had been compromised by the sharp increase in public spending by the subnational governments and the deep fiscal crisis in the country in the wake of the global financial crises. In addition, the solvency of the subnational governments was also jeopardized as a result of the increase in their debt, which rose from 1.1% to 3.5% of GDP between 1990 and 1999.

4.38 Given this situation, in the late 1990s a series of reforms was introduced to improve fiscal sustainability on the national and subnational levels. However, the main problem with the decentralization process—dependency on transfers from the central government—was not solved. In 2001 and 2007 constitutional amendments were passed to permanently delink transfers from current income. Nevertheless, concerns persist over the management capacity of the subnational governments, their low tax collection capacity, and the difficulty in monitoring and evaluating their performance.

4.39 The Bank worked directly and indirectly with Colombia on its decentralization process. Directly, it sought to strengthen the management capacity of the subnational governments through two programs: first, the Program to Consolidate Subnational Fiscal Responsibility (CO-L1072), which was recently approved and seeks to contribute to the country’s fiscal stability through monitoring, tracking, and more effective control over the finances of the subnational governments and the decentralized agencies; and second, the Program to Assist the Ministry of Transportation with Execution of the Regional Road Plan (CO-L1022), which promotes decentralization of road management functions. It is proceeding slowly and as at July 2011, just 53% of the departmental governments had updated and published departmental road plans (far short of the target of 100% planned for 2009).[117]

4.40 Indirectly, the Bank worked on decentralization by financing projects executed by the subnational governments or whose main beneficiaries were those governments. In all, 13 of the 27 projects examined in this chapter are subnational in nature.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

5.1 The previous chapter showed that the Bank worked with Colombia in many areas over the last four years. From the construction of a hydroelectric plant to modernization of the Office of the Attorney General and vaccination programs, the Bank was present with differing degrees of efficacy and relevance for the country. But there are two crosscutting areas of work in which the Bank’s relevance was particularly high: social protection and decentralization.

5.2 **Social protection**. The Bank has supported the country in the process of establishing a social safety net for the very poor and vulnerable. From its origins as a program to address an economic emergency to the merger of the Familias en Acción and the Red Juntos (now Red Unidos) programs with the objective of raising the standard of living of the very needy and interrupting the intergenerational transmission of poverty, the Bank has provided financing and technical cooperation that have enabled the country to consolidate a new institutional framework that is fundamental for the development of a country with high levels of inequality and poverty, like Colombia.

5.3 **Decentralization**. The Bank devoted a large part of its efforts to working with subnational entities or on their behalf. Whether by improving the management capacity of the subnational governments or by making investments to improve the delivery of their public services, it sought to help the country deepen the decentralization process begun in 1991. The results of this work are not as evident as in the area of social protection owing to problems of evaluability—particularly the difficulty in determining which impacts can be attributed specifically to the Bank's actions—but its response to the country's requests for cooperation in this area cannot be disregarded.

5.4 Although to a lesser extent, the work done with the judicial branch and with Colombian oversight agencies is also worthy of note. The Bank further played a relevant role in institutional reform to promote competitiveness. However, its work in this area will necessarily become more limited as the new framework begins to consolidate.

5.5 Another important development over the past four years has been that areas have emerged in which Bank financing is beginning to be displaced by domestic financing mechanisms. This is the case in the energy and the water and sanitation sectors. The Bank did not anticipate these changes and the result was a mismatch between the program envisaged in the country strategy and the program that was ultimately approved and executed. The private sector window also contributed to this situation, since its planning was not part of the dialogue with the government and its operations were not the most relevant for the country. Another factor in the mismatch, although smaller in terms of the number of operations, was the global financial crisis, which increased the country's demand for liquid resources and generated a response by the Bank in the form of new operations that had not been anticipated.

5.6 Perhaps the most important aspect in the relationship between the Bank and Colombia over the last four years is that the country has begun to require less budget support. Between 2006 and 2008, Colombia posted a primary surplus for the first time since 1994. The country's macroeconomic management has been good lately, and the markets have taken notice. Also, the recently discovered oil reserves and the rise in the price of this commodity have given the country an important financial advantage.

5.7 Colombia's financial situation is improving, but there are still some vulnerabilities that could impede this process. They are, basically, its dependence on oil revenue, fiscal inflexibility, and large contingent liabilities.

5.8 Based on observations between 2007 and 2010, Colombia is on a path of financial improvement, which means the country will gradually need less financing from the multilateral banks. The very fact that some sectors are beginning to obtain financing exclusively via domestic mechanisms is evidence of this.

5.9 Therefore, the Bank should prepare itself for a radical change in its relationship with Colombia. Even though it may be early, the Bank should ready itself to provide the greatest possible assistance to a country that has climbed to a new rung in development. To do so, the Bank will have to play a more specialized role that leans more toward the role of a knowledge bank. Accordingly, this evaluation makes the following recommendations.

B. Recommendations

- **Step up efforts to lower the transaction costs that the Bank's cooperation imposes on the country.** One effective way of doing this is to increase the use of country systems. The Bank has already begun to work toward this goal—for example, with the use of the Integrated Financial Information System. However, it should redouble its efforts to help the country improve other systems—the procurement and auditing systems, for example—to attain the minimum quality standards established by the Bank. In fact, experience in developing and implementing complex systems in the country has been good (such as some of the systems created as part of the Public Administration Reform Program) and can be drawn upon.

  Another way of lowering transaction costs is to align IDB systems and procedures with those of other development agencies with which action could be coordinated—the World Bank, for example. This would allow the country to avoid having to use multiple information systems and meet different procedural requirements.

  The Bank's operations should also endeavor to measure their own transaction costs and include, at the design stage, efforts to lower them.

- **Improve evaluability, monitoring, and evaluation of the country strategy and the projects financed by the Bank.** Working toward this objective, it is recommended that the Bank should consolidate a relationship of mutual cooperation with the country's own monitoring and evaluation system. An effort should be made to use indicators that are already in that system. The country, in turn, could consider incorporating new indicators that are relevant for tracking its progress in areas in which the Bank cooperates. In addition, the country could link each project the Bank finances to an independent evaluation that could subsequently be included in the country's evaluation systems.

- **Identify and strengthen the Bank's capacity in the areas and sectors in which the country will concentrate its demand for financial cooperation.** Since the country will become even more selective about the specific areas in which it will request cooperation from the Bank, it is important for the Bank to identify them and prepare to provide the country with the greatest possible value-added, specializing and strengthening its role as a knowledge bank. This objective requires an active and close dialogue with the National Planning Department (DNP) and with other areas of the government, academia, and other relevant actors that could help the Bank identify the areas of specialization necessary to attain this goal. Once these areas have been identified, it is recommended that the Bank should focus its financial and human resources on them. This measure will help the Bank to position itself in the country and to offer high value-added in specific areas of cooperation. The findings of this country program evaluation (CPE) suggest that the crosscutting areas of decentralization and social protection are some of the areas in which the country receives value-added from the Bank and in which it would therefore continue to request its cooperation. However, the Bank's Management would need to confirm or refute this finding in its dialogue with the country.

- **Identify international development experiences that have been successful and present them to the country**. On repeated occasions, the Colombian authorities have expressed a wish for the Bank to provide them with more information on development policies in other countries, not just in Latin America. In response, the Bank should identify gaps in knowledge in specific areas of interest to Colombia and try to fill them through different activities to create knowledge—research, seminars, and conferences, for example. These activities should involve actors from different spheres, such as the government, academia, development agencies, the private sector, etc.

  The Bank should take care to present to the country only those development experiences whose effectiveness has been demonstrated with solid evidence and that are applicable to the Colombian context. It should also place its experience and knowledge in these areas at the country's disposal, and to that end, it should administer its human and financial resources so that it can continue to acquire international knowledge and deliver it not just to Colombia, but to the rest of its member countries.

  Apart from the recommendations made for the specific case of Colombia, two more general suggestions are made below:

- **First, it is suggested that the Bank should increase its preparedness to address widespread restrictions on liquidity.** Colombia and other countries in the region want the Bank to play a countercyclical role. However, the Bank had a hard time meeting the liquidity demands of its borrowing member countries during the 2008-2009 global financial crisis. A similar situation could recur if the prices of various commodities were to plunge dramatically. Accordingly, it is recommended that the Bank should perform a retrospective analysis of its response to the recent financial crisis on the regional level and determine whether it was adequate or not. If it was not, the analysis should identify the reasons and propose solutions that could be implemented so it is better prepared to respond to a sudden increase in demand for financial resources on the regional or global levels.

- **Second, it is suggested that the Bank should evaluate the impact of its realignment on its own work and its relationship with its borrowing member countries.** The information gathered for this evaluation indicates that the realignment changed the relationship with Colombia, which suggests that something similar may have occurred with other countries. The Bank would benefit from learning whether the realignment has made its work more effective and efficient. The next step would be to identify whether there are aspects of the realignment that should be adjusted to attain that objective.

END NOTES

[1] To mitigate the adverse effects of the international crisis on growth and employment, the government introduced a series of countercyclical policies based on four lines of action: investment in infrastructure, social safety net, investor confidence, and financing. See "Balance Macroeconómico 2009 y Perspectivas 2010 [2009 Macroeconomic Balance and 2010 Outlook]," *Marco Fiscal de Mediano Plazo [Medium-term Fiscal Framework]*, Ministry of Finance.

[2] See, for example, Vargas (2003) and Cárdenas (2007).

[3] The crisis at the end of the 1990s was the country's worst in 60 years. In 1999, the real growth rate was -4.1%.

[4] IMF Country Report No. 10/105, May 2010.

[5] See the May report on the heavy rains by Colombia Humanitaria at: http://www.colombiahumanitaria.gov.co/Cifras/Ficha%20Ola%20Invernal/FichaOlaInvernal_110513.pdf.

[6] Clavijo and Ávila (2010a).

[7] In May 2007, to control the influx of offshore capital, certain measures were adopted that affected both fixed and variable returns. What was done was to adopt a system of reserve requirements at rates of 40% for capital remaining in the country for less than six months. The rate was raised to 50% in May 2008, but the restrictions were completely dismantled in September of that year. Subsequently, the government tried another approach to controlling the phenomenon. Starting in September 2009, Colombia's central bank made a series of announced purchases of U.S. dollars on the foreign currency market of at least US$20 million a day for four months. This measure caused the peso to depreciate from 1,790 to 1,840 pesos to the dollar at the start of November 2010. In that month, the government added discretionary measures such as a reduction in foreign borrowing in 2010 and 2011, coverage strategies for foreign debt service payments, elimination of the income tax exemption on interest paid on loans contracted with foreign institutions, and a tariff reduction to reduce the costs of exporting companies. However, these measures did not have a significant impact on the behavior of the peso with respect to the dollar.

[8] Clavijo and Ávila (2010b).

[9] Between 2002 and 2009, the Chilean peso appreciated by 30.6% while the Mexican peso did so by 25.2%, and the Brazilian real by 39.1%. Between 2001 and 2009, Chile's international reserves grew by 60.85% and Mexico's by 126.6%.

[10] An increase in public demand on the order of 10.2% in 2009 offset the 3.7% decline in private demand. See *Marco Fiscal de Mediano Plazo[Medium-term Fiscal Framework]*, 2010, p. 39.

[11] *Marco Fiscal de Mediano Plazo[Medium-term Fiscal Framework]* (2009).

[12] Between 2003 and 2008, total dividends paid by Ecopetrol and the income taxes collected from the mining sector rose from 1.2% to 2.0% of GDP. Funds transferred by the Petroleum Savings and Stabilization Fund to the national treasury represented 0.6% of GDP in 2008 (Rincón et al., 2008).

[13] Rincón et al. (2008), p. 13.

[14] Simulations indicate a 25% probability that the debt will exceed 40% of GDP in 2015. See IMF Country Report No. 10/105, May 2010.

[15] Report on inflation, third quarter of 2010. Banco de la República. March 2011.

[16] On 16 March 2011, Standard & Poor's gave Colombia an investment grade of BBB- (the same as Brazil and Peru) and Moody's Investors Service and Fitch Rating rated Colombia just one level below investment grade with a positive outlook. The reasons adduced by these rating agencies to raise Colombia's debt rating include the country's better coverage against external shocks, a deeper capital market and external liquidity, good debt management, political stability, and the reduction in the vulnerability of the peso.

[17] On 14 June 2011, Colombia's Congress passed a law to implement a fiscal rule to reduce the government's deficit to 2.3% of GDP by 2014 and lay the groundwork for saving revenue from mining.

[18] For a more detailed analysis of the causes of low productivity in the construction sector, see *Informe Nacional de Competitividad 2007 [National Competitiveness Report 2007]* prepared by Colombia's Private Competitiveness Council.

[19] Pagés (ed.) (2010), p. 61 and p. 69.

[20] Between 2004 and 2006, in addition to negotiating the Colombia-United States FTA, it signed the Andean Community-MERCOSUR agreement and negotiated an FTA with Chile, with which it already had a partial scope agreement. The partial scope agreement with Cuba was deepened, negotiations for Colombia's access to APEC —initiated under previous administrations—continued, and negotiations were held with the Central American Triangle composed of Guatemala, Honduras, and El Salvador. In 2007, negotiations were begun with the European Union (jointly with Peru and Ecuador), with Canada, and with the EFTA countries (Switzerland, Iceland, Norway and Lichtenstein). These last two sets of negotiations concluded in November 2008. The FTA between Chile and Colombia (signed in 2006) entered into effect in May 2009. In March 2010, the negotiations for an FTA between Europe, Colombia, and Peru closed. The agenda for the period 2007-2010 included deepening the agreement with México (G2), possible negotiations with the Dominican Republic and with Panama, and the design of a trade strategy for the Asian countries with which bilateral FTAs will also be sought.

[21] The openness index is defined as average annual exports plus imports as a percentage of GDP.

[22] IMF Country Report No. 10/106, May 2010.

[23] Traditional exports are coffee, coal, oil, and ferronickel, and nontraditional ones come from the agricultural sector, the industrial sector, and the rest of mining exports.

[24] Cárdenas et al. (2006).

[25] The legal minimum wage in Colombia is not only the second highest in Latin America as a percentage of per capita GDP (Figure 1.36), it has also risen in real terms (an increase of 137% between 1997 and 2006 compared with an increase of 101% in the consumer price index) and in relation to the average wage (which increased by 40%). See the series *Debates Presidenciales [Presidential Debates]*, Fedesarrollo (2010).

[26] Santa María et al. (2010).

[27] López Castaño (2010).

[28] "Every administration since the new Constitution was enacted attempted to finance expenditure increases, or control expenditure growth, by a combination of fiscal reforms that included tax, pension, and decentralization reforms. Tax reforms were the most frequent. They were mostly designed to increase revenues in the short run, with exceptional concerns for efficiency." In Olivera et al., 2010a. See also Clavijo, 2011.

[29] Cárdenas et al. (2005).

[30] Clavijo (2011).

[31] See Cárdenas et al. (2006). Despite everything, the authors maintain that Colombia's president continues to be extremely powerful even by Latin American standards.

[32] "After the 1991 Constitution, rules (laws and decrees, etc.) proliferated that, following constitutionally established principles and objectives, regulated the inflexibilities introduced into the Constitution or created new ones. The first type of rules include, for example, Law 60 of 1993, which regulated transfers to the subnational governments, health and education transfers, and municipal revenue sharing (Articles 356 and 357 of the Constitution), and Law 141 of 1995 known as the Royalties Act, which developed Article 307. One illustration of the second type of rules is Law 100 of 1993, which created Health Solidarity Fund for the Defense and Police, the solidarity subaccount of the Solidarity and Guarantee Fund, and the Professional Guarantee Fund for Public Servants." Cárdenas et al. (2007). See also Hernández Gamarra (2003) and Table 1 in Echeverry et al. (2004), which contains a list of the laws and decrees that have caused the fiscal inflexibility.

[33] Inflexibility in Colombian spending is estimated to be between 90% (Clavijo and Vera, 2010) and 95% (Echeverry et al., 2004, and Bernal et al., 2009). "This problem jeopardizes the capacity of elected

representatives to execute their government plans. In addition, budget inflexibility can endanger macroeconomic stability since it makes adjustments in fiscal deficit situations difficult." (Echeverry et al., 2004, p. 3).

34 "Such trends were the consequence of a general recognition, endorsed by consensus in the 1991 Constitutional Assembly, that Colombia's public sector was too weak and small to deal effectively with security, globalization, and social challenges." Olivera et al. (2010), p. 2. The 1991 Constitution established that "Except in case of foreign war or for reasons of national security, public social expenditure will have priority over any other allocation […]. The investment budget may not be reduced with respect to the previous year as a proportion of the total expenditures of the corresponding appropriations act." Article 350.

35 The General Health Insurance System was established in 1993 and, with it, two plans were created based on solidarity as a redistributive mechanism: the contributory plan for individuals with the ability to pay and for formal sector employees, who pay part of their wages to finance both plans; and the subsidized plan for low-income individuals. The subsidized plan offers a range of services—the Mandatory Health Plan—that is less comprehensive than the contributory plan. This difference reflects the limitations on the public resources available to finance the subsidized plan and is an incentive to join the contributory plan.

36 Clavijo and Vera (2010), p. 22.

37 Rulings C-463 and T-760.

38 See Clavijo and Vera (2010).

39 In particular, these include: (a) the small percentage of members who contribute regularly to the system (an estimated 43% in 2009); (b) the low wages on which contributions are calculated and the low number of contributory weeks compared with the number of weeks actually needed to guarantee a minimum pension; (c) the widening gap between the legal retirement age and the actual time a pension will be collected owing to the increase in life expectancy; (d) the appeals for relief (a legal instrument that offers immediate protection of the fundamental constitutional rights of any person and can be used only when the individual affected has no other legal defense mechanism or as a temporary instrument to avoid irreparable harm) filed against the transitional regime defined by the reforms implemented since 1993; (e) the efforts to reduce pension liabilities; and (f) the existence of long transitional regimes, which has lessened the impact of the 1993 and 2005 reforms on the tax burden. See Clavijo and Vera (2010) and Fedesarrollo *Editorial: Reflexiones Sobre el Sistema Pensional [Editorial: Reflections on the Pension System]*, February 2011.

40 Transfers by the central government to the subnational governments are used mainly for education and health.

41 Legislative Act 01 of 2001 (published in the Official Gazette of 1 August 2001) unlinks growth in SGP resources from current central government income, while Law 715 passed in December of the same year defines the use of funds by the subnational governments and their functions in the health and education sectors. Legislative Act 04 of 2007 amends Articles 356 and 357 of the Constitution and extends the changes introduced in 2001 to the period 2008-2016. Law 1176 of December 2007, in turn, assigns 96% of SGP funds to education, health, water and sanitation, and general overhead, depending on the population in the subnational entities. The remaining 4% is used for social programs, such as school lunches and funds for subnational governments, among other items. See Zapata (2009) and Clavijo and Vera (2010).

42 See Clavijo and Vera (2010), p. 19. "In the second case, the reform states that if real GDP grows by more than 4% in any year, the additional points of growth must translate into growth in the SGP. It is clear, then, that Congress treated the topic of real growth asymmetrically, since it eliminated the 'penalty' clauses that would affect the SGP if real GDP grew by less than 4%, but 'rewarded' the SGP if it grew faster than 4%." Clavijo and Vera (2011), p. 19.

43 According to the 2005 census, the black or Afro-Colombian and indigenous populations accounted for 10.6% and 3.4% of the population, respectively. The other ethnic groups identified by the census are the Rom (0.01% of the total population); the Raizal of the San Andrés archipelago (0.08%); and the Palenquero of San Basilio (0.02%). This information was obtained from the following question: "By culture, community, or physical traits, you identify yourself as: …?"

44 The 2005 census obtained information on the reasons for changes in residence during the previous five years. Difficulty in finding work was the second-ranking cause for a change in residence (the first was for family reasons), accounting for 20% of moves among the indigenous population, 18% among Afro-Colombians, and just under 16% among the rest of the population. Indigenous and Afro-Colombian groups are hardest hit by displacements caused by violence. Threats to their lives were the reason for changes in residence for approximately 12% of indigenous people, 7% of Afro-Colombians, and 4% of the rest of the population. Lastly, lack of educational opportunities prompted about 10% of the indigenous population, 6% of Afro-Colombians, and 4% of the rest of the population to move. See *Colombia Una Nación Multicultural: Su Diversidad Étnica [Colombia, A Multicultural Nation: Its Ethnic Diversity]*, DANE, May 2007.

45 La Guajira is the department with the highest percentage of people with unmet basic needs: 48.3% in 2009. Bogota has the lowest figure at 6.6%. The national average for the same year is 17.7%. Data from the National Planning Department.

46 Nuñez (2009), p. 69.

47 The Organization for Economic Cooperation and Development's PISA tests are administered to 15-year-old students who, in the case of Colombia, are grade 9 students (assuming a primary school entry age of six with no grades repeated).

48 The data reported are from the Mission to Link Employment, Poverty, and Inequality Series. Owing to changes in methodology in the survey used to measure poverty, the poverty figures for 2008 and 2009 are not comparable with earlier figures and their validity is subject to debate by specialists. Further, these figures are based on national poverty lines and therefore are not comparable internationally. The Center for Distributive, Labor, and Social Studies and the World Bank calculate poverty rates for many Latin American countries using poverty lines of US$2.50 and US$4.00 per day per person, adjusted by purchasing power (these lines can be considered extreme poverty and moderate poverty lines, respectively). This exercise gives figures that are considerably more comparable internationally, although not entirely. Using this methodology, in 2007 Colombia had a poverty rate of 31.04% and an indigence rate of 16.97%.

49 Measuring the number of displaced persons is not easy, and different figures exist. Data from the Consolidated Displaced Population Register corresponding to 31 July 2009 report a total of 3,163,889 displaced persons (or 718,194 families), 95% of them poor. See Ibáñez, 2008, *El desplazamiento forzoso en Colombia: un camino sin retorno hacia la pobreza [Forced Displacement in Colombia: A Road of No Return to Poverty]*. Ediciones Uniandes. Bogota. According to the Internal Displacement Monitoring Center, in 2008 Colombia had about 14% of the world's displaced persons, ranking second after Sudan. The real figure may be even higher, with some studies show that it is underestimated by 30%. See Ibáñez and Velázquez (2006). According to the United Nations High Commissioner for Refugees, in 2008 the number of displaced persons in Colombia ranged between 2,650,000 and 4,360,000.

50 Ibáñez and Querubín (2004).

51 See document RE-337.

52 Document GN-2474, Presentation by the Ministry of Finance on the measures to combat the crisis adopted by the government to strengthen the international financial market.

53 "The objective of the Bank's country strategy with Colombia for the 2007-2010 period is to support national efforts to achieve greater, broad-based growth, create jobs, reduce poverty, and enhance equity, understood as increasing opportunities for the poorest majority and the most vulnerable population groups," document GN-2474, paragraph 3.1.

54 The concern with inequality was also present in at least the two country strategies preceding the 2007-2010 strategy. The 2003-2006 strategy (document GN-2267-1) proposed three areas of support, one of which sought to reduce the levels of poverty, inequality, and social exclusion. Similarly, the strategy preceding it (approved in August 1999) established five priority areas, one of which was to reduce poverty and inequality.

[55] Document GN-2267-1. The country strategy for the period 2003-2006 identifies three priority areas: (i) to lay the groundwork to reactivate and invigorate the economy; (ii) to promote social development and protect the most vulnerable groups; and (iii) to improve governance and support the process of modernization of the State.

[56] Despite this, the country strategy also contains an effort to identify thematic priorities, such as human capital development, which is part of the social development area: "The Bank will give priority to providing support at those points in the life cycle when it can have the greatest impact, and when noninvolvement increases the risk of falling into or maintaining conditions of poverty. This includes interventions targeting early childhood and technical, technological, and university education." See document GN-2474, paragraph 3.27.

[57] As discussed later, this is reflected in a concentration of the Bank's action in this area during the period.

[58] CONPES Document No. 3453, 11 December 2006, p. 11.

[59] See the consortium's web page: http://www.consorciofia.com/.

[60] The average value of the operations approved between 2007 and 2010 for Chile's private sector is distorted by two factors: the large amount for the Transantiago project (US$400 million) and the small number of operations approved (two).

[61] Document GN-2474, p. 28.

[62] Document RE-337; see paragraph 2.6.

[63] In relative terms, the volume of funds assigned to technical-cooperation projects during the period under analysis corresponds to approximately 0.9% of the total approved for lending operations, a percentage similar to that observed for the Bank as a whole.

[64] Document GN-2474, p. 28.

[65] Document OP-173-1, Project Completion Report on loan 2080/OC-CO, p. 3.

[66] See document GN-2474; and paragraph 4.3.

[67] Owing to a sharp drop in financing through bonds, the IDB's share in the total external debt rose from just over 16% to just over 18% between 2002 and 2010.

[68] See loan document CO-L1081.

[69] Document GN-2474, Executive Summary, p. 3.

[70] This section seeks to evaluate how efficiently projects approved during the period covered by the CPE were prepared. However, it is not possible to analyze the efficiency with which those projects were executed since just two investment loans in the 2007-2010 program were completed within the short period covered by this CPE and the six PBLs are programmatic, which means they are executed in a single tranche. Therefore, execution efficiency is analyzed at the aggregate level of portfolio disbursements.

[71] These differences are statistically significant at 90% and 95%, respectively.

[72] These differences are statistically significant at 95% and 99%, respectively.

[73] The Country Office in Colombia currently has 15 specialists that report to the Vice Presidency for Sectors and Knowledge (VPS).

[74] The three projects are: CO-L1021, 1947/OC-CO, Multiphase Program to Support the Second Stage of Expansion of the Familias en Acción Conditional Cash Transfer Program – Phase I; CO-L1041, 2277/OC-CO, 2277/OC-CO-1, 2277/OC-CO-2, Project for Strengthening Judicial Services; and CO-L1059, 2356/OC-CO, Multiphase Program to Support the Second Stage of Expansion of the Familias en Acción Conditional Cash Transfer Program – Phase II.

[75] See documents CO-L1019, 2271/OC-CO, San Francisco-Mocoa Alternate Road Construction Project – Phase I.

[76] See document GN-2474; see paragraph 3.8.

[77] See Jaramillo et al. (2009), Chapter III.

78 See the loan documents CO-L1007 and CO-L1027 and the PCR.

79 Document RE-337; see paragraph 4.57.

80 Loan document CO-L1007, Annex I (Policy Matrix), p. 2.

81 See document OP-173-1, Loan Results Report (LRR) 2080/OC-CO (CO-L1078); see paragraph 2.2.

82 See *Las medidas anticrisis adoptadas por el Gobierno para potenciar el mercado financiero internacional [Crisis measures adopted by the government to strengthen the international financial market]*, 2009, presentation by the Ministry of Finance at www.larepublica.com.co/mem_foros/.../financiero_minhacienda.pps

83 Document OP-173-1, paragraph 2.3.

84 See Eslava et al. (2011).

85 Document PR-3246-2: loan operation CO-L1012, Executive Summary, page 7

86 See "Outcomes of the first program under the CCLIP for the Program to Finance Regional Development I, IDBDOCs# 2213070.

87 Loan operation CO-L1005, Project Summary.

88 See the aide-mémoire on the IDB's technical visit of 22 and 23 March.

89 Document PR-2963: loan operation CO-L1001, Project Summary.

90 See OP-114-1, Loan Results Report (LRR) for operation CO-L1065.

91 The third phase of the program is just beginning and no information is available on its achievements aside from outputs.

92 See OVE (2010), *IDB Action in Highway Development*, RE-368.

93 See the PCR for CO-L1027.

94 See documents RE-280-2 and RE-337.

95 As has been said throughout this CPE, the water and sanitation sector is normally included in the social development area owing to its direct impact on the standard of living. Therefore, even though the country strategy classifies it in the area of competitiveness, this CPE has examined the results in the sector as part of the results in the area of social development.

96 In 1994, responsibility for the delivery of water and sanitation services was transferred to the municipios and private initiative was allowed to participate. As a result, thousands of providers emerged—some very small—with the consequent failure to tap economies of scale and difficulties in regulating and supervising the sector.

97 The Water Investment Financing Consortium was established recently and all investments in water and sanitation are expected to be financed through it.

98 The previous CPE noted this situation when it pointed out that "the strategic areas of the social sector were satisfactory, with the exception of water and sanitation, where the Bank programmed but did not carry out interventions." (RE-337, see paragraph 4.16.)

99 These operations are the Medellín River Sanitation Program, Phase II (CO-L1034 for US$450 million) and the Water and Sanitation Program for the Municipio of Pasto (CO-L1028 for US$27.8 million).

100 53% of the US$25 million approved (after about US$13 million were cancelled).

101 *Familias en Acción. Informe de estado y avance, segundo semestre de 2010 [Progress and status report for the second half of 2010]*, Acción Social, 2010.

102 Economic Commission for Latin America and the Caribbean, 2010. *La hora de la igualdad: Brechas por cerrar, caminos por abrir [The Time for Equality: Gaps to Close, Paths to Open]*, Brasilia, Brazil.

103 See Attanazio and Gómez (dirs.), 2006.

[104] See RE-337, paragraph 4.20.

[105] There is no information for one of the ten indicators, but the most recent PPMR suggests that there has been forward progress for this indicator too.

[106] See the PCR, p. 16.

[107] Peñaloza (2007).

[108] Document RE-337, paragraph 4.21.

[109] See document PR-3111 and paragraph 2.1.

[110] DNP (2010), p. 48.

[111] CONPES document 3248, p. 16.

[112] See DNP (2008).

[113] See Office of the Controller General (2010).

[114] Document RE-337, paragraph 4.36.

[115] See UNDP and DNP (2010).

[116] See UNDP and DNP (2010). *Evaluación final del Programa de Renovación de la Administración Pública – PRAP [Final Evaluation of the Public Administration Reform Program, PRAP]*.

[117] See the PPMR of 30 June 2009 (the most recent available) for project CO-L1022.