



Report Number : ICRR0020607

## 1. Project Data

**Country**  
Colombia

**Practice Area(Lead)**  
Social, Urban, Rural and Resilience Global Practice

**Programmatic DPL**  
**Planned Operations:** 2

**Approved Operations:** 2

**Operation ID**  
P130972

**Operation Name**  
CO Productive & Sust. Cities DPL

**L/C/TF Number(s)**  
IBRD-82250

**Closing Date (Original)**  
30-Jun-2013

**Total Financing (USD)**  
150,000,000.00

**Bank Approval Date**  
13-Dec-2012

**Closing Date (Actual)**  
30-Jun-2013

**IBRD/IDA (USD)**

**Co-financing (USD)**

Original Commitment	150,000,000.00	0.00
Revised Commitment	150,000,000.00	0.00
Actual	150,000,000.00	0.00

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**Country**  
Colombia

**Practice Area(Lead)**  
Transport & ICT

**Operation ID**  
P145766

**Operation Name**  
CO MST 2nd Ciudades DPL ( P145766 )



<b>L/C/TF Number(s)</b>	<b>Closing Date (Original)</b>	<b>Total Financing (USD)</b>
IBRD-82250,IBRD-84550	31-Dec-2015	700,000,000.00
<b>Bank Approval Date</b>	<b>Closing Date (Actual)</b>	
12-Dec-2014	31-Dec-2015	
	<b>IBRD/IDA (USD)</b>	<b>Co-financing (USD)</b>
Original Commitment	700,000,000.00	0.00
Revised Commitment	700,000,000.00	0.00
Actual	700,000,000.00	0.00

## 2. Program Objectives and Policy Areas

### a. Objectives

The First and the Second Productive and Sustainable Cities Development Policy Loans (DPLI and DPLII) comprised a programmatic series of institutional and policy reforms to further develop and better manage cities and agglomerations of cities in the Republic of Colombia.

The Program Document (PD) for DPLI (page 11) defined the program development objective (PDO) as: "to support the strengthening of the Government of Colombia's policy framework on productive and sustainable cities". The PD for DPLII (page 12) added the term "inclusive" to the PDO statement: "to support the strengthening of the Government of Colombia's policy framework on productive, sustainable, and inclusive cities". The Implementation Completion and Results Report (ICR) (page 2) uses the statement from the DPLII to define the PDO of the programmatic series as: "to support the strengthening of the Government of Colombia's policy framework on productive, sustainable, and inclusive cities".

For purposes of evaluating the results of the DPL (the programmatic series consisting of DPLI and DPLII), the PDO is parsed to consist of three objectives --- organized around the concepts of the "productivity", "sustainability", and "inclusiveness" of cities (see Section 3.b and Section 4). Elements of the DPL's four policy areas, and their associated "prior actions", "triggers", outcomes, and PDO indicators are classified as supporting the PDO, organized around these three concepts.

### b. Pillars/Policy Areas

The DPL had four policy areas (PAD, pages 12-18).

Creating Sustainable and Inclusive Cities aimed to improve access to basic water, sanitation, and urban transport and mitigate vulnerability to natural disasters for the urban poor.



Increasing Access to Affordable Housing aimed to promote the provision of affordable and safe low-income housing solutions.

Strengthening Institutions and Regional Coordination aimed to strengthen the ability of subnational entities to coordinate and finance the structuring and implementation of regional and metropolitan development initiatives.

Improving Urban Connectivity and Regional Infrastructure Finance aimed to improve the productivity of the "System of Cities" (SOC) through improved connectivity within a network of cities and between port cities and ports to external markets.

### **c. Comments on Program Cost, Financing, and Dates**

Program Cost: The cost for the program was US\$850.0 million: US\$150.0 million for DPLI and US\$700.0 million for DPLII.

Financing: The IBRD financed US\$850.0 million of the program cost with two DPLs to the Republic of Colombia. The two loans were fully disbursed, each in a single tranche withdrawal of the proceeds.

Borrower Contribution: There was no counterpart funding from the borrower.

Dates: The effectiveness date for DPLI was December 19, 2012, and the closing date, June 30, 2013. The effectiveness date for DPLII was December 16, 2014, and the closing date, December 31, 2015.

## **3. Relevance of Objectives & Design**

### **a. Relevance of Objectives**

The PDO of the DPL was relevant to Colombia's development priorities at the time of appraisal in 2013. The DPL was relevant to all three strategies of National Development Plan (NDP) for 2010-14: sustainable growth and competitiveness; equality of opportunities for social prosperity; and, consolidation of peace. As with the 2010-14 NDP, which for the first time acknowledged the importance of basing sector policies on geographic specificities, the DPL subscribed to the regional and territorial approach to development. More specifically, the DPL directly supported the NDP's "Ciudades Amables", an initiative to strengthen institutions at the regional, metropolitan and city levels and promote investments in urban housing, water and sanitation, and mobility.

The PDO continues to be fully aligned with the country's current national development agenda at the time of the DPL's closing in 2015. The NDP for 2014-18 integrates into the national priorities the principal recommendation of the inter-ministerial commission "Mision para el Fortalicimiento de las Ciudades" of 2012-



13 --- the adoption of the "System of Cities" (SOC) approach to urban development, which has since been espoused by the National Council for Economic and Social Policy (CONPES) as the country's national urban policy. The SOC framework identified 113 municipalities and 38 nodal cities, with a combined population of 28 million (67 percent of the country's total population), as comprising a system of 18 urban functional agglomerations, the inter-city connectivity of which the Government needed to deepen. The DPL directly supports this national urban policy.

Similarly, the PDO of the DPL was consistent with the goals of the Bank Group's Country Partnership Strategy (CPS) for Colombia for FY2012-16. The 2012-16 CPS focused the Bank's financial, knowledge and convening services and the IFC's investment and advisory operations on three strategic themes: expanding opportunities for social prosperity; sustainable growth with enhanced climate change resilience; and, inclusive growth with enhanced productivity.

The PDO of the DPL remains firmly aligned with strategic focus of the Bank Group's Country Partnership Framework (CPF) for Colombia for FY2016-21. The 2016-21 CPF centers the Bank Group's engagement on three pillars: fostering balanced territorial development; enhancing social inclusion and mobility; and, supporting fiscal sustainability and productivity. Promoting productive, sustainable, and inclusive cities is aligned with all three pillars.

## **Rating**

Substantial

### **b. Relevance of Design**

The policy areas and their associated set of prior actions were consistent with the PDO.

- The PDO itself was clear and explicit: "to support the strengthening of the Government of Colombia's policy framework on productive, sustainable, and inclusive cities".
- The four policy areas --- "Creating Sustainable and Inclusive Cities", "Increasing Access to Affordable Housing", "Strengthening Institutions and Regional Coordination", and "Improving Urban Connectivity and Regional Infrastructure Finance" --- were all supportive of the PDO.
- The set of "prior actions" and "triggers" for each of the policy areas are consistent with their objectives and with the PDO of the DPL.

The causal chain in the Results Framework was articulated properly.

- Taking the thematic elements of the PDO --- productivity, sustainability, and inclusiveness --- as the organizing principle, it can be argued that the policy areas and sub-areas, including their associated "prior actions" and "triggers" led, in a causal and logical chain, to the outcomes and to the PDO of the DPL.
- First, the DPL helps strengthen the institutional and policy framework for "productive" cities by (i) creating a multisector framework to manage and govern Colombia's "System of Cities" (or urban functional



agglomerations), (ii) improving the intra-jurisdictional coordination in planning and investment between municipalities and among levels of government, and (iii) creating the institutional and policy framework for urban connectivity and regional infrastructure.

- Second, the programmatic DPL helps strengthen the institutional and policy framework for "sustainable" cities by (i) enhancing environmental efficiency, defined to include the creation of public spaces, (ii) the identification of high-risk settlements, and (iii) the creation of an urban redevelopment agency.
- And third, the DPL helps strengthen the institutional and policy framework for "inclusive" cities by improving access, especially for the poor, to basic water and sanitation services, to safe transport services, and to affordable housing.

The choice of the Development Policy Loan (DPL) as the financing instrument was appropriate for the legal, institutional and policy reform program, as a DPL specifically funds policy reform, often through budgetary support. The two-operation programmatic structure gave Colombia the opportunity to stage the reform effort over a three-year period consistent with the capacity of the executive and legislative branches of government, including at the subnational level, to enact new laws and regulations, create and operationalize new institutions, and design and implement new programs to support the PDO of the DPL.

**Rating**  
Substantial

#### 4. Achievement of Objectives (Efficacy)

##### Objective 1

###### Objective

To support the strengthening of the Government of Colombia's policy framework on productive cities.

###### Rationale

The degree of achievement of this objective is assessed as Substantial. Beyond just the completion of all the prior actions related to planning and institutional strengthening, the actual adoption of regional and "system of cities" approaches to development was achieved. Implementation of intra-jurisdictional coordination through Contract Plans was mostly achieved. The targeted number of PPPs was exceeded, although transport planning and regulatory operations were delayed due to budgetary constraints.

A multisector policy framework to develop and manage Colombia's "System of Cities" was established

- The National Economic and Social Policy Council (CONPES), the policy body headed by the President and including all sector Ministers, approved in 2014 the "National Policy to Strengthen the System of Cities (SOC) in Colombia", setting an action plan to strengthen the economic development, physical connectivity, digital connectivity, governance, and financial management of cities. The plan, dedicated to six-long-term objectives, covered 40 actions to be implemented by 10 institutions.



- The National Planning Department (DNP), the technical arm of the Council of Ministers, created a new Sub-Directorate for Territorial Development to coordinate regional planning and investment in the country. The new Sub-Directorate would manage policy areas concerned with sub-national and regional development including: (a) the national fiscal transfers system, "Sistema General de Participaciones"; (b) the natural resource royalties system, "Sistema de Regalías"; and, (c) cross-sector policy on infrastructure development and finance.
- Following the completion of the foregoing "prior actions", a multisector policy framework aimed at increasing the productivity, sustainability and inclusiveness of Colombia's cities was deemed to have been substantially established (ICR, paragraphs 31-33).
- The target for the PDO indicator to have the NDP for 2014-2018 adopt a regional and territorial approach to development was met. The NDP for the first time adopted the regional approach to national development, including chapters discussing regional issues and focusing on region-based indicators of development. The NDP also adopted the SOC strategy to urban development.

The intra-jurisdictional coordination, between municipalities and across levels of government, of planning and investment was strengthened

- The Government created the "Contratos Plan (CP)" in 2012 as a planning instrument to coordinate investments across various levels of government. Following a pilot phase in 2013 and efforts to strengthen the initiative through 2014-15, the "Contratos Plan" emerged as an intra-jurisdictional coordination instrument with: (a) a clear definition of roles and responsibilities of the jurisdictions involved; (b) a fund, "Fondo Regional de Contratos Plan", to finance investment projects; (c) an internal monitoring and evaluation system to track progress with projects; and, (d) a system to negotiate "Contratos Plan" through CONPES "documents" to strengthen the national Government's commitment to the investment plans. (CONPES "documents" contain economic and social policies authorized by Colombia's highest national policy planning body to be developed or implemented by Government agencies).
- Following the completion of the foregoing "prior actions", the coordination between municipalities and across levels of government of planning and investment activities was increased, although with minor shortcomings (ICR, paragraphs 49-53).
- The target for the Government to sign ten "Contratos Plan" with territorial entities was only partly met. Following negotiations with governors, the DNP signed the first seven pilot "Contratos Plan" with nine "departments" in 2013 (Colombia is divided territorially into 32 "departments", and in turn into municipalities) --- Arauca, Artrato Gran Darien (including Antioquia, Choco, and Cordoba), Boyaca, Choco, Cordoba, Narino, Norte del Cauca, Santander, and Sur del Tolima). Over 2015-16, the DNP began negotiations to sign eight additional "Contratos Plan" with eight "departments" --- Amazonas, Cesar, Huila, La Guajira, Montes de Maria, Norte de Santander, Putomayo, and Valle --- but none of these were concluded by the program closing date in December 2015.

An institutional and policy framework for urban connectivity and regional infrastructure was established

- The Government created the National Infrastructure Agency (ANI) in 2011 --- out of the National Institute



of Public Credit (INCO) and within the Ministry of Transport (MT) --- to structure regional infrastructure concessions. Since its creation, the ANI has helped improve the performance of infrastructure projects covered by the first to the third generations of road concessions, accelerating the pace of construction from 60 kilometers a year beginning in 2010 to 120 kilometers a year by 2015, and reducing the debt levels of the projects.

- The Government enacted Law 1508 in 2012 strengthening the framework for structuring and financing public-private partnerships (PPPs) for regional and urban infrastructure projects.
- CONPES approved the fourth generation of road concessions in 2013, commonly called 4G. As with the previous generations, ANI assumed responsibility for advancing the 4G concessions, successfully closing financing packages for three sets of projects.
- The Government enacted legislation creating the Transport Infrastructure Planning Unit (TPU) to plan infrastructure for the transportation sector, and the Infrastructure and Transport Regulatory Commission (TRC) to regulate the sector.
- Following the completion of the foregoing "prior actions", the framework for urban connectivity and regional infrastructure was established, with a minor shortcoming (ICR, paragraphs 55-58, 60).
- The target to structure eight urban PPPs, with signed contracts and financing in place under the fourth generation of road concessions, was exceeded. Contracts were awarded and financial packages were closed for 11 urban transportation PPPs.
- However, the target to have both the TPU and the TRC operational was not achieved. Both organizations were created by law, but had not become operational by the program closing date due to lack of budgetary resources to support them.

## **Rating**

Substantial

## **Objective 2**

### **Objective**

To support the strengthening of the Government of Colombia's policy framework on sustainable cities.

### **Rationale**

The degree of achievement of this objective is assessed as Substantial. Beyond the completion of the prior actions, the actual increases in public spaces was almost fully achieved, and the inventories of settlements in high-risk areas was partially achieved.

The framework to enhance the environmental efficiency of cities was created.

- The Government created a national urban redevelopment company in 2011 to support the structuring of urban redevelopment projects.
- CONPES approved in 2012 the guidelines for the Government's National Public Space Policy, providing





for the creation of public spaces in large cities and establishing guidelines for local governments to implement the policy.

- The Ministry of Housing, Cities and Land (MVCT) defined standards and methodologies to help municipalities and districts to compile a national inventory of settlements in high-risk areas (areas prone to landslides and floods). The MVCT: prepared the guidelines following participatory consultations; disseminated the guidelines widely to local governments; developed software to create the inventory; and, trained 148 municipalities in the use of the guidelines and the software.
- Following the completion of the foregoing "prior actions", the environmental efficiency of cities was enhanced, with a minor shortcoming (ICR, paragraphs 42-44).
- The target to increase public spaces to 3.9 square meters per capita in cities with populations greater than 100,000 residents was mostly accomplished. The actual number of public space created by the program completion date was 3.6 square meters per capita, representing 92 percent of the target. The greater than expected population increase in most major cities accounted for the shortfall.
- The target to create 42 municipal inventories of settlements in high-risk areas was partially completed. Four municipal inventories were uploaded to the MVCT information system by the program completion date in December 2015. Another 31 municipal inventories had been worked on, but the data had yet to be uploaded to the MVCT system.

## Rating

Substantial

## Objective 3

### Objective

To support the strengthening of the Government of Colombia's policy framework on inclusive cities.

### Rationale

The degree of achievement of this objective is assessed as Substantial. Beyond completion of the prior actions, targets for water and sanitation connections were exceeded; the Road Safety Agency was established and provided with resources; a fully subsidized housing program for the poorest was implemented with operational targets mostly achieved; and the provision of affordable housing to low-income families was greatly exceeded.

A legal framework to improve access to basic water and sanitation services for low-income households was established

- The Ministry of Housing, Cities and Land (MVCT) issued a regulation for the provision of subsidies to lower-income families for water and sanitation connections.
- Following the completion of the foregoing "prior actions", a legal framework aimed at improving access to basic services for low-income households was substantially established (ICR, paragraphs 34-35).





- The target to have 30,000 households connected to water and sanitation networks in cities with populations greater than 100,000 residents was exceeded. A total 30,159 households were connected to water and sanitation networks.

An institutional and policy framework to improve access to safe transport services was established

- The Ministry of Transport (MT) adopted the National Road Safety Plan for 2011-2016 to increase urban and inter-urban road safety.
- The MT issued a regulation allowing municipalities and districts with populations above 300,000 to allow congestion charges on motorists for the use of high traffic zones in urban areas.
- The MT adopted a national technical standard for Electronic Vehicular Identification Systems aimed at collecting data to identify ground transportation vehicles using radio frequency technology.
- Following the completion of the foregoing "prior actions", a legal framework aimed at improving access to basic services for low-income households was substantially established (ICR, paragraphs 36-41).
- The target to establish an institutional and monitoring framework to address urban traffic safety issues consistent with international good practice was met. The Government enacted Law 1702 in 2013 creating the Road Safety Agency (ASV) to address road safety issues. Resources were provided to the ASV in 2015 following the delineation of its institutional functions and organizational structure.
- The target to complete two conceptual design or feasibility studies supporting travel demand management policies was met. The two studies recommended measures to address congestion in cities with populations greater than 300,000.

A legal and policy framework to improve access to affordable housing for low-income households was established.

- The Government enacted Law 1537 in 2012 establishing the legal framework for the provision of public housing to the poorest and most vulnerable households.
- The MVCT established the regulatory principles for an affordable housing program aimed at providing different types of subsidies to selected families with household savings to purchase a house.
- Following the completion of the foregoing "prior actions", the legal framework to improve access to affordable housing was established (ICR, paragraphs 45-47).
- The Government created the "Vivienda Gratuita" Program in 2012, providing fully subsidized public housing to the poorest families (those with zero to one members earning monthly wages) including those displaced by conflict and those residing in natural disaster risk areas.
- The target to provide 100,000 low-income families with access to affordable housing under the Public Housing Law of 2012 was mostly met. A total of 97,107 poor families in 29 "departments" and over 205 municipalities received public housing under the "Vivienda Gratuita" Program.
- The Government created the "Vivienda de Interest Prioritario para Ahorradores" (VIPA) Program in 2013, a cash and mortgage interest rate subsidy program targeted at low-income families with a capacity to save (those with one to two members earning monthly wages).
- The target to provide 10,000 low-income families with access to affordable housing under VIPA Program was greatly exceeded. A total of 35,000 low-income families gained access to affordable housing under



VIPA Program.

- In addition, the Government created the "Mi Casa Ya" Program in 2015, targeted at families earning two to four times the minimum wage. This program was not planned as part of the DPL measures and therefore did not carry any PDO indicator target. The program benefitted 5,918 families.

**Rating**

Substantial

## 5. Outcome

The outcome for the programmatic DPL is rated as Satisfactory.

The relevance of program objectives is rated as Substantial.

The relevance of program design is also rated as Substantial.

The efficacy of the program is rated as Substantial.

### a. Outcome Rating

Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

The risk to the sustainability of the development outcome of the programmatic DPL is assessed as Modest.

Risk of Policy Reversal: The risk that policies adopted under DPL will be reversed is assessed as Negligible. The Government is firmly committed to the reform program --- the current administration, in office since 2010 and voted to a second four-year term in 2014, advanced the "System of Cities" (SOC) urban development strategy, signed both the DPLI and DPLII agreements, and embedded the reform program in the National Development Plan for 2014-18. The programs pursued under the DPL, including the social housing, mortgage subsidy, and housing subsidy programs, have benefitted many and gained a constituency that would be difficult to dismiss. Moreover, as the recent disastrous flood of 2017 has shown, the imperative to prepare high-risk cities for natural disasters remains compelling.

Macroeconomic Risk: The macroeconomic risk is assessed as Moderate. According to the IMF (Concluding



Statement of the 2017 Article IV Mission), Colombia's medium-term economic outlook is favorable. The prompt implementation of the structural reform agenda, summarized in the Colombia *Repunta* Program --- including the streamlining of regulation, the improvement of coordination among government agencies, the strengthening of infrastructure, the removal of tariff and non-tariff barriers to trade, and the strengthening of education --- will improve competitiveness, facilitate export diversification, and boost actual and potential growth in the medium-term. Moreover, the implementation of the peace agreement, signed by Congress with the country's largest rebel group in November 2016, will boost inclusive growth over the long-term.

**Budgetary Risk:** The inability of Ministry of Transport (MT) to operationalize the newly created Transport Planning Unit (TPU) and Transport Regulatory Commission (TRC) because of a lack of budgetary support indicate that budgetary constraints may be a risk to the sustainability of the development outcome going forward. With fiscal revenues recently eroded by weak oil prices, the Government continued with its fiscal restraint in 2016, achieving the structural balance target by a combination of primary expenditure cuts and some tax administration gains. In this case, budgetary constraints may affect the availability of resources for elements of the DPL program in the future, including social housing, water and sanitation subsidies, and infrastructure projects. In the IMF's view, however, structural reform will support the adjustment to recent shocks, with structural tax reform providing the fiscal space to protect public investment and key social programs while preserving fiscal sustainability. Provided that, in addition, efforts are made to improve the targeting of subsidies and to enhance the efficiency of expenditures, the budgetary risk should be manageable, and therefore is assessed as Modest.

**Institutional Risk:** Two new institutions created under the programmatic DPL have had a strong start --- the Sub-Directorate for Territorial Development and the National Infrastructure Agency (ANI). The Road Safety Agency (ASV), which received budgetary funding only in end-2015, had earlier agreed on local road safety plans for 14 municipalities. The non-operational status of the TPU and TRC was due to Government budgetary constraints rather than to a lack of institutional capacity on the part of the MT to organize and staff the two agencies. If the records of the Sub-Directorate, the ANI, and the ASV are any indication, the institutional risk associated with these new agencies can be assessed as Modest, provided they receive adequate budgetary funding for their mandates.

#### **a. Risk to Development Outcome Rating**

Modest

### **7. Assessment of Bank Performance**

#### **a. Quality-at-Entry**

The Bank and the Government advocated institutional and policy reforms that were well aligned with the Bank's urban development strategy, as articulated in "Systems of Cities: Harnessing Urbanization for Growth and Poverty Alleviation", (2009), and were well informed by numerous other analytical work (PD for DPLII, Annex 7, pages 70-71). Specifically:

- the "Colombia Urbanization Review: Amplifying Gains from Urban Transition", (2012), identified the



benefits from better regional coordination, and highlighted the costs imposed by poor infrastructure on growth, productivity, and trade in Colombia;

- studies associated with the technical assistance project, Financing Infrastructure for Urban Development, (approved in 2015), highlighted the importance of urban redevelopment given limits on land availability (5,300 hectares of available land in Colombia's five largest cities would be consumed in less than six years);
- "Análisis de la gestión del riesgo de desastres en Colombia", (2012), stressed that weakness in land use planning was a factor in more costly disasters in Colombia;
- "Charting a New Course: Structural Reforms in Colombia's Water Supply and Sanitation Sector", (2011), reviewed progress with water concessions programs supported by the Bank in the past fifteen years;
- "Transport on a Human Scale", (2009), prepared jointly with the Ministry of Transportation, reviewed challenges in the transport sector; and,
- studies associated with the "Macroyectos" or Social Macro Projects Program, (approved in 2011), concluded that zoning deregulation, urban upgrading, and better housing finance could help reduce the housing deficit and make urbanization inclusive.

The Bank provided quality technical assistance (TA) to the Government to help design the DPL measures (ICR, pages 48-50), including on the:

- regulation and infrastructure planning for the transport sector, including on congestion charges, and transport demand management;
- preparation and validation of a national inventory of settlements in high-risk areas;
- structuring and bidding process for concession projects; and,
- structuring and financing of infrastructure PPP projects.

The Bank maintained an ongoing earnest policy dialogue with the Government that helped with the preparation of DPLII in 2014 as DPLI was being implemented.

A minor shortcoming is that the Bank may have under-estimated the time required to implement some of the reform measures at the subnational level.

### **Quality-at-Entry Rating**

Satisfactory

### **b. Quality of supervision**

The Bank monitored progress with the programmatic DPL closely, producing one Implementation Supervision and Results Report for DPLI and another for DPLII. The Bank carried out the supervision for DPLI, while it was preparing DPLII.

The Bank fielded two project teams during implementation --- the first led by an urban specialist, and the second, by a transport specialist --- the coordination between which was exemplary.

The Bank struck a good working relationship with the Government team at the Department of National



Planning. The Bank also worked closely with the DNP's Sub-Directorate of Public Credit, which coordinated donor support for the Government. The Bank supported the Government throughout project implementation, providing TA to sector Ministries.

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Satisfactory

## **8. Assessment of Borrower Performance**

### **a. Government Performance**

The Government was strongly committed to the reform objectives advanced by the programmatic DPL. The PDO of the DPL was fully supportive of the Government's "System of Cities" (SOC) approach to urban development, which was held up as the country's national urban policy and integrated into the National Development Plan for 2014-18. The commitment was evidenced by the ready enactment by the Government of laws, rules, and regulations to implement the DPL reforms. The commitment was also evidenced by the issuance by the Government of CONPES "documents" to authorize policies supporting the DPL reform objectives.

The Government collaborated closely with the Bank to design and implement the DPL. The DPL reforms were underpinned by Bank analytical work, notably the "Colombia Urbanization Review", which was supported by the Government and reflected several rounds of Bank discussions with the DNP. The Government kept the policy dialogue with the Bank active throughout the DPL's preparation and implementation.

The Government actively engaged public and private stakeholders in designing the programmatic DPL reform program with the Bank. Each of the nine DPLI and eight DPLII "prior actions" was subject to rounds of extensive consultations within and outside of government (PD for DPLI, Annex 5, pages 59-61). For example, the proposal to provide public housing to the poorest households, later authorized by Law No. 1537, was discussed in an Urban Forum participated in by the MVCT in Medellin in 2012. It was also discussed in a consultative event organized by Fedesarrollo, a Colombian think tank, for the government, the academic community, civil society organizations, and the private sector, including the Chamber of Construction Firms (CAMACOL).

To the Government's credit, a strong record of structural reforms since 2010 has helped with macroeconomic stability and social progress. Macroeconomic and fiscal reforms --- the conclusion of the US-Colombia Free Trade Agreement, the passage of the Fiscal Responsibility Law and the Fiscal Rule, and the implementation of the Comprehensive Tax Reform Program --- have enhanced the country's macroeconomic framework. In parallel, a peace agreement with guerilla group FARC have ended five decades of conflict. GDP grew robustly at an average 4.5 percent per year from 2010 to 2015 (versus an average 2.7 percent for the Latin America and Caribbean countries). The country's risk rating has been



upgraded to investment grade by the top three international rating agencies. And the country was invited to membership in the OECD in 2013. The maintenance by the Government of an adequate macroeconomic policy framework was a condition to the withdrawal of the loan proceeds from both DPLI (Loan Agreement, page 7) and DPLII (Loan Agreement, page 7).

### **Government Performance Rating**

Satisfactory

### **b. Implementing Agency Performance**

The National Planning Department (DNP) and the Ministry of Finance and Public Credit (MHCP) acted as the implementing agencies of the programmatic DPL. They effectively coordinated the activities of other agencies executing various parts of the reform program.

The DNP had previously played a central role in drafting the Government's SOC action plan, the key policy and program document framing Colombia's goal to develop productive, sustainable and inclusive cities. The DNP coordinated the effort of various agencies to draft the programmatic DPL reform program which supported the SOC action plan and the larger National Development Plan. Subsequently, the DNP assumed responsibility for tracking progress toward meeting the "prior actions", "triggers", and PDO indicator targets for the DPL.

The Ministry of Housing, Cities and Land (MVCT) performed its tasks under the DPL effectively --- helping municipalities and districts identify high-risk settlements, issuing the rules for the provision of subsidies to low-income families for water and sanitation connections, and setting the rules for the VIPA mortgage interest subsidy program.

The Ministry of Transport (MT) also executed its tasks DPL creditably --- adopting the National Road Safety Plan for 2011-2016, issuing regulations allowing "congestion charges" on motorists in high-traffic zones in urban areas, and adopting the technical standards for the Electronic Vehicular Identification System.

Two new agencies created under the DPL performed as planned. The Road Safety Agency (ASV) concluded 14 road safety agreements with municipalities even before it became fully operational. The National Infrastructure Agency (INA) accelerated the implementation of the first three generations of road concessions. Two other agencies, however, had yet to become operational. The Transport Infrastructure Planning Unit (TPU) and the Transport Regulatory Commission (TRC) lacked the budgetary resources to become operational by the program closing date.

### **Implementing Agency Performance Rating**

Satisfactory

### **Overall Borrower Performance Rating**





Satisfactory

## 9. M&E Design, Implementation, & Utilization

### a. M&E Design

The original M&E design for the programmatic DPL --- that formulated by DPLI --- was revised by the time DPLII was prepared. Four PDO indicators were added, and two were dropped.

- A new indicator --- "The National Development Plan for 2014-18 is structured with a regional and territorial approach that takes into account the "System of Cities" (SOC) framework" --- was added to reflect the result of adopting a multisector policy framework for city development and governance.
- A second new indicator --- "The Transport Planning Unit and the Transport Regulatory Commission are fully operational, as evidenced by the set-up of functional areas and hiring of staff" --- was added to reflect the result of actions to strengthen the institutions responsible for urban connectivity.
- A third new indicator --- "Number of municipal inventories of settlements located in high-risk areas, formulated in accordance with Ministerial Resolution 0448 of July 17, 2014" --- was added to reflect the result of actions to enhance the sustainability of cities by identifying high-risk settlements.
- A fourth new indicator --- "Number of conceptual design or feasibility studies supporting travel demand management policies, including formulation of congestion charging schemes, and/or parking, and/or non-motorized transit in cities with population greater than 300,000" --- was added to reflect the result of actions to improve access to safe urban transport services.
- "Establishment of an institutional and monitoring framework consistent with international good practice to address urban traffic safety issues" was dropped as a PDO indicator in DPLII.
- "Kilometers of principal road network under integral maintenance contracts" was dropped as a PDO indicator in DPLII because it was deemed an inappropriate measure of policy reform.

The M&E design called for the DNP, which was responsible for technical coordination of the reform program, to be also responsible for M&E implementation. M&E data were to come from official sources, including from agencies participating in the reform program.

### b. M&E Implementation

The M&E was implemented according to plan. Two divisions in the DNP --- Urban Development, and Public Policy Monitoring and Evaluation --- undertook the M&E activities, in collaboration with the MVCT and with the MT and its agencies.

The MVCT reported on progress with the three subsidized housing programs and with the subsidized water and sanitation connections program.

The MT reported on progress with the urban transport initiatives, developing basic indicators and a website to publish the information, and also working with the Traffic Safety Observatory on transport data. The ANI monitored progress with the 4G infrastructure concession program.





### **c. M&E Utilization**

The M&E data were used by the Government to track progress with the programmatic DPL reforms.

Because many of the DPL reform measures were integrated in the Government's "System of Cities" (SOC) action plan, M&E on the DPL fed into the M&E for the SOC action plan, for which the DNP's Public Policy Monitoring and Evaluation division was required to prepare biannual monitoring reports. In July 2016, the Government unveiled SisCONPES, a new platform to report on the SOC action plan, with a set of sector- and geographic area-based indicators.

The MVCT used M&E data and additional information gathered its annual survey to study beneficiary opinion of the affordable housing programs. The MVCT also used M&E data to conduct a cost-benefit analysis of the water and sanitation connections program.

The ANI used M&E data to address bottlenecks in the implementation of the 4G infrastructure concessions program, including issues related with land availability.

### **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Environmental and Social Effects**

Poverty: The ICR asserts that the programmatic DPL contributed to poverty reduction through the following channels:

- 97,107 low-income families received fully subsidized housing under the "Vivienda Gratuita" Program and 35,000 other families received mortgage interest subsidy under the VIPA Program.
- In addition to housing subsidies, these low-income families received benefits associated with the affordable housing programs: health services from health centers located in the housing project sites, and skills training services provided by the National Education Service (SENA) in the same project sites.
- The water and sanitation connections subsidy program reduced diarrhea cases by 33.9 percent for children under five years old, and 1.6 percent for youth under 18 years old in the program areas (according to an evaluation by the DNP). The subsidy program also lowered health costs, improved hygiene habits, and provided greater homestead security to women.
- 4G infrastructure concession and PPP projects assisted by ANI provided construction jobs to 118,615 workers in various parts of the country.



## **b. Fiduciary Compliance**

Procurement: The DPL proceeds were provided as general budget support to the Government and not earmarked for any agency or purpose. Hence, no special procurement requirements were issued (other than that the Colombian Peso equivalent of the proceeds transferred to Government's budget management system not be applied to finance expenditures in a negative list). No procurement issues arose.

Financial Management: The ICR does not mention any financial management issue with the withdrawal of the loan proceeds, the deposit of the loan amounts in the Government's budget management system, or the use of the loan proceeds. The ICR does not mention any financial audit being conducted.

## **c. Unintended impacts (Positive or Negative)**

The programmatic DPL did not have any unintended impacts.

## **d. Other**

No other issues were raised by the ICR.

## **11. Ratings**

<b>Ratings</b>	<b>ICR</b>	<b>IEG</b>	<b>Reason for Disagreements/Comment</b>
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Satisfactory	---
Borrower Performance	Satisfactory	Satisfactory	---
Quality of ICR		Substantial	---

### **Note**

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## **12. Lessons**

The first two lessons are drawn from the ICR (pages 20-21), with some adaptation, and the third by IEG.



One, political commitment to DPL reform programs can often be strengthened by a government's active participation in analytical work that support the reform objectives, extensive consultations with public and private stakeholders, and a deliberate effort to integrate the DPL reform programs into national development plans. Colombia's inter-ministerial "Misión para el Fortalecimiento de las Ciudades" prepared 17 papers that provided a solid technical foundation to the institutional and policy reforms. The commission held at least 12 consultations with diverse stakeholders. In addition, the Government held at least one consultative event for each of the nine DPLI and eight DPLII "prior actions". Importantly, the reform objectives were embedded in the National Development Plans for 2010-14 and 2014-18.

Two, DPL operations involving local governments should deliberately make allowances for differences in institutional capacity, governance structures, and political setting between national and local agencies. In this DPL, local governments were responsible for implementing many reform measures. Local units needed more time to build consensus and to allocate resources to support reform objectives. They also needed greater effort to gain technical knowledge and to strengthen their capacity to implement reform measures. Moreover, they had to contend with local political cycles --- the local government elections of 2015 ushered in many new local administrations, new local councils, and new local staff that had to be introduced to the objectives and content of the reform effort.

Three, DPL operations need as much careful fiscal resource planning and programming as they do policy reform planning and sequencing. The central Government took two years to commit budgetary resources to the Road Safety Agency (ASV) which was created in 2013. The Transport Planning Unit (TPU) and the Transport Regulatory Commission (TRC), also created in 2013, had yet to start operations in end-2015 due to lack of budgetary support. The ICR also reports that local governments took a longer time to allocate resources to DPL activities. It might have been that the imperatives of fiscal restraint in 2013-15 were more compelling than the need to promptly start the new agencies. Still, with expenditure reallocations being always available as an alternative funding option (according to the IMF Article 2017 Article IV), these episodes illustrate that more careful fiscal planning is needed to support planned DPL operations.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The strengths of the ICR are:

One, the ICR is well written following OPCS guidelines, comprehensive in its presentation of the institutional and policy reforms, and concise in its accounting of the program results. The motivation for the DPL is well explained. The ICR (pages 10-11 and 12-13) cites the unity of the DPL reforms with the Government's "System of Cities" (SOC) urban development strategy and their close alignment with Colombia's National Development Plans for 2010-2014 and for 2014-18. The ICR (pages 5-7) presents a comprehensive yet



succinct view of the "prior actions" required of DPLI and DPLII and their status. The ICR (pages 3-4) also presents a useful summary of the PDO indicators for DPLI and DPLII. Both of these sets of information are then combined in a single unified summary table (pages 39-43). The accounting of the program results --- the Results Framework Analysis (section F of the data sheet) --- is complete, well annotated, and concise.

Two, the assessment of the program objective is evidence-based, results-oriented, and candid. The evaluation focuses on the expected end-program outcomes, as evidenced by data on eleven PDO indicators. Yet, the ICR goes well beyond a simple test of whether the indicator targets were met or not. Rather, the ICR engages in a robust discussion (pages 11-19) of the results realized from the Government enacting the set of legal, institutional and policy reforms mandated by the DPL, both as "prior actions" to the effectiveness of the loan agreements and measures pursued during the program implementation period. The discussion is candid, citing some gaps in the implementation of the reform measures, in addition to the headline gains made in pursuit of the PDO.

Three, the analysis conducted by the ICR is detailed, thoughtful and insightful. The ICR (pages 48-50) gives credence to the analytic grounding of the reform measures, listing and discussing the knowledge products --- studies, reports, technical assistance, and convening services --- that helped inform the "prior actions" to DPLII. The ICR (pages 8-9) gives a thoughtful accounting of the major factors enabling the implementation of the reform program, notably government continuity and political stability in Colombia. And although it could have better elaborated on their implications, the ICR (pages 21-22) plainly cites the risks to the sustainability of the program outcomes posed by budgetary constraints, institutional difficulties, and local government-civil society relations.

A minor weakness of the ICR is that some lessons drawn from the programmatic DPL (pages 24-25) appear as broad generalizations. For example, the ICR states that "development programmatic financing can support key national policies". But, DPLs are exactly meant to support policy reform. Some statements also lack context and a narrative. For example, the ICR states that it is important to "differentiate the time frames of medium-term program outcomes and achievable results attributed to the DPL". But because the ICR does not cite a case where a performance result attributed to the DPL should have been credited to the higher-order medium-term government program instead (or, the other way around), it is not clear why this is tagged as a lesson learned from this DPL.

**a. Quality of ICR Rating**  
Substantial