



1. Operation Information

Operation ID

P174118

Operation Name

COVID-19 Crisis Response DPF

Country

Colombia

Practice Area (Lead)

Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s)

IBRD-91420

Closing Date (Original)

30-Jun-2021

Total Financing (USD)

700,000,000.00

Bank Approval Date

26-Jun-2020

Closing Date (Actual)

30-Jun-2021

IBRD/IDA (USD)

Co-financing (USD)

Original Commitment

700,000,000.00

0.00

Revised Commitment

700,000,000.00

0.00

Actual

700,000,000.00

0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

This stand-alone COVID-19 Crisis Response Development Policy Financing (DPF) operation for US\$700 million aimed to support the Government of Colombia's response to the health, social and economic crisis caused by the COVID-19 pandemic (Program Document [PD], p. 4).



The development objective of this operation was to help Colombia (i) support the capacity of the health system, (ii) provide income and nutrition support to poor and vulnerable households, and (iii) maintain liquidity and access to finance for firms, in response to COVID-19 (PD, p. 4).

For the purpose of this ICRR, the objectives of the operation (against which outcomes will be assessed) are taken to be the following:

Objective 1: Support the capacity of the health system;

Objective 2: Provide income and nutrition support to poor and vulnerable households; and

Objective 3: Maintain liquidity and access to finance for firms, in response to COVID-19.

b. Pillars/Policy Areas

The three pillars of the operation were identical to the objectives above (PD, p. 5), with the following prior actions (PAs) under each (PD p. 41 and Financing Agreement, p. 4):

Pillar 1, "support the capacity of the health system," had two PAs under it:

PA1: The Republic of Colombia has authorized the Ministry of Health and Social Protection (MSPS) to apply targeted financial mechanisms to provide additional liquidity to health care providers so that they may effectively deliver health care services in response to the COVID-19 pandemic, as evidenced by Art. 5 Decree No. 538 published in the Official Gazette on April 12, 2020.

PA2: The Republic of Colombia through MSPS has developed a biosafety framework, facilitating the carrying out of economic and social activity in a manner consistent with mitigation, control, and prevention of the spread of COVID-19, while the sanitary emergency is in effect, as evidenced through Resolution No. 666 published in the Official Gazette on April 24, 2020.

Pillar 2, "provide income and nutrition support to poor and vulnerable households," had three PAs under it:

PA3: The Republic of Colombia, through the National Planning Department (DNP), has expanded its master database for targeting social programs so as to facilitate crisis response cash payments to poor and vulnerable households currently not registered for social programs; as evidenced by Decree No. 518 published in the Official Gazette on April 4, 2020 and the letter from the Ministry of Finance and Public Credit (MHCP) and DNP dated May 26, 2020.

PA4: The Republic of Colombia has: (i) approved the Ingreso Solidario Program and modifications to existing social protection programs, all to provide crisis response cash payments to poor and vulnerable individuals and households; and (ii) authorized the MHCP to subscribe and modify agreements with financial service providers so as to provide such payments in a direct and timely fashion, all as evidenced by Decree No. 458 published in the Official Gazette on March 22, 2020, and Decree No. 518 published in the Official Gazette on April 4, 2020.

PA5: The Republic of Colombia and the Colombian Institute for Family Welfare (ICBF) have approved new regulations for the implementation of the school feeding and pre-school feeding programs so as to protect the nutrition of poor and vulnerable children following facility closures, as evidenced by Special Unit for School



Feeding (UEAE) Resolution No. 007 dated April 16, 2020 and published on the Ministry of Education (MOE) website, and the Second Article of ICBF's Resolution No. 2900 dated March 15, 2020.

Pillar 3, "maintain liquidity and access to finance for firms, in response to COVID-19," had three PAs under it:

PA6: The Republic of Colombia and the National Guarantee Fund (FNG), as applicable, have (i) recapitalized the FNG through the reallocation of capital from different public assets (enterprises and funds); and (ii) introduced operational changes to the FNG, including increasing coverage rates and modifying pricing conditions and covering costs partially with funds from the government to promote program accessibility and increase outreach, as evidenced by Decree 492, published in the Official Gazette on March 28, 2020; Decree 466 published in the Official Gazette on March 23, 2020; and FNG's Circulars No. 10, 11 and 12, all dated April 15, 2020, and published on FNG's website.

PA7: To support access to finance and operational continuity for Micro, Small and Medium Enterprises (MSMEs) in the face of COVID-19, the Republic of Colombia and the Business Development Bank of Colombia (Bancoldex) have launched emergency credit lines via Bancoldex aimed at maintaining working capital and employment in critical sectors, as evidenced by Article 2 of Decree 468, published in the Official Gazette on March 23, 2020, and Bancoldex Circulars No. 4 (dated March 18, 2020), No. 6 (dated April 2, 2020), and No. 7 (dated April 8, 2020).

PA8: The Republic of Colombia has (i) temporally postponed the deadline for tax payments, as evidenced by Decree 401 published in the Official Gazette on March 13, 2020, Decree 435 published in the Official Gazette on March 19, 2020, and Decree 520 published in the Official Gazette on April 6, 2020; and (ii) accelerated value-added tax (VAT) and income tax refunds during the whole period of the health emergency, as evidenced by Decree 535 published in the Official Gazette on April 12, 2020.

c. Comments on Program Cost, Financing and Dates

The stand-alone COVID-19 Crisis Response DPF (P174118) was approved in June 2020 and became effective in July 2020. It provided US\$700 million in budget support to the Government of Colombia's response to the health, social and economic crisis caused by the COVID-19 pandemic and closed as planned in June 2021. There was no discrepancy between approved and disbursed amounts.

3. Relevance of Design

a. Relevance of Objectives

The objectives of the operation were highly relevant for three main reasons: (1) they aimed to support the government's response to an unprecedented shock of a global health emergency that quickly became an economic and social crisis; (2) they were anchored in a significant body of country-specific analytical and advisory (ASA) work, including the Systematic Country Diagnostic (SCD), various sector ASA, and the Country Partnership Framework (CPF), thereby reflecting the World Bank Group's (WBG's) strategic development priorities for Colombia, and (3) they were specific and concrete.

Country situation: Crisis response



Colombia declared a national health emergency on March 12, 2020, the day after the World Health Organization declared the novel coronavirus a global pandemic. In addition to comprehensive public health measures to stop the spread of the disease in the country, the government announced a package of fiscal measures amounting to 2.5 percent of gross domestic product (GDP) with three aims: to strengthen the capacity of the health system to manage the pandemic, to mitigate the impact of the economic crisis on the poorest and most vulnerable households, and to provide liquidity support to firms to keep them afloat, with a view to mitigating the economic and social consequences of the crisis. The three objectives of this operation are therefore fully aligned with the aims of the government's crisis response.

The relevance of the objectives of this crisis response operation are underscored by the severe cost of COVID-19. The crisis led to a revision in real GDP growth from the forecast of 3.6 percent in 2020 to -7 percent, while the fiscal deficit nearly tripled against rising crisis-related expenditures and declining oil exports and revenues. It is estimated that 67 percent of the country's workforce (more than 15 million people) were in sectors that were affected by COVID-19 and that a large number of MSMEs were adversely affected (ICR, p. 7; PD, p. 5). The economic contraction and increase in unemployment led to higher poverty rates, with significant mitigation - of the order of 2.2 percentage points (World Bank Poverty Lab, 2022) - provided by the government's emergency response.

WBG priorities and link with CPF

While the operation was designed and implemented rapidly to support the government's crisis response, the objectives were aligned with structural reform priorities and anchored in a comprehensive set of analytical work, notably the SCD, which identified three critical challenges: (a) high inequality, weak social inclusion, uneven service delivery in education and health, and significant internal displacement as a consequence of the long-running internal conflict; (b) an extractives-based growth model; and (c) wide disparities between rural and urban outcomes (SCD, introduction, and CPF, Table 2). The SCD noted that a fiscally sustainable path would have to be found to maintain recent progress on education, health, and social protection.

The CPF, approved in April 2016, therefore rested on three pillars: (i) fostering balanced territorial development; (ii) enhancing social inclusion and mobility through improved service delivery; and (iii) supporting fiscal sustainability and productivity. The CPF reflects both the government's program and lessons learned from a long history of implementation in Colombia of both World Bank and International Finance Corporation projects (CPF, pp. 12 and 13).

The operation's objectives were squarely aligned with Pillars 2 and 3 of the CPF and were designed to address country-specific priorities in line with WBG comparative advantage. In addition, the operation aligned closely with two of the three dimensions of the Green, Resilient and Inclusive Development (GRID) paper of the WBG by promoting: (i) expanded social protection to extreme poor, poor, and vulnerable groups; and (ii) increased access to finance for MSMEs. The crisis response measures supported by the operation are also fully in line with just-in-time diagnostics prepared by the Bank, which prioritized measures to protect the most vulnerable households and firms, and support the health sector.

b. Relevance of Prior Actions

Rationale



Objective 1, "support the capacity of the health system," had two PAs under it that addressed constraints to achieving the objective. As in many other countries, the health sector was overwhelmed with the pandemic, in terms of both financial and human resources. Critical economic sectors needed to be functional, but the risk of infection needed to be mitigated. These two PAs provided financial support to health care providers to allow them to continue their operations, and developed biosafety protocols in eleven key sectors to slow down the pace of contagion and gain additional time to strengthen the capacity of health care providers.

PA1: Prior to the pandemic, the financial sustainability of the health system in Colombia had been threatened by growing expenditures, inefficient utilization of resources, overspending, overutilization of services, and malpractice, leading to mounting debt of the health system. The COVID-19 pandemic put additional pressure on the sector, and payment arrears put future health service provision at risk. In this context, PA1 aimed to ensure sufficient liquidity in the health system, including payments to health care providers for past services, so that these healthcare providers could provide care to COVID patients while fulfilling their contractual obligations to health care workers. The PA specified four main channels through which financing would support the capacity of the health care system (PD p. 34): (i) the provision of financial support to health care providers (public and private) to guarantee the supply of health care services (including medical equipment) for the population affected by COVID-19; (ii) the creation of temporary economic compensation for beneficiaries enrolled in the subsidized insurance regime diagnosed with COVID-19 ; (iii) the definition of a costed basket of health services and technologies to attend patients infected by COVID-19, which will allow additional resources to be allocated to health insurance companies and health care providers to program, contract, and pay for health care services; and (iv) a one-time financial incentive (bonus) to health workers caring for patients infected with COVID-19.

Relevance of PA1: Satisfactory

PA2: Pandemic-related lockdowns had affected a majority of economic sectors, leading to significant hardship, particularly among the most vulnerable. To control the spread of the virus and facilitate a re-initiation of economic activity, binding technical and scientific protocols on biosecurity were issued to MSPS. This included design, implementation, and execution of action plans to address safety requirements in targeted economic and social sectors.

Relevance of PA2: Satisfactory

Objective 2, "provide income and nutrition support to poor and vulnerable households," had three PAs under it that addressed constraints on achieving the objective by strengthening income and nutrition support to poor and vulnerable households during the COVID-19 pandemic. Given that a significant share of poor and vulnerable groups was not registered in any social programs, targeting mechanisms to reach these groups through the existing programs were not adequate.

PA3: This PA made DNP (National Planning Department) responsible for determining the list of eligible beneficiaries for Ingreso Solidario, and authorized DNP to cross-reference SISBEN III/IV with other databases to create an expanded registry to target beneficiaries. SISBEN - the Identification System of Potential Beneficiaries of Social Programs - was the main targeting instrument for social programs in Colombia for over two decades. As of March 2020, it contained validated information for 39.4 million persons, or 78 percent of Colombia's population, and was being used by 21 social programs. In 2017, the government initiated SISBEN IV, a fourth comprehensive census sweep to improve the quality and timeliness of the information in the registry, while reducing its vulnerability to fraud. With technical assistance from the World Bank, SISBEN IV has become a more dynamic social registry, integrated with a number of other databases for real time information sharing. However, SISBEN IV was not up and running at the start of the pandemic, and therefore the



government faced challenges in quickly identifying those most in need of government programs. The government therefore created a new cash transfers program - Ingreso Solidario – which took as its foundation a new master database that combined SISBEN III and IV, cross referenced against other beneficiary registries and administrative records from social security, the civil registry, and the financial superintendent. This master database allowed identification of poor and vulnerable households not covered by government programs but also ensured that ineligible persons – including deceased persons – were excluded from the cash transfer scheme. Overall coverage of the database also improved, with 3.6 million persons added to the target population, including 3 million of the neediest households that had not been covered under any other social program. In total, 7.5 million vulnerable and poor households would now be covered by the main social programs: Familias en Accion (2.66 million families), Jovenes en Accion (204,000 youth), Colombia Mayor (1.68 million elderly citizens) and Ingreso Solidario (newly targeting 3 million vulnerable households not covered before). PA3 authorized the creation of the master database and DNP's responsibility for determining eligibility under Ingreso Solidario and was thus relevant to objective 2, in so far that it enabled crisis response cash payments to poor and vulnerable households not registered for social programs and improved targeting by excluding ineligible households.

Relevance of PA3: Satisfactory

PA4: To protect the poor and vulnerable in response to the COVID-19 crisis, the government deployed a comprehensive social response, aiming to rapidly provide income support to at least 7.5 million poor and vulnerable individuals. This included: (a) additional cash payments through existing programs, that cover 2.66 million families in Familias en Acción, 204,000 youth in Jóvenes en Acción, and 1.68 million elderly citizens of Colombia Mayor; (b) acceleration of the implementation of the VAT refund program targeted to the poorest who are already receiving these cash transfer programs (originally planned as a pilot for 100,000 individuals but later expanded to 1 million individuals); and (c) implementation of Ingreso Solidario, the new unconditional cash transfer program targeted to 3 million vulnerable households not registered for other social programs. Social protection had been the main driver of poverty reduction in Colombia over the past ten years, mainly taking the form of Conditional Cash Transfer (CCT) programs. COVID-19 is estimated to have increased poverty rates by 3 to 9.1 percent points, representing a significant reversal even in the best-case scenario. Payments under Familias en Accion and Jovenes en Accion, two major social programs, are mainly (90 percent) through closed-looped debit cards that can only be used at Bank branches and ATMs, even though only 46 percent of Colombians (42 percent of women) have bank accounts. About 10 percent of payments are in cash. The government saw the crisis as an opportunity to leverage fintech and the emergency cash transfers to support financial inclusion, especially for women and poor households. This included the use of account-based deposits and the introduction of electronic deposits, which also reduced health risks from agglomeration. In addition to expanding payments to the existing 4.5 million households covered by major social programs, the new payment modalities covered 3 million additional persons covered by the new program Ingreso Solidario, as well as VAT refunds to one million current beneficiaries of the major social programs. PA4 thus supported electronic payments against both expanded coverage and additional transfers to existing beneficiaries, and created systems that strengthen financial inclusion (PD, page 26).

Relevance of PA4: Satisfactory

PA5: The 2018-22 National Development Plan aimed to strengthen child services in Colombia through a combination of school feeding programs and Early Childhood Development (ECD) programs. The pandemic-related shutdowns interfered with the capacity of the system to reach beneficiaries. PA5 therefore set up alternative implementation arrangements for both programs, covering monthly in-kind deliveries of a food



basket to families as well as a food voucher redeemable at select places. The PA did not specify how this support would specifically benefit the poor and vulnerable.

Relevance of PA5: Satisfactory

Objective 3, "maintain liquidity and access to finance for firms, in response to COVID-19," had three PAs under it that addressed constraints on achieving the objective by providing swift financial support to MSMEs, the segment of business most strongly affected by the crisis.

PA6: The pandemic led to a collapse in the cash flow of firms, particularly MSMEs, with some economic sectors affected more than others. It was necessary to ensure that the short-term shock represented by the pandemic did not damage long-run viability of these firms. Government-backed guarantees through FNG aimed to incentivize banks to accommodate the liquidity needs - mainly working capital and payroll - of temporarily distressed but creditworthy firms, particularly MSMEs. The credit guarantee lines were to target MSMEs and independent professionals separately. PA6 was relevant in the given country and sector context, targeting borrowers that were already accessing credit from the banking system and were most affected by the crisis (aviation, hotels, events, restaurants and tourism).

Relevance of PA6: Satisfactory

PA7 aimed to maintain working capital and employment in critical sectors, in direct support of the objective. While credit guarantees (under PA6) were a useful instrument to stimulate bank lending when credit risk was a major concern for lenders, their utility was dependent on how much liquidity lenders had at hand or whether lenders perceived liquidity risk as heightened. The PA put in place the regulatory framework for Bancoldex to expand second-tier lending, including instructions on oversight and financial terms and conditions of the lines of credit, thus supporting continued credit intermediation to firms across sectors and promoting liquidity in the financial sector despite heightened market risk as a result of COVID-19. As a result, viable firms would survive and employment would be protected.

Relevance of PA7: Satisfactory

PA8: The effective tax rate in Colombia on business profits is 50 percent. The crisis led to liquidity problems and tensions between payments to suppliers, tax payments and social security payments. These tensions were especially acute for the self-employed and for MSMEs, which account for 96 percent of businesses, 80 percent of employment, and 35 percent of GDP (PD, pg. 30). Given the need to ease liquidity conditions in the private sector, short-term emergency response tax policy was relevant, mainly in the form of extending tax payments and accelerating tax refunds on both income and VAT. These measures were relevant in helping firms to pay suppliers and meet social security obligations through the crisis.

Relevance of PA8: Satisfactory

Rating

Satisfactory

4. Relevance of Results Indicators



Rationale

Results Indicators (RIs) are presented in Table 1 along with mapping, progress, and ratings.

RI1: Injection of additional liquidity by the Administrator of the Resources of the General Social Security System in Health (ADRES) directly to health care providers for the provision of COVID-19 services.

While improved funding was necessary for supporting emergency services during the pandemic, the RI monitored only the disbursement of funds into the sector and did not capture implementation or improvements in the ability of health care providers to effectively deliver health care services in response to the pandemic.

Relevance of RI1: Moderately Unsatisfactory

RI2: Number of economic sector bio-safety protocols approved.

The RI monitored the number of protocols approved, but it did not capture the quality of these protocols or their contribution (separately or in tandem) to a coherent biosafety framework that would mitigate, control, and prevent the spread of COVID-19, thus facilitating continued social and economic activity.

Relevance of RI2: Moderately Unsatisfactory

RI3: Number of poor and vulnerable individuals included in expanded database for targeting social programs.

The RI captured progress on objective 2 and PA3 by measuring the increase in coverage of poor and vulnerable households in order to better target emergency support during the pandemic while strengthening existing CCT programs. The criteria for inclusion were well defined under PA3. Income and asset limits were established below which households would be identified as poor and vulnerable.

Relevance of RI3: Satisfactory

RI4a-i: Number of poor and vulnerable individuals receiving temporary economic support payments.

The RI captured progress on the implementation of the unconditional cash transfers under Ingreso Solidario and was relevant given the crisis situation. The criteria for inclusion were well defined under PA3. Income and asset limits were established below which households would be identified as poor and vulnerable.

Relevance of RI4a-i: Satisfactory

RI4a-ii: At least 70 percent of the poor and vulnerable individuals receiving cash benefits should be women.

This RI measured progress on addressing gender gaps in accessing benefits. However, by measuring the percentage of poor and vulnerable beneficiaries who were women rather than the total number of poor and vulnerable beneficiaries who were women, it left open the possibility that the denominator could have



been small, in which case a smaller than desirable overall increase in the total number of poor and vulnerable women receiving benefits would not be captured.

Relevance of RI4a-ii: Moderately Satisfactory

RI4b-i: Number of Ingreso Solidario beneficiaries opening new digital accounts.

This indicator measured progress in expanding the use of fintech to strengthen access to emergency and CCT payments in the face of weak bank account ownership, facilitating improvements in the direct and timely nature of payments.

Relevance of RI4b-i: Satisfactory

RI4b-ii: At least 70 percent of individuals opening digital accounts should be women.

This indicator measured progress on the use of fintech to strengthen access to emergency and CCT payments given weak bank account ownership, especially for women. However, by measuring the percentage of all new account holders who were women, rather than the total number of new account holders who were women, it left open the possibility that the denominator could have been small, in which case a smaller than desirable increase in the total number of women account holders would not be captured.

Relevance of RI4b-ii: Moderately Satisfactory

RI5: Number of poor and vulnerable households and students supported through adapted pre-school and school feeding programs.

This RI measured the continued implementation of school feeding programs and ECD programs through the COVID-19-related lockdowns and school shut-downs. The eligibility criterion was enrollment in either public school or in a pre-school service center. The goal was to provide 70 percent of nutritional requirements to at least the same number of students – 6.9 million between 0 and 17 – that were covered before the school closures. The RI did not provide granularity on how these households and children were targeted (identified as poor and/or vulnerable) or whether there was cross-referencing with the SISBEN master database.

Relevance of RI5: Moderately Satisfactory

RI6-i: Partial credit guarantees (PCGs) provided by FNG for salary payments of MSMEs, in COP.

The RI measured support for business continuity and containment of job losses through partial credit guarantees (PCGs) to MSMEs. It was relevant insofar that it captured support earmarked for salaries, but it could have been more granular on the precise mechanism for ensuring that the funding went to creditworthy but distressed MSMEs and was used to protect salaries and jobs. A more effective RI might have measured actual job continuity and/or loss.

Relevance of RI6-i: Moderately Satisfactory

RI6-ii: PCG for working capital of MSMEs, in COP.



This RI measured support to MSMEs' working capital through PCGs with the aim of helping them stay afloat and not lose long-term viability due to the pandemic. Again, it could have been more granular on the precise mechanism for ensuring that the funding went to creditworthy but distressed MSMEs and was used to protect working capital. A more effective RI might have measured actual business continuity among MSMEs.

Relevance of RI6-ii: Moderately Satisfactory

RI6-iii: PCG for professional and independent workers, in USD.

While the RI measured financing through PCGs to professionals in crisis-affected sectors, it could have better captured targeting or usage of the funds, as there was no measurement of whether or how the funds addressed specific COVID-related exigencies.

Relevance of RI6-iii: Moderately Satisfactory

RI7: Total volume of financing facilitated as a result of national lines of credit introduced, in COP.

This RI captured overall financing by Bancoldex for national lines of credit, but it did not specify how the financing was targeted at critical sectors (airlines, industry, tourism, events and entertainment) or the extent to which working capital and employment in these sectors was maintained.

Relevance of RI7: Moderately Satisfactory

RI8: Number of firms benefiting from the accelerated VAT and income tax refunds.

This indicator captured the number of firms benefiting from the refunds without capturing the benefit of the policy, for example in terms of actual usage of the refunds to support workers or social security benefits, and it did not capture benefit from postponement of the deadline for tax payments.

Relevance of RI8: Moderately Satisfactory

TABLE 1: RESULTS INDICATORS (RI)

Indicator Name	PA	RI relevance	Unit of Measure	Baseline (2020)	Target (2020)	Actual achieved at completion	Actual Change in RI Relative to Targeted Change	RI achievement rating
Objective 1: Support the capacity of the health system								
RI #1: Injection of additional liquidity by ADRES directly to health care providers for the	PA1	Moderately Unsatisfactory	COP billion	0 (Feb)	407 (May)	407 (May)	100%	Modest



provision of COVID-19 services.								
RI #2: Number of economic sector bio-safety protocols approved.	PA2	Moderately Unsatisfactory	No.	0 (Feb)	7 (May)	11 (May)	157%	Modest
Objective 2: Provide income and nutrition support to poor and vulnerable households								
RI #3: Number of poor and vulnerable individuals included in expanded database for targeting social programs.	PA3	Satisfactory	No. in millions	39.4 (Feb)	43.0 (May)	43.4 (May)	100%	High
RI #4a-i: Number of poor and vulnerable individuals receiving temporary economic support payments.	PA4	Satisfactory	No. in millions	0 (Feb)	7.5 (June)	7.36 (June)	98%	Substantial
RI #4a-ii: At least 70 percent of the poor and vulnerable individuals receiving cash benefits should be women.	PA4	Moderately Satisfactory	Percentage	0 (Feb)	70 (June)	65 (June)	92%	Substantial
RI #4b-i: Number of beneficiaries opening new digital accounts.	PA4	Satisfactory	No.	0 (Feb)	600,000 (June)	823,650 (June)	137%	High
RI #4b-ii: At least 70 percent of individuals opening digital accounts should be women.	PA4	Moderately Satisfactory	Percentage	0 (Feb)	70 (June)	74.82 (June)	106%	High
RI #5: Number of poor and vulnerable households and students supported through adapted pre-school and school feeding programs.	PA5	Moderately Satisfactory	No. in millions	0 (March)	6.9 (June)	7.5 (June)	108%	High
Objective 3: Liquidity and access to finance for firms.								
RI #6-i: Partial credit guarantees (PCG) provided by FNG for salary payments of MSMEs.	PA6	Moderately Satisfactory	COP trillion	0 (March)	12 (Oct)	12 (Oct)	100%	High
RI #6-ii: PCG for working capital of MSMEs.	PA6	Moderately Satisfactory	COP trillion	0 (March)	3 (Oct)	4.98 (Oct)	166%	High
RI #6-iii: PCG for professional and independent workers.	PA6	Moderately Satisfactory	COP trillion	0 (March)	1 (Oct)	1.2 (Oct)	120%	High



RI #7: Financing facilitated as a result of national lines of credit introduced.	PA7	Moderately Satisfactory	COP billion	0 (March)	606 (Dec)	679 (Dec)	112%	High
RI #8: Firms benefiting from the accelerated VAT and income tax refunds.	PA8	Moderately Satisfactory	No.	0 (March)	20,000 (June)	11,762 (June)	59%	Modest

The RIs in most -- but not all -- cases captured adequately the impact of the PAs on progress towards the development objectives. The RIs mapped to the same pillar -- for example R1 and RI2 mapped to PA1 and PA2 under Objective 1 -- complemented and reinforced one other. RIs were well defined in terms of baseline, targets, and data sources. Relevance of RIs is therefore rated as Moderately Satisfactory.

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Support the capacity of the health care system

Rationale

This objective was supported by PAs designed to improve allocation of financial resources to the health sector and improve management of health risks with a view to alleviating pressure on the system during the pandemic. The RIs aimed to measure progress through direct liquidity provided to health care providers and through the establishment of bio-safety protocols in critical sectors. Both targets were achieved. However, the causal links in the results chain were weak. While the objectives were highly relevant, and the RIs established baselines and targets and were measurable, they did not capture either the utilization of the liquidity made available to health care providers or the content and implementation of the bio-safety protocols and how they contributed to the economy's value. However, the project team later provided more specific information demonstrating achievement under each PA.

Under PA1, additional liquidity of COP 407 BN was provided to 380 health care providers. These funds were used to pay the salaries of health care workers and to continue to provide health care services to COVID-19 patients.

Under PA2, eleven novel sector-specific biosafety protocols were designed and implemented to address the safety requirements of the pandemic and to reinstate critical economic activity safely. After the March 2020 declaration of a health emergency, 78 specific resolutions were issued to support mitigation, control, and management of pandemic impacts. These protocols and resolutions supported the government to achieve a



higher level of preparedness to effectively respond to future pandemic crises, and they continue to be updated regularly in response to the course of the pandemic (ICR p. 12; PD, p. 22).

Given the additional information provided by the project team, objective 1 is rated Satisfactory.

Rating

Satisfactory

OBJECTIVE 2

Objective

Provide income and nutrition support to poor and vulnerable households

Rationale

This objective was supported by PAs designed to expand the social assistance database, strengthen coverage of the poor and vulnerable in the master database, and increase digital access to transfers of recipients; and to support income and learning equity through nutrition programs. Progress under PA3 and PA4 was measured against the increase in the number of poor and vulnerable individuals included in the database, increase in the number of poor and vulnerable households receiving temporary income support, and increase in the number of beneficiaries of digital access to transfers. Outcomes were monitored by gender, given gender gaps in access to financial services. Almost all targets were met, with small shortfalls under the targets for recipients of temporary economic support payments. Under PA5, progress was measured against the increase in the number of poor and vulnerable households and children supported by the continuance of pre-school and school feeding programs, in spite of school closures. Targets were measurable, with clear baselines and targets.

Through PA3 and PA4, the operation expanded the existing database by 3.98 million individuals and thereby enabled an expanded social safety net of emergency transfers (ICR, p. 13; PD p. 23). The operation also established the Ingreso Solidario program through which 7.4 million additional individuals benefited from cash transfers (65 percent of whom were women). In addition, PA 5 supported the continued functioning of school and pre-school feeding programs, which directly benefited 7.5 million poor and vulnerable children -- 1.7 million families through the ICBF pre-school feeding program, and 5.2 million students aged 6-17 years through the school feeding program -- in spite of the closure of all 60,000 ECD Service Units and 43,000 schools around the country.

The three PAs worked together effectively to provide income and nutritional support to poor and vulnerable households, and support school-going and pre-school children, with a clear line of sight from the PAs to intended outcomes. There were moderate shortcomings in the specification of gender targets and targeting of nutrition support to poor and vulnerable children, though the latter likely resulted in inclusion errors that were understandable given the crisis situation. Objective 2 is therefore rated Satisfactory.

Rating



Satisfactory

OBJECTIVE 3

Objective

Maintain liquidity and access to finance for MSMEs

Rationale

This objective was supported by prior actions designed to provide short-term financing with partial risk guarantees and new credit lines targeting MSMEs to facilitate payments during the pandemic, and to decrease the VAT and income tax burden on firms with a view to maintaining liquidity and access to finance for firms in response to the pandemic. Liquidity support was also provided to professional service providers.

The RIs mapped to the PAs measured the increased access to credit by MSMEs for salaries and working capital and individual entrepreneurs; the increased volume of total financing enabled by the lines of credit, capturing liquidity support to MSMEs without access to banking services; and the increased number of firms benefiting from accelerated VAT and income tax refunds. Targets were mostly exceeded, suggesting some lack of ambition, though it is noted that the project was prepared as an emergency response during a period of great uncertainty.

This financing supported firm operations, working capital, and salaries (ICR, p. 13; PD, p. 24) through partial credit guarantees of COP 18.2 trillion to MSMEs under PA 6, while PA7 supported the creation of emergency credit lines in Bancoldex through which COP 675.9 billion was disbursed to MSMEs in critical sectors and to individual professionals. The RIs, however, did not measure the actual use of funds in supporting workers and continued MSME operations. Through PA 8, the government temporarily postponed the deadline of tax payments for 42,388 MSMEs and accelerated the VAT and income tax refunds for 11,762 taxpayers (persona natural or persona jurídica) throughout March – June 2020, without monitoring the use of funds. This represented a significant shortfall relative to the target that was not reported in the ICR (which instead adds refunds to legal entities that were not captured by RI8). In addition, the RI for PA8 did not measure the benefit from postponement of the deadline for tax payments.

The three PAs worked together effectively to support liquidity and access to finance to firms, particularly MSMEs, with a moderately clear line of sight to outcomes. Targeting, however, could have been improved for professional service providers and firms receiving tax breaks, and more effort could have been made to monitor the impact of the tax refunds.

With these achievements and shortcomings, objective 3 is rated Satisfactory.

Rating

Satisfactory



Overall Achievement of Objectives (Efficacy)

Rationale

Based on the ratings for achievement of the three objectives, overall efficacy is rated Satisfactory. All PAs directly contributed to achievement of the objectives, and although the RIs under the first two PAs were insufficiently specific, the project team provided data indicating substantial achievement of the first objective.

Overall Efficacy Rating

Satisfactory

6. Outcome

Rationale

With Satisfactory relevance of prior actions and Satisfactory efficacy, Outcome is rated Satisfactory.

The operation was well designed, with a clearly defined and concrete set of development objectives. The PAs responded to the emergency while remaining anchored in the national program, the SCD, GRID, Crisis Response Notes, other core ASA, and the CPF, and were relevant. The PAs within each objective were complementary for the most part, with moderately well defined and relevant RIs mapped to them. Relevance of the RIs was mixed. Most of the relevant RIs were achieved or exceeded, with some relatively minor shortfalls. Although the RIs under the first two PAs were insufficiently specific, the project team provided evidence to demonstrate substantial support for capacity of the health care system. Some lack of ambition in setting the targets could have driven positive project outcomes.

a. Rating

Satisfactory

7. Risk to Development Outcome

Several outcomes of the operation are likely to be sustained, particularly under objectives 2 and 3, given the government's strong commitment to maintaining a sound macroeconomic policy framework, to stronger and more even public service delivery, and to support for vulnerable households and firms. The country was on track for robust growth performance and policies focused on strengthening social and geographic inclusion, supporting peace, and facilitating a more diversified growth model. Swift government response to the pandemic appears to have supported recovery to near 2019 levels by June 2021.

The level of financing under this operation is unlikely to address structural financial weaknesses in the health system; deeper health care reform is necessary to ensure system viability and resilience. At the same time, the war in Ukraine is adversely affecting food prices and hurting vulnerable households. Approval of a



flexible International Monetary Fund credit line of US\$9.8 billion is likely to support the government's efforts to respond to shocks and maintain crisis response measures.

It will be critical to build on this operation to strengthen further the financial position and capacity of the health care system and to continue to strengthen targeting and coverage of the government's programs, to build resilience against the impact of external shocks likely to impact the poor and vulnerable.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Bank Performance -- Design is rated as Satisfactory for three main reasons.

First, despite the limited time for preparation and implementation in a period of uncertainty, the Bank's country knowledge, robust body of analytical work, technical and policy expertise, and excellent communication led to the design of an operation that supported emergency response and led to Colombia moving from a large COVID-induced setback to rapid growth recovery. The focus on health, social protection, and access to finance was fully aligned the Bank's guidance on pandemic response as well as with GRID. Second, the PD built on previous experience with policy-based lending (PD, p. 20), in particular drawing on lessons learned to ensure that operational design (i) supported a crosscutting but interlinked set of reforms to respond to the COVID-19 crisis; (ii) was based on strong policy dialogue and technical assistance; and (iii) was being supported by the knowledge generated by the WBG, based on international experience, to help client countries respond to the crisis. Third, close collaboration with the government, as well as the anchoring of the operation in the national program, ensured that the Bank team benefited from the government's own stakeholder consultations. Indeed, the government's strong ownership of and commitment to the program was the Bank's entry point on the preparation of the operation.

While M&E could have been better designed with stronger focus on impact and on risk mitigation, the results chain was for the most part well developed given the emergency response focus of the operation, which led to a mostly short-run focus. The Bank laid out clearly the ex-ante risks - both exogenous and sector level - to achieving the PDO, and in spite of the short period over which the operation was prepared, was able to support risk mitigation through complementary technical assistance and support from other operations in the portfolio.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale



The Bank team demonstrated effective communication and monitoring through the short implementation period of the operation. A stronger effort could have been made to gather more granular data to support future policy interventions in Colombia and elsewhere; however, it is noted that the M&E period of the operation was 7-9 months, and there were no delays in effectiveness or in closing. The Bank's performance on implementation is therefore rated as Satisfactory.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Based on a satisfactory rating for the Bank's performance on both design and implementation, the overall rating of Bank performance is in line with that of the ICR, and is Satisfactory.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

The ICR does not present evidence of significant poverty or social impacts.

b. Environmental

The PAs supported by this DPF are not likely to have had negative effects on the environment, forests, or other natural resources.

c. Gender

Gender impacts were likely to have been positive, given that female access to financial digital services was supported.



d. Other

Under objective 2, the government developed a system to better identify the neediest segments of the population and deliver them social benefits more efficiently and effectively. This increased the knowledge base and the capacity of the government to design and maintain better targeted and functioning social benefit programs and mobilize them swiftly during a crisis (ICR, p. 30). This is likely to have strengthened related institutions in terms of delivery, outreach, and governance, through greater reliance on digital solutions.

10. Quality of ICR

Rationale

The ICR is well written overall and presents a comprehensive, evidence-based discussion for the most part. The ICR clearly distinguishes between ex-post and ex-ante risks to development objectives. Lessons learned are clearly presented. Ratings are for the most part well justified. However, there are some shortcomings. The ICR is thin on information relating to how some of the RIs capture development impact, including links to the program objectives, especially the first objective. It also does not specify how analytical work (and which analytical work) supported operational design and policy dialogue. One of the targets is mis-reported (under RI8). Finally, relevance of the PAs is not well captured, necessitating careful review of the PD.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

IEG concurs with the main lessons highlighted by the ICR.



A robust body of analytical work, the Bank's experience with operations in the country, and effective use of guidance from the Bank on crisis response can support a swift and effective response to crisis, in spite of a challenging timeline. In this case, these factors allowed the Bank to effectively support the government's efforts to save lives and livelihoods. The operation was anchored in the SCD, GRID, and other ASA, supporting reform measures that not only for crisis response but also longer-run positive impacts on poverty, equity and gender, and overall institutional preparedness for risk management. These successes highlight the importance of a strong ASA portfolio and just-in-time technical assistance.

Operational success is driven as well by strong policy dialogue and technical assistance provided throughout an operation. In this case, the Bank's country knowledge and effective client communication allowed the design of relevant technical assistance rapidly.

The operation was developed and implemented in close collaboration with the Colombian government, reflecting a key lesson learned from other DPFs on the **importance of country ownership and commitment to achieve a program's objectives.**

13. Project Performance Assessment Report (PPAR) Recommended?

No