COLOMBIA

PROGRAM TO SUPPORT ACCESS TO SUSTAINABLE AND INCLUSIVE PRODUCTIVE CREDIT FOR COLOMBIAN MSMEs

REFORMULATION AND ADDITIONAL FINANCING

(5459/OC-CO, CO-L1289)

THIRD INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR PRODUCTIVE BUSINESS FINANCING (CO-O0004)

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# REQUIRED LINKS

1. Monitoring and evaluation plan
2. Summary environmental and social review

# OPTIONAL LINKS

1. Project economic analysis
2. Credit Regulations
3. Challenges and opportunities for Bancóldex in infrastructure financing - Rebel
4. Bibliography
5. Analysis of MSME financing gap in Colombia - IDB
6. Report on the current state of the Colombian financial system - SFC
7. Long-term Financing Sector Framework - IDB
8. Colombia: Article IV consultation report - IMF
10. Report on the current state of credit in Colombia - BRC
11. Financial stability report - BRC
12. New horizons for the transformation of production in the Andean region - IDB
13. National climate finance strategy - DNP
14. Diagnostic assessment of strategic areas: inclusion, modernization, and sustainability - IDB
15. Summary of global credit programs - IDB
16. Complementarity of IDB Group interventions related to MSME access to finance in Colombia - IDB
17. Climate change and sustainability annex
18. Bancóldex 2021 annual report
19. Environmental and Social Risk Rating Report
### ABBREVIATIONS

<table>
<thead>
<tr>
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<th>Description</th>
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<tr>
<td>Bancóldex</td>
<td>Banco de Comercio Exterior de Colombia, S.A.</td>
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<td>BRC</td>
<td>Banco de la República de Colombia [Colombia’s central bank]</td>
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<td>CCLIP</td>
<td>Conditional credit line for investment projects</td>
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<td>CTF</td>
<td>Clean Technology Fund</td>
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<tr>
<td>DNP</td>
<td>Departamento Nacional de Planeación [National Planning Department]</td>
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<td>IFI</td>
<td>Intermediary financial institution</td>
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<tr>
<td>MINCIT</td>
<td>Ministry of Commerce, Industry, and Tourism</td>
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<td>MM-I</td>
<td>Multisector Modality-I</td>
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<tr>
<td>MSMEs</td>
<td>Micro, small, and medium-sized enterprises</td>
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<td>OCDE</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PCR</td>
<td>Project completion report</td>
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<td>PMR</td>
<td>Progress monitoring report</td>
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<tr>
<td>SOFR</td>
<td>Secured overnight financing rate</td>
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PROJECT SUMMARY

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Project at a Glance

Reformulated objective of the third individual operation under the CCLIP. The general development objective of the reformulation and additional financing under the third individual operation under the CCLIP is to promote sustainable growth through investment financing to help improve the productivity and sustainable development of Colombian micro, small, and medium-sized enterprises. The specific development objectives of the program are to: (i) increase the supply of credit for financing productive investments by microenterprises; (ii) increase the supply of credit for financing investments to modernize production; and (iii) increase the supply of credit for productive investments to make production more environmentally sustainable.

Special contractual conditions precedent to the first disbursement of the financing. Approval by Bancóldex of the program’s Credit Regulations, which are to include the environmental and social requirements, under the terms previously agreed with the Bank (paragraph 3.7).

Exceptions to Bank policies. Approval of a partial waiver of the Bank’s Policy on Guarantees Required from the Borrower (Operational Policy OP-303) is sought from the Board of Executive Directors so that the Republic of Colombia guarantees only the loan repayment obligations, including interest and fees (paragraph 3.8).

Strategic Alignment

Challenges:
- SI ☒ (Social Inclusion and Equality)
- PI ☒ (Productivity and Innovation)
- EI ☐ (Economic Integration)

Crosscutting themes:
- GE ☒ and DI ☒ (Gender Equity and Diversity)
- CC ☒ and ES ☒ (Climate Change and Environmental Sustainability)
- IC ☐ (Institutional Capacity and Rule of Law)

(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests. The financial terms in this section apply only to the US$200 million in additional Ordinary Capital (CO-L1289). The resources from the original program are subject to their own financial terms, which have already been approved and may not be changed.

(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank’s lending charges, in accordance with applicable policies.

(d) Operation CO-L1289 will consist of a supplementary operation with the same objectives and vertical logic as the reformulated operation.

(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

(f) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).
I. DESCRIPTION AND RESULTS MONITORING

A. Proposed reformulation of the program

1.1 Background. The Conditional Credit Line for Investment Projects (CCLIP) for Productive Business Financing (CO-00004) was approved in 2019 for US$600 million through Resolution DE-141/19. The objective of the CCLIP is to promote business productivity in Colombia through financing channeled by Bancóldex. The first two operations in execution under the CCLIP aim to promote productive financing for micro, small, and medium-sized enterprises (MSMEs) (4939/OC-CO, for US$60 million, and 5169/TC-CO, for US$8 million). This operation, titled “Financing to Support Colombia’s Energy Transition” (5459/OC-CO, for Col$175 billion\(^1\)), became the third operation approved under the CCLIP by the Bank’s Board of Executive Directors on 17 December 2021 and is currently awaiting Bancóldex’s signature.\(^2\) The objective of this operation is to accelerate the energy transition by financing renewable energy projects and associated transmission lines, energy storage, energy efficiency, distributed energy resources, advanced metering infrastructure, and electric mobility in Colombia.

1.2 The government’s request for reformulation. The Republic of Colombia and Bancóldex, as borrower, requested that the Bank consider reformulating the third operation under the CCLIP (5459/OC-CO) in view of the lack of specific demand for Bancóldex-financed energy infrastructure projects.\(^3\) The Ministry of Finance and Public Credit and Bancóldex submitted a letter to the Bank on 14 March 2023 with the reformulation request so that the resources from this operation may be used to provide productive business financing for MSMEs in line with the general objective of the CCLIP and the priorities of the new national development plan for 2022-2026. In view of the lack of financing for Colombian MSMEs,\(^4\) the government also requested US$200 million in additional Ordinary Capital under the CCLIP to complement the amount of the original operation.

1.3 One of the main priorities identified by the government in the National Development Plan for 2022-2026 is moving forward with the productive transformation of the business fabric. On that note, MSMEs’ lack of access to long-term credit has been identified as the main challenge in transforming production in Colombia and hinders their ability to make productive investments. The

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\(^1\) This operation was approved in local currency in an amount equivalent to approximately US$45 million, at an exchange rate of Col$3,912 to US$1 as of July 2023.

\(^2\) The original operation is also supported by US$3.5 million from the Clean Technology Fund (CTF) (operation 5460/TC-CO). The CTF resources are not part of this reformulation. Future use of these resources is under evaluation.

\(^3\) A Bank study in March 2023 found that (i) macroeconomic conditions had deteriorated; (ii) the private banking sector is highly competent in infrastructure financing; (iii) two additional public development banks (Financiera de Desarrollo Nacional and Financiera de Desarrollo Territorial) specialize in infrastructure financing; and (iv) Bancóldex lacks experience in financing this type of project. These were the main reasons why it was difficult to identify viable projects for financing by Bancóldex. For more details, see “Challenges and opportunities for Bancóldex in infrastructure financing” (optional link 3).

\(^4\) The challenges encountered in the original operation are not deemed to be significant risks for the proposed reformulation since this new program will not finance infrastructure. The proposed reformulation focuses on loans for the business sector, which is Bancóldex’s primary line of business and for which it has a strategy, products, and experience. Based on the analyses of demand for credit (see optional link 5), the demand for Bancóldex’s resources among Colombian MSMEs is expected to be strong (the financing gap is estimated at US$49.5 billion; see paragraph 1.9).
government has assigned Bancóldex a central role as a public policy instrument in the financial sector to address this challenge. The Bank’s ongoing dialogue with Colombia reflects this new approach, both through the reformulation request and through the request for a new allocation of resources under the CCLIP, with the aim of providing more resources to improve access to productive financing for Colombian MSMEs.

1.4 Proposed reformulation and additional financing. This document contains the proposed reformulation of the third operation with the new objective of expanding access to financing for MSMEs in order to enhance the productivity and environmental sustainability of Colombia’s productive fabric. To submit a single program to the Board of Executive Directors for consideration, in addition to the reformulation of the third individual operation (5459/OC-CO), this proposal includes US$200 million in additional resources (CO-L1289). This is deemed the most suitable operational approach, as it will allow the Bank’s resources to be strategically combined under a single program with one logic and shared, aligned development objectives. This will allow the Bank to ensure that the intervention is processed and implemented in a coherent, efficient manner.

B. Background, problem addressed, and rationale for reformulation

1.5 Macroeconomic context. Colombia had one of the highest growth rates in Latin America and the Caribbean in 2022 (8.2%). Strong economic performance helped Colombia return to prepandemic levels of unemployment, which stood at 10.3% in May 2023. The economy, however, has slowed sharply in 2023, with annual growth projected at approximately 1%. High inflation in recent months (the 13.3% rate in March 2023 marked a 23-year high) has prompted steep hikes in the benchmark interest rate, which rose from 1.75% in October 2021 to 13.5% in May 2023. This has led to substantially higher interest rates on debt instruments available in the financial system. This is a challenging macroeconomic scenario for investment by Colombia’s productive sector, particularly for smaller companies, which face much higher lending costs amid an economic slowdown ([1] in optional link 4).

1.6 The importance of MSMEs in Colombia’s productive fabric. Colombia’s productive fabric consists primarily of MSMEs, which account for about 99% of the country’s businesses. These smaller enterprises account for 40% of Colombia’s gross domestic product (GDP) and about 79% of all jobs ([2] in optional link 4). In 2021 there were 1,628,681 registered businesses, of which 91.8% were microenterprises, 6.1% were small businesses, 1.6% were medium-sized enterprises, and 0.5% were large companies ([3] in optional link 4). Thirty-six percent of MSMEs operate in the service sector; 34%, in the commercial sector; and 30%, in the industrial sector ([4] in optional link 4).

1.7 MSMEs’ contribution to productivity in the economy is limited. Productivity has played a limited role in Colombia’s growth in recent decades. Total factor productivity has been in negative territory, resulting in a 0.4% deduction from the

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5 In accordance with the policies for sovereign-guaranteed operations, this operation is being treated as a reformulation because it entails a fundamental and extensive change to the project, as it is different than the originally approved operation and new resources exceeding 40% of the original amount of the operation are being added.
average growth rate since 2000. Colombia’s relative productivity rate is low compared to other countries in the region. For example, during the 2000-2019 period, the cumulative productivity of the Colombian economy was 58% of that of the United States. Colombia also has lower productivity levels than similar countries in the region, such as Argentina, Chile, and Uruguay ([5] in optional link 4). MSMEs’ contribution to productivity is limited. In 2015, microenterprises’ productivity was 16% of that of large companies; this figure was 43% and 51% for small and medium-sized enterprises, respectively ([6] in optional link 4).

1.8 **The main obstacle that MSMEs face in boosting productivity and achieving growth is the lack of long-term credit.** Financial sectors experiencing market failures face a lack of long-term financing. The consensus of the literature is that macroeconomic instability—combined with high transaction, information, and contract performance costs—causes financial institutions to offer less financing and shorter tenors. The Colombian financial system is facing some such market failures, including: (i) the short-term nature of the banking system’s deposit base; (ii) difficulties in, and the slow pace of, performance of commercial contracts; and (iii) a lack of credit history among MSMEs, making it difficult and more expensive to evaluate credit risk. These failures increase the perception of credit risk by intermediary financial institutions (IFIs) and exacerbate the limited supply of long-term credit for MSMEs. In 2021, for example, MSMEs received 21% of the total amount of business loans from the financial sector, with 90% of this lending to MSMEs in the form of short-term financing for working capital ([optional link 6]).

1.9 Formal-sector MSMEs in Colombia had US$49.5 billion (11.1% of GDP) in financing needs that went unmet by the financial sector in 2021 ([optional link 5]). This gap is 2.42 times greater than the current supply of credit. The financing gap is most severe for microenterprises, estimated at US$29.6 billion, followed by medium-sized and small enterprises, with gaps of US$10.1 billion and US$9.7 billion, respectively. Financing for MSMEs in Colombia, moreover, is expensive and short-term. Interest rates for MSMEs averaged 15% in 2022. These rates are higher than the averages in the region (11.1%) and in the countries of the Organisation for Economic Co-operation and Development (OECD) (5.2%). The differential between interest rates on loans to small and large enterprises (7%) is also greater than the regional (6%) and OECD (1.7%) averages. In addition, most loans had short tenors: 96%, 93%, and 83% of loans to microenterprises, small businesses, and medium-sized enterprises, respectively, had terms of less than three years.

1.10 **Priorities in financing MSMEs as a driver of productivity.** Transforming production in Colombia is a challenge because it calls for expanding business financing under suitable terms and conditions ([optional link 12]). In view of existing development gaps, a Bank study identified three priority areas for Colombia that...
need greater long-term financing and would provide the greatest gains in MSME productivity: (i) greater financial inclusion of microenterprises that lack access to productive credit; (ii) expanded and improved credit for productive modernization and digitalization of MSMEs; and (iii) development of the green lending market to finance technologies for an environmentally sustainable transformation of production ([7] in optional link 4).

1.11 **Inclusion of microenterprises, modernization of production, and environmental sustainability.** A large number of Colombian microenterprises face challenges in gaining access to financing ([8] in optional link 4). About half of those in the commercial sector that applied for credit were denied. Given this situation, 47.2% of microenterprises used informal sources of credit, which tend to be much more expensive and offer loans with shorter tenors ([9] in optional link 4). Meanwhile, long-term financing for investment in projects in innovation, research and development, and the adoption of new technologies is insufficient ([10 and 11] in optional link 4). Only 20% of business lending in Colombia has terms of five years or longer, and 64% of the enterprises that have invested in innovation and digitalization did so with their own resources. Lastly, there is evidence that MSMEs as a whole have a significant environmental footprint in Colombia ([12] in optional link 4). Hence the importance of expanding investment in technological solutions geared toward climate change mitigation and adaptation. Colombia, however, has very few products aimed at business financing for investments aligned with renewable energies, energy efficiency, the circular economy, and the bioeconomy, and the products that are available are not suited to the needs of Colombian MSMEs for financing productive investments with a focus on sustainability ([13] in optional link 4).

1.12 **Financing for women’s enterprises.** While Colombia lacks enterprise-level data and analyses disaggregated by sex for an accurate diagnostic assessment of women’s MSMEs, the literature shows that barriers to access to credit are exacerbated in women-owned or -led enterprises and that such businesses face specific obstacles on both the supply and demand sides ([14] in optional link 4). In Colombia, women-owned or -led enterprises face greater barriers to access than men’s enterprises. Their loan applications are denied 2% more often, and they are asked to provide 32.7% more collateral as a percentage of the loan amount ([15] in optional link 4). The formal-sector financing gap for women’s MSMEs is estimated at US$4.6 billion (1.5% of GDP), accounting for 9.3% of the total financing gap in Colombia (optional link 6). Meanwhile, although Bancóldex lacks the data to disaggregate its business portfolio by sex in accordance with best practices, a pilot exercise carried out by the Bank for Bancóldex in 2023 suggests, on a very preliminary basis, that about 32% of the end beneficiaries are women’s enterprises. The institution is currently working to develop more

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10 For more information on the diagnostic assessment of these strategic areas, see optional link 14.

11 For reference, see the definitions of the International Finance Corporation and 2X Challenge.

12 The consulting project—which is financed through operation ATN/OC-17811-RG, approved in 2019 for US$200,000 to provide client support—is in progress. As these estimates are preliminary and constitute approximations in view of the fact that Bancóldex’s portfolio cannot currently be disaggregated by gender, they may not be considered a baseline for the gender-related indicator designed for this operation.
effective programs for women; this commitment is included in a draft proposal for a new institutional policy on inclusion and diversity.

1.13 **Diversity.** No data are available to assess the financing gap for enterprises of indigenous, Afro-descendant, and LGBTQ+ people, or to assess their participation in Colombia’s business fabric. However, an estimated 4.4% of Colombians self-identify as indigenous. This population faces multiple obstacles in accessing services ([16] in optional link 4), including a lack of financial coverage. Financial institutions have no branch offices in 45% of the municipios in the Amazon region, where indigenous people make up the largest percentage of the population in the country ([17] in optional link 4). Meanwhile, Afro-descendant people make up 9.34% of Colombia’s total population ([24] in optional link 4); and, despite a lack of disaggregated data for assessing their financial barriers, there is information that indicates gaps in the areas they tend to reside. In the Pacific region, for instance, only 31.3% of adults reported having credit, nearly 10 percentage points lower than in the east-central region. Moreover, the Pacific region has 93.2 financial branch offices per 10,000 adults, 13 below the national average ([17] in optional link 4). Meanwhile, an estimated 1.3% of the adult population identifies as LGBTQ+, and an estimated 36.2% of them are self-employed (compared to 42.3% of the non-LGBTQ+ population) ([19] in optional link 4). For Afro-descendant, indigenous, and LGBTQ+ persons, access to financial services poses multiple challenges, such as a lack of services suited to their needs and financial institutions’ perception of greater risk; these challenges need to be understood and assessed appropriately, along with demand-side limitations.

1.14 **Bancóldex as a public policy instrument for MSME financing.** Bancóldex is Colombia’s public bank for business development, and its institutional mandate is to provide financing to (i) support MSME productivity; (ii) support the business sector’s insertion in value chains and help businesses internationalize their operations; and (iii) promote the environmental sustainability of the business fabric. Under its 2022-2026 Institutional Strategy, Bancóldex works to (i) develop better solutions for financing and technical assistance to strengthen Colombian enterprises; (ii) strengthen sustainability and climate action plans; and (iii) pursue its commitment to inclusion through a new institutional policy on inclusion and diversity.

1.15 Bancóldex has proven to be crucial to the productive development of MSMEs in Colombia. More than 80% of its portfolio is focused on business lines to increase MSMEs’ investments in productive modernization and business projects for energy efficiency, renewable energy, the circular economy, and the bioeconomy. Its ability to offer loans with longer tenors helps address the market failures in Colombia’s financial system (paragraphs 1.8 and 1.9) and helps foster the country’s economic growth. Its MSME lending programs have proven effective, as they have provided lower interest rates (221 basis points), longer loan tenors (20% longer), and higher loan amounts (50% higher). These programs have also achieved positive development impacts by increasing sales by 24%, jobs by 11%, investment by 70%, and productivity by 10% in beneficiary enterprises.13

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1.16 **Proposed intervention.** The program will help expand the availability of productive credit in the financial system through a global credit program\(^{14}\) coordinated through Bancóldex, which will receive support from the Bank to improve its capacity to increase the availability of inclusive and sustainable productive financing for Colombian MSMEs.\(^{15}\) The intervention focuses on the three priority areas for the transformation of production where market failures are most pronounced and Bancóldex’s intervention is most needed (paragraph 1.14);\(^{16}\) inclusion, modernization, and sustainability. Accordingly, the intervention will include three components aimed at (i) expanding access to productive credit for microenterprises; (ii) providing long-term credit for productive modernization and digitalization; and (iii) providing new lines of credit for investing in the environmental sustainability of production (paragraphs 1.31-1.33).\(^{17}\)

1.17 **The Bank’s value added.** Continuing the Bank’s strong work with Bancóldex (paragraphs 1.19 and 1.20), this program marks a milestone in the strategy of CCLIP [CO-O0004](#) in terms of the new long-term priority areas: inclusion, modernization, and sustainability (paragraphs 1.10 and 1.11) with gender and diversity mainstreaming (paragraphs 1.12 and 1.13). The operation also includes innovative features that are new to Bancóldex and will help make it more effective. For inclusion, the operation will work with new financial intermediaries to improve the capillarity of credit in Colombia and achieve greater inclusion of microenterprises in the region (Component 1). For modernization, specific lines of credit for technology-based enterprises will be used for the first time to promote productive innovation (Component 2). For sustainability, new lines that are not currently available in the market will be opened to finance productive investments for industrial decarbonization (Component 3). For gender considerations, a strategy will be coordinated to have programs better suited to women business owners. For diversity, a pilot initiative to generate market knowledge on the provision of loans to a diverse population, as no such loans are currently available in Colombia’s financial market. The Bank’s financing through public banks is essential to helping MSMEs invest in production, subsequently expand their interaction with commercial banks, and secure loans with better terms.

1.18 **Mobilization of the private sector.** The program expects a high degree of participation and resource mobilization from the private sector. Bancóldex is

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\(^{14}\) The Bank’s global credit programs have proven effective in improving access to productive financing for the business sector in other countries of the region. The impact evaluations of similar programs in Argentina (5057/OC-AR) (Bueso-Merriam et al., *The Impact of the Lending Program for the Productive Development and Employment Generation of the San Juan Province*, 2016) and El Salvador in 2022 (project completion report for operation 3271/OC-ES) have found positive impacts on employment (50%), business survival rates (4.1%), and the likelihood of securing additional loans from the private sector (4.2%). For more information on these interventions, see optional link 15.

\(^{15}\) The proposed intervention is consistent with the World Bank’s recommendations on how the public banking system can intervene to address the market failures noted in the latest report of the Public Sector Assessment Program for Colombia (April 2022). For more information, see the note titled “The Role of the State in the Provision of Financial Services” (optional link 9).

\(^{16}\) Public development banks in the region play a key role in promoting and generating demonstration effects in the private financial sector ([20] in optional link 4).

\(^{17}\) Since this project aims to help resolve existing market failures, if the country successfully implemented structural reforms in the financial sector that helped to reduce these market failures, it is expected that Bank support for this type of intervention in the sector would be reduced commensurately.
expected to commit resources on a pari passu basis with the Bank (US$245 million) for a total program amount of US$490 million. The Bank’s lines of credit with Bancóldex have historically been cofinanced at 25% by first-tier IFIs (commercial banks), and a similar scope is anticipated for this program. This approach aligns incentives by taking on part of the risk of the financing and ensures the mobilization of private sector resources, which will make it possible to scale the intervention. Moreover, the program’s lines of credit will finance no more than 80% of the investment and require 20% in additional private capital for productive financing. Thus, the program is expected to mobilize a total of US$245 million in private sector resources (US$148.2 million in financing from private banks and US$98.8 million in private business capital), which would equate to an expected mobilization on a 1:1 basis with Bank resources.

**1.19 The Bank’s experience.** The Bank has extensive experience in designing sovereign-guaranteed loan programs aimed at improving MSMEs’ access to financing with an emphasis on inclusion and environmental sustainability. The Bank’s most significant experiences for this program are from CO-X1007, a CCLIP approved in 2008 for US$650 million. The objective of CCLIP CO-X1007 was to strengthen productive sector competitiveness through the financing of investment projects, productive restructuring, and export development. This was achieved through four programs: 2080/OC-CO, for US$100 million in 2008; 2193/OC-CO, for US$200 million in 2009; 2949/OC-CO, for US$200 million in 2013; and 4439/OC-CO, for US$90.7 million in 2017. All programs under CCLIP CO-X1007 have been fully executed in a satisfactory manner. Meanwhile, starting in 2013, Bancóldex implemented CTF-financed pilot programs for energy efficiency (2983/TC-CO, for US$10 million), sustainable transportation (3003/TC-CO, for US$40 million), and renewable energies in noninterconnected areas (3661/TC-CO, for US$9.3 million), which have also been fully executed.

**1.20** A new CCLIP for productive business financing was approved in 2019 (CO-O0004); two programs approved that same year under this CCLIP are currently in progress (paragraph 4.2): the first, to promote productive financing with an emphasis on creative industries and industrial energy efficiency (4939/OC-CO, for US$60 million); and the second, to finance energy efficiency in the business sector (5169/TC-CO, for US$8 million). The joint programs between the Bank and Bancóldex under CCLIP CO-O0004 are achieving good results, with a significant number of MSMEs obtaining financing with longer tenors and at more favorable interest rates. For example, the programs have successfully provided financing to more than 5,449 MSMEs, with tenors of loans for productive investments that are 53% longer than the market average.

**1.21 Lessons learned.** This operation incorporates lessons learned from previous operations with Bancóldex through CCLIPs CO-X1007 and CO-O0004, including: (i) the identification of investment projects will be improved by adopting training strategies in the commercial workforce of Bancóldex and the IFIs with the aim of facilitating communication with business leaders on new market trends, such as new technologies and the circular economy (paragraphs 1.22 and 1.31); (ii) the quality of MSMEs’ productive investment projects will be improved by providing assistance to business owners in how to structure projects technically and financially (paragraphs 1.22 and 1.32); (iii) methods for gathering information from financed projects will be improved to help determine project eligibility, effectively
measure outcomes upon completion of the operation, as well as to avoid the
difficulties encountered in prior operations (paragraphs 1.22 and 1.33); and (iv) an
organizational transition will be completed to separate out the portfolios of
women’s enterprises and look for better ways to serve this segment. Moreover, a
lesson learned from the original operation to be reformulated is the importance of
including a portfolio of subprojects that can be financed at the time the operation
is prepared. These lessons have been incorporated in designing this program and
are supported by technical assistance resources (paragraph 1.22).

1.22 Technical cooperation. The program will be supported by two local technical
cooperation operations that will implement recommendations based on lessons
learned from previous programs (paragraph 1.21). Technical cooperation
operation ATN/OC-17727-CO, approved in 2019 for US$200,000 to provide
operational support to Bancóldex, has been used in preparing and executing the
first and second operations under the CCLIP. The resources of this technical
technical cooperation operation will be used to develop innovative financial instruments and
new digital channels and, on this program, will be used primarily to create financial
instruments to help channel resources to MSMEs. Technical cooperation operation
ATN/TC-18232-CO, approved in 2020 for US$1 million, is aimed at strengthening
the institutional capacity of Bancóldex, and its resources will be used to strengthen
the gathering and analysis of gender-disaggregated information on business
financing and on contributions to climate change mitigation and adaptation targets.
Resources will also be used to meet the need for improved environmental impact
assessments of program-financed investments. Tools will be developed to build
capacities and improve systems in order to ensure the quality of reported
information. It is expected that the tools and outputs can be leveraged for
subsequent operations under this CCLIP.

1.23 Complementarity of IDB Group interventions. This program is part of the
IDB Group’s approach in Colombia to improving access to financing for the
business sector. The IDB Group is assisting in the development of the private
business sector with a continuum of financing at various phases of MSME growth.
First, IDB Lab provides equity investments for young companies with innovative
development solutions through, for example, financing for entrepreneurs and
women business owners (the WISE program (ATN/ME-16116-RG), the Cívico
program (ATN/ME-18683-CO), and the WeXchange platform). Then, the Bank
uses global credit programs channeled through public banks to provide productive
financing with longer tenors than those available in the banking system, so that
enterprises with high growth potential can make investments to boost their
productivity— particularly through operation 4929/OC-CO (approved in 2019 for
US$24 million; 49% disbursed) to improve productivity and export-related
development of MSMEs, as well as operation ATN/OC-17811-RG
(paragraph 1.28) to support the institutional capacities of Bancóldex with a gender
focus—and consolidate their market position. Lastly, IDB Invest primarily serves
the needs of businesses in the expansion phase that need financing for exporting
and innovation (e.g., through financing for anchor companies in value chains) (see
optional link 16).
1.24 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the challenges of (i) productivity and innovation, as it will facilitate access to financing for productive investments by MSMEs, including investments for business innovation; and (ii) social inclusion and equality, as resources will be allocated to finance microenterprises and the businesses of women and diverse groups. The program is also aligned with the crosscutting themes of (i) climate change, as 34.65% of program resources will be invested in climate change mitigation and adaptation, in accordance with the multilateral development banks' joint methodologies for tracking climate finance. These resources contribute to the IDB Group’s target for climate finance; (ii) environmental sustainability, by financing MSMEs’ sustainable investments; (iii) gender equity, by specifying that 50% of the beneficiaries of Component 1 will be women, allocating 25% of the resources under Component 2 to women business owners, and working to gain a better understanding of these portfolios; and (iv) diversity, by supporting, for the first time, pilot initiatives to finance enterprises of diverse groups (indigenous, Afro-descendant, and LGBTQ+ persons).

1.25 The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: (i) micro, small, medium-sized enterprises financed; (ii) women beneficiaries of economic empowerment initiatives; and (iii) emissions avoided (annual tons of CO\textsubscript{2} equivalent). The operation is consistent with the Gender and Diversity Sector Framework Document (document GN-2800-13) as it provides services suited to the needs of women and diverse business owners. It is also consistent with the IDB Group Gender and Diversity Action Plan 2022-2025 (document GN-3116-1) in the priority area of improving economic opportunities, as it supports the financial inclusion of MSMEs led or owned by women and by indigenous, Afro-descendant, and LGBTQ+ persons. The program is also aligned with the Employment Action Framework with a Gender Perspective (documents GN-3057 and OP-2289-1), as it calls for
analyses, interventions, and indicators related to supporting the pillar of businesses and entrepreneurship. Along these lines, the program is consistent with the Climate Change Sector Framework Document (document GN-2835-8) and the Long-term Financing Sector Framework Document (document GN-2768-12), which emphasizes the importance of promoting access to long-term financing for the productive sector. The intervention is also consistent with the strategic area related to mobilizing private sector resources for productive investments through cofinancing from the program’s IFIs and through investment by the program’s business owners of their own capital.

1.26 The program is also aligned with the IDB Group country strategy with Colombia 2019-2022 (document GN-2972), as it contributes to the strategic objective to “spur innovation and development in business and agriculture.” The operation is also included and prioritized in the 2023 Operational Program Report (document GN-3154-1).

1.27 **Paris alignment.** The program has been reviewed using the Joint MDB Assessment Framework for Paris Alignment and the IDB Group Paris Alignment Implementation Approach (document GN-3142-1), and it is deemed to be aligned with the mitigation and adaptation objectives of the Paris Agreement (optional link 17).

1.28 **Gender considerations.** In view of the barriers to access to credit and the financing gap faced by women’s companies (paragraph 1.12), the operation includes a number of activities. At least 50% of the beneficiary microenterprises under Component 1 are expected to be women’s businesses. Similarly, the operation is expected to benefit women-led small and medium-sized enterprises for the financing of investments for modernization of production by allocating 25% of the resources under Component 2. On a crosscutting basis, the operation will work with Bancóldex to implement its institutional policy on gender, which includes approaching investment with a gender lens; meanwhile, the operation will continue to use resources from operation ATN/OC-17811-RG for a consulting engagement to enable Bancóldex to scale up its capacities related to disaggregating by sex its MSME portfolio of legal entities.

1.29 **Diversity considerations.** For the first time, Bancóldex will begin a line of work to provide loans for Afro-descendant, LGBTQ+, and indigenous persons. To help Bancóldex lay the groundwork for incorporating these considerations into its portfolio: (i) a sociodemographic profile of these populations in its portfolio will be developed to better identify financial characteristics and gaps and thereby work over the medium and long terms to develop more suitable products or processes; and (ii) meanwhile, pilot interventions will be carried out to finance a number of enterprises of Afro-descendant, LGBTQ+, or indigenous persons. This approach is necessary because Bancóldex lacks information on the participation of these population groups in its portfolio or on the demand among them; therefore, the minimum sample size has been set at 20 enterprises, consistent with the nature of a pilot initiative. Both of these activities will allow Bancóldex to become more familiar with its portfolio and scale it more effectively in view of the financial profile and the needs of these populations.

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18 The country strategy is currently in force and is in a transition period.
C. Objectives, components, and cost

1.30 Reformulated objective of the program. The general development objective of the reformulation and additional financing under the third individual operation of the CCLIP is to promote sustainable growth through investment financing to help improve the productivity and sustainability of Colombian MSMEs. The specific development objectives are to: (i) increase the supply of credit for financing productive investments by microenterprises; (ii) increase the supply of credit for financing investments to modernize production; and (iii) increase the supply of credit for financing productive investments to make production more environmentally sustainable.

1.31 Component 1. Credit for microenterprise (Col$175 billion). Proceeds from subloans under this component will be used to procure assets to expand production capacity, update business models, or otherwise increase business productivity. Financing for working capital will be possible when the investment is tied to an activity to strengthen production, since such activity is particularly significant in the microenterprise business model. Some of the resources under this component will be used exclusively to finance microenterprises that have been excluded from the financial system. At least 50% of the beneficiary enterprises will be women-owned or -led businesses. Microenterprises in all sectors of the economy will be eligible under this component, in accordance with the financial terms set forth in the program Credit Regulations. Bancóldex will channel these resources through second-tier lines that will work with IFIs that provide greater territorial capillarity.

1.32 Component 2. Modernization of production (US$123 million). Medium- and long-term financing of investments in business modernization of MSMEs. Proceeds from subloans under this component will be used to procure assets to expand production capacity, update business models, or otherwise increase business productivity. This component will also finance business digitalization processes to support MSMEs’ transition to Industry 4.0 and will also focus on financing for technology-based companies. MSMEs in all sectors of the economy will be eligible under this component, in accordance with the financial terms set forth in the program Credit Regulations. It is estimated that at least 25% of Component 2 will be used to finance women-owned or -led enterprises. Bancóldex will channel these resources through first- and second-tier lines.

1.33 Component 3. Climate investment (US$77 million). Medium- and long-term financing for investments aimed at climate change mitigation and adaptation. Proceeds from subloans under this component will be used to support the need to restructure and adapt production, such as to procure lower-emissions production equipment, implement energy efficiency projects, or implement measures to reduce climate risks. This component also includes financing for investments related to the

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19 This can include inputs to start a business or basic equipment that, by virtue of their low prices, would not be classified as equity investments associated with longer tenors of financing. For more information, see the program Credit Regulations.

20 In accordance with the national strategy for credit-related inclusion, an enterprise will be deemed to have been excluded if it has not received formal credit from the financial system in the past five years.

21 In these cases, the component may finance activities such as purchases of software and computer hardware, digitalization of processes and activities, e-commerce, and robotization.
circular economy. All projects financed under this component will be aligned with the multilateral development banks’ joint methodologies for tracking climate finance. The program Credit Regulations will list the activities eligible for this type of financing related to climate change mitigation and adaptation. At least 30% of the program’s resources are expected to be placed in this type of investment. MSMEs in all economic sectors will be eligible under this component, in accordance with the financial terms established in the program Credit Regulations. Bancóldex will channel these resources through first- and second-tier lines.

1.34 **Beneficiaries.** The end beneficiaries of the program are MSMEs in all economic sectors in Colombia. The MSMEs will receive subloans to implement investment projects that promote productivity and/or sustainability. The program is expected to benefit 13,187 enterprises. Bancóldex will also benefit from the technical support for the development of new financial products, as well as the strengthening of its operational structure through greater efficiency in, and improved capacity for, loan placement.

D. **Key results indicators**

1.35 **Expected results.** The general development objective will be measured by (i) the rate of growth in sales at MSMEs benefitting from program subloans; (ii) the differential in the annual rate of growth in jobs at MSMEs benefitting from program subloans; and (iii) CO₂ emissions averted as a result of productive investments aimed at making production more environmentally sustainable. The specific development objectives will be measured by the following indicators: (i) minimum percentage of beneficiary microenterprises receiving credit for the first time from Bancóldex’s client banks; (ii) minimum percentage of beneficiary microenterprises receiving credit that are women-owned or -led; (iii) amount of Bancóldex’s portfolio for financing productive investments by microenterprises; (iv) minimum number of financed enterprises of diverse population groups (Afro-descendant, indigenous, and LGBTQ+ persons); (v) relative arrears rate in the portfolio for productive financing of MSMEs supported by program resources, compared to the default rate across the total portfolio of the banking system; (vi) average tenor of Bancóldex’s total portfolio for investments aimed at modernizing production in MSMEs; (vii) amount of Bancóldex’s portfolio for financing investments aimed at modernizing production; (viii) total amount of the relevant portfolio for financing climate investments; (ix) percentage of climate investments in the credit line for mitigation; and (x) percentage of program investments classified as climate investments.

1.36 **Economic analysis.** The economic evaluation identifies the flows of benefits and costs generated by the program. When a 12% discount rate is applied, the benefits are calculated at US$48.85 million with an internal rate of return of 18.68%. Moreover, the sensitivity analysis found the program to be resilient to adverse shocks (optional link 1).

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22 In all, 50% of the beneficiary microenterprises that are deemed to have been excluded from the financial system are expected to be women-owned.
II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 Type of financing. This program (the reformulated third individual operation with additional financing) under CCLIP CO-00004 will consist of a loan to Bancóldex that includes the approved resources from the original loan in the amount of Col$175 billion (5459/OC-CO) and an additional US$200 million from the Bank’s Ordinary Capital (CO-L1289). It will be implemented as a global credit program due to its nature as a financial intermediation operation toward MSMEs. Bancóldex will use the Bank’s resources to diversify and expand its sources of financing, which will enable it to better meet the financing needs of Colombia’s productive fabric.

2.2 Financial conditions for program resources. The financial terms and conditions of the original loan for Col$175 billion (5459/OC-CO) will be maintained in the currency and under the terms and conditions specified in the loan contract approved by Resolution DE-147/21. The additional US$200 million in Ordinary Capital for this operation (CO-L1289) will be in the currency and subject to such financial terms and conditions as may be determined, within the framework of options provided by the Bank under its Flexible Financing Facility, in negotiating the reformulation of the loan contract with the Republic of Colombia and Bancóldex.

<table>
<thead>
<tr>
<th>Components</th>
<th>IDB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Col$</td>
<td>US$</td>
</tr>
<tr>
<td>Component 1. Credit for microenterprise</td>
<td>175,000</td>
<td>-</td>
</tr>
<tr>
<td>Component 2. Modernization of production</td>
<td>-</td>
<td>123</td>
</tr>
<tr>
<td>Component 3. Climate investment</td>
<td>-</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>175,000</td>
<td>200</td>
</tr>
</tbody>
</table>

2.3 Disbursement plan. The disbursement period for both sources of financing will be the same. In view of Bancóldex’s preliminary estimates for loan placement, program resources will be disbursed over a four-year period, starting from the effective date of the loan contract for operation CO-L1289 associated with the additional resources. The original disbursement period of operation 5459/OC-CO will be extended to coincide with that of operation CO-L1289.
Table 2. IDB disbursement schedule (in millions)\textsuperscript{23}

<table>
<thead>
<tr>
<th>Source</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>5459/OC-CO</td>
<td>Col$65,000</td>
<td>Col$65,000</td>
<td>Col$35,000</td>
<td>Col$10,000</td>
</tr>
<tr>
<td>Percentage to be disbursed: 5459/OC-CO (%)</td>
<td>37.4</td>
<td>37.4</td>
<td>20.1</td>
<td>5</td>
</tr>
<tr>
<td>CO-L1289</td>
<td>US$75</td>
<td>US$75</td>
<td>US$40</td>
<td>US$10</td>
</tr>
<tr>
<td>Percentage to be disbursed: CO-L1289 (%)</td>
<td>37.4</td>
<td>37.4</td>
<td>20.1</td>
<td>5</td>
</tr>
</tbody>
</table>

B. Environmental and social safeguard risks

2.4 In accordance with the Environmental and Social Policy Framework (document GN-2965-23), the program (the reformulated operation and additional financing operation) is classified as a financial intermediation operation. The environmental and social risk for both operations has been classified as moderate, since most multisector investment subprojects on MSME productivity and sustainability are expected to have a low social and environmental risk, with some moderate-risk subprojects.

2.5 No subprojects classified as Category A or having a high social and environmental risk will be financed. The potential environmental and social impacts associated with the program are described in greater detail in the Summary Environmental and Social Review and will be managed using the Environmental and Social Management System described in the Credit Regulations, in compliance with the Bank’s exclusion list, local law, and additional exclusion and eligibility criteria. In accordance with the IDB Group Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (document GN-3062-1), measures based on local laws and international agreements are being taken, and are included in the Social and Environmental Management System, to avoid and mitigate the risk of forced labor on any subprojects that involve the financing of solar modules.

C. Fiduciary risks

2.6 The fiduciary risk has been classified as low. Bancóldex has experience in managing Bank-financed resources and has demonstrated its capacity as an executing agency on more than eight programs financed under CCLIPs (CO-X1007 and CO-O0004). Since 2019, it has been executing operations 4939/OC-CO and 5169/TC-CO for productive financing of MSMEs in Colombia. Both operations are at an advanced stage of satisfactory execution. The institutional capacity assessment conducted in October 2021 and revised in February 2023 found that Bancóldex still has sufficient capacity to carry out activities for the financial management and administration of resources for this program, and in preparing this operation it was confirmed that no changes have occurred in the institution.

\textsuperscript{23} The demand study for the reformulated operation (optional link 5) estimates that MSMEs in Colombia will have significant needs for productive financing, and therefore the program is thought to be highly likely to comply with the disbursement schedule.
D. Key issues

2.7 Program sustainability. This program fits within Bancóldex’s medium-term strategy to help MSMEs increase their access to financing for the modernization and environmental sustainability of production, an area not currently served by the private sector. To ensure the program’s sustainability, the Bank will provide technical assistance (paragraph 1.22) so that the new lines of credit for mobilization and sustainability developed by Bancóldex are consolidated as part of its products for the financial system and mobilize an increasing share of cofinancing from the private sector. Bancóldex also expects the program to generate long-term sustainability by (i) consolidating private sector offerings to finance these market segments; and (ii) consolidating access to the financial system for the program’s beneficiary enterprises, so that they can access medium- and long-term productive credit from the private sector.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

3.1 Borrower, executing agency, and guarantor. Bancóldex will be the borrower and executing agency of the loan, with the sovereign guarantee of the Republic of Colombia. Bancóldex is a public-private corporation organized as a bank credit institution; it is attached to the Ministry of Finance and Public Credit and subject to inspection and supervision by the Financial Superintendency of Colombia (SFC). Bancóldex is a public development bank whose primary mandate is business development. To this end, it promotes the financing of enterprises through credit instruments in the form of rediscount lines, direct lending, and investment loans through private capital funds. It also structures training and consulting programs to contribute to business development (for more information on Bancóldex, see optional link 18).

3.2 Execution and administration. Bancóldex’s Vice Presidency for Finance will be the primary focal point for execution. It will be supported by the Vice Presidency for Corporate Strategy through its MSME Department and its Office of Sustainable Development and the Office of International Relations and Cooperation, as well as the Vice Presidency for Commerce, the Vice Presidency for Direct Lending to SMEs, and the Vice Presidency for Risk and Credit, to coordinate the program’s technical and financial activities.

3.3 Considerations for implementation. Through the program, Bancóldex will channel subloans through IFIs so that the IFIs, in turn, can provide credit to MSMEs. For Components 2 and 3 of the program, Bancóldex may also provide subloans directly to MSMEs through its first-tier window. The maximum amount of

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24 Based on the historical analysis of Bancóldex’s portfolio and demand projections, the average loan amount is estimated at US$18,086.
program-supported productive loans to MSMEs will be US$1 million. The issuance, management, and repayment of subloans backed by program resources will be governed by Bancóldex’s operational policies and the Credit Regulations. Bancóldex will be responsible for identifying and selecting eligible IFIs to participate in the project. The IFIs with which Bancóldex will work must meet the Bank’s eligibility criteria (paragraph 3.5 and Credit Regulations) for the program. Bancóldex is expected to work primarily with IFIs that have a track record of serving the MSME market segment.

3.4 To be eligible, IFIs must meet the following requirements: (i) be a financial institution authorized, regulated, and supervised in the Colombian financial system; (ii) meet Colombian regulatory requirements in terms of capital, portfolio quality and provisioning, liquidity, and governance; and (iii) agree to meet specific requirements to be a financial intermediary of Bancóldex, including the IDB’s requirements for the program as specified in the Credit Regulations. Bancóldex will verify that all IFIs meet the aforementioned requirements to continue being eligible to receive program resources.

3.5 To be eligible, the program’s beneficiary MSMEs must meet the following requirements: (i) for Components 2 and 3, be a business formed in accordance with the laws of the Republic of Colombia and have the appropriate licenses and permits to operate under Colombian law or be in the renewal process, provided they are authorized to operate at the time the subloan contract is signed; (ii) meet the requirements to be classified as a micro, small, or medium-sized enterprise in Colombia in accordance with the country’s legal definition ([27] in optional link 4); (iii) be a borrower that meets the credit requirements of financial intermediaries and Bancóldex; and (iv) meet the program eligibility requirements set forth in the Credit Regulations.

3.6 Credit Regulations. The program’s Credit Regulations will establish the terms and conditions for execution, including the specific features of the subloans eligible for financing, treatment depending on the subloan amount, social and environmental monitoring, limits on the use of resources, and other conditions such as environmental and social management requirements, fiduciary obligations, and monitoring and evaluation requirements. Any changes to the Credit Regulations will require the Bank’s no objection.

3.7 Special contractual conditions precedent to the first disbursement of the loan. A special contractual condition precedent to the first disbursement of the loan will be approval by Bancóldex of the program’s Credit Regulations, which are to include the environmental and social requirements, under the terms previously agreed with the Bank. This condition is justified since the Credit Regulations will include detailed guidelines to be adopted in the use of program resources and the social and environmental conditions as established in Annex B of the Summary Environmental and Social Review.

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25 The maximum amount per loan is US$1 million. However, in accordance with the Credit Regulations, a waiver may be requested via the Bank’s no objection for loans of up to US$2 million for Components 2 and 3. It is anticipated that this waiver may come into play for investments in technological equipment in excess of US$1 million. These investments will be subject to the same eligibility criteria set forth in the Credit Regulations (regarding eligible IFIs, beneficiaries, use, eligible investments, risk assessments, recoveries, socioenvironmental rules, etc.).
3.8 **Exceptions to Bank policies.** Approval of a partial waiver of the Bank’s Policy on Guarantees Required from the Borrower (Operational Policy OP-303) is sought from the Board of Executive Directors so that the Republic of Colombia guarantees only the loan repayment obligations, including interest and fees. This request is consistent with the provisions of Decree 2681 and Article 40 of Law 80 of the Republic of Colombia and has as precedents the same waiver as in previous operations approved under CCLIP CO-X1007 and this CCLIP CO-O0004 (4939/OC-CO, 5169/TC-CO, 5459/OC-CO).

3.9 **Procurement.** Since this is a financial intermediation program that will operate on demand, no procurement of works, goods, or consulting or nonconsulting services has been planned as part of its execution. Therefore, the proposal does not include an execution plan or a procurement plan. Any procurement of consulting or nonconsulting services that may be necessary for program administration and/or evaluation will comply with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) or any subsequent update to such policies.

3.10 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to $40 million (20% of the additional Ordinary Capital) in eligible expenditures incurred by the borrower between the project profile approval date (28 April 2023) and the approval date of the loan, for the financing of activities under Components 2 and 3, provided that requirements substantially similar to those established in the loan contract have been met. This amount is based on the expenditures that Bancóldex is projected to make for the execution of lines of credit consistent with this program’s objectives and components for long-term productive financing for MSMEs, and this is considered particularly important for the provision of timely support to eligible beneficiaries that are already in a potential project portfolio.

3.11 **Disbursements.** Program resources will be disbursed to Bancóldex under the reimbursement modality, and requests will be submitted to the Bank electronically. Bancóldex will separately submit disbursement requests for retroactive recognition of expenditures and disbursement requests for reimbursement of expenditures incurred during program execution. The exchange rate for disbursement requests in U.S. dollars for resources from operation CO-L1289 will be the rate as of the effective date of the payment in Colombian pesos. The program’s disbursements will reimburse Bancóldex for subloan contracts submitted to the Bank in compliance with the eligibility requirements established in the program’s Credit Regulations. Disbursements will be verified on an ex post basis, subject to on-site review of the subloans made.

3.12 **Financial statements and audits.** The program’s financial statements will be audited in accordance with the procedure agreed upon in advance with the Bank. Within 120 days following the close of each of the project’s fiscal years during the original disbursement period, or any extensions thereof, the executing agency will submit the program’s audited financial statements duly certified by an independent audit firm acceptable to the Bank. The Bank will request Bancóldex’s audited financial statements and complementary financial information related to such
statements during the project execution period until all project resources have been disbursed. These statements and this information will be submitted to the Bank within 120 days after the close of each fiscal period of Bancólódex, starting with the period in which project execution begins and throughout the original disbursement period or any extensions thereof. The last of these reports will be submitted within 120 days after the close of Bancólódex’s fiscal period in which the last disbursement was made.

B. Summary of arrangements for monitoring results

3.13 Monitoring. This program will follow the Bank’s general procedures for monitoring and evaluating investment operations, based on the indicators in the Results Matrix agreed upon by the executing agency and the Bank, as well as the monitoring and evaluation plan. The program will be monitored through periodic progress monitoring reports (PMRs) prepared by the executing agency. The program monitoring costs will be covered by the executing agency with its own resources. The Bank will conduct periodic visits to support and monitor program execution.

3.14 Evaluation. The executing agency will prepare a final report on the program to be submitted within 120 days after the last disbursement, as well as a midterm evaluation. The final evaluation will assess the success in achieving the program’s objectives and results based on the Results Matrix. The proposed evaluation method will be based on a before-and-after analysis. The Bank will also conduct an impact evaluation to assess the impacts of the intervention. As explained in the monitoring and evaluation plan, this methodology will make it possible to analyze the program’s effectiveness and benefits.

3.15 Information. Bancólódex will compile and keep all information, indicators, and parameters required to prepare the project completion report and any ex post evaluation that the Bank wishes to perform.

IV. ELIGIBILITY CRITERIA

4.1 Eligibility criteria of the CCLIP and the third operation under the CCLIP. The Multisector Modality-I (MM-I) CCLIP complies with the eligibility criteria established in policy document GN-2246-13 and its operational guidelines (document OP-1622-3), given that the objectives of this CCLIP are still included in the priorities of the current IDB Group country strategy (document GN-2972). The reformulated operation and additional financing, under the MM-I CCLIP, comply with the general criteria established in policy document GN-2246-13 and its operational guidelines (document OP-1622-3) (paragraph 3.5), given that: (i) the updated institutional capacity assessment of Bancólódex is satisfactory (paragraph 2.6); (ii) the operation’s objective contributes to the CCLIP’s overall objective of promoting productivity in Colombian enterprises (paragraph 1.1); (iii) the operation addresses the sectors identified in the CCLIP by serving Colombian MSMEs (paragraph 1.1); and (iv) the operation includes technical assistance to support the identified measures for enhancing Bancólódex’s institutional capacity (paragraph 1.29). The reformulated operation and additional financing also comply with the specific criteria established in the operational guidelines set forth in document GN-2246-13 for the second and subsequent individual loan operations under CCLIPs, given that: (i) the new operation is
justified in view of the constraints on access to financing that Colombian MSMEs continue to face and the advanced stage of execution of operations in progress (paragraphs 1.7-1.11 and 1.20); and (ii) the performance of operations in progress under the CCLIP (4939/OC-CO and 5169/TC-CO) is satisfactory according to the latest PMRs, and these operations are highly likely to fulfill their development objectives (paragraph 4.2).

4.2 Performance of operations in progress under the CCLIP. The first (4939/OC-CO) and second (5169/TC-CO) operations are currently in execution and are aimed at improving MSMEs’ productivity through financing channeled by Bancóldex. Both operations have performed satisfactorily according to the latest PMRs (second half of 2022), which demonstrates Bancóldex’s capacity to implement the CCLIP. Implementation of the first operation is at 82.5% with 15 months remaining until the end of the disbursement period. Implementation of the second operation is at 95.5% with 27 months remaining until the end of the disbursement period. Both operations are expected to achieve their development objectives and be completed ahead of schedule. Preparation of the PCRs for both operations is expected to begin in the first quarter of 2024.
The program's specific objectives are: (i) to increase the provision of financing for productive investment by microenterprises; (ii) to increase the provision of financing for productive investment destined to improve environmental sustainability of MSMEs; (iii) to increase the provision of financing for productive investment destined to improve environmental sustainability of MSMEs.

The general objective of the program is to promote sustainable growth via financing of investments that contribute to improve productivity and sustainability of Colombian MSMEs. In this context the new government has launched a National Development Plan and to align the program to newly stated governmental priorities the reformulation was requested.

Evidence confirms that firms with access to credit have a level of investment at 130% and a labor productivity 27% higher than those that lack credit. Under the first specific objective (SO) the program seeks to augment the supply of financing for microenterprises including as one of the target populations microenterprises subject to credit for the very first time. Under the second SO resources will expand financing supply for medium- and long-term productive investment of Colombian MSMEs. Lastly, the third SO will supply financing for MSMEs investing productively in mitigation and adaptation to climate change.

The program consists in the reformulation (COP. 175MM) with additional financing (US$200MM) of the third operation under a CCLIP for investment for productive financing of firms. The original operation was approved in 2021 and had not yet been ratified or began executing.

Despite being the Latin-American economy that experienced the highest growth in the region in 2022, Colombia faces macroeconomic challenges including high inflation and the devaluation of the peso. Even when disregarding the pressure this could place on the availability of capital, financing to Colombian MSMEs already faces significant challenges both from the demand and supply sides. Only 21% of total credit extended to firms is held by MSMEs and most of this credit is short-term and earmarked to finance working capital. The differential in financing cost for MSMEs vis-a-vis large corporations is 7%, higher than the regional average and in sharp contrast to the same differential for OECD countries of 2.5%.

The program's vertical logic is solid. The Results Matrix indicators are mostly SMART but there is a risk that indicators associated to vulnerable sub-target populations are not measurable such as benefitted women owned firms (target of 50% of all microenterprises), firms owned by indigenous, afro-descendants and LGBTQ+ populations (target of at least 20 microenterprises benefitted belonging to one of these groups). Currently, Bancoldex does not disaggregate its portfolio even by gender of owning firm and steps are being taken toward this goal including because of this program. For other minorities a pilot exercise will be carried out which includes an identification strategy to mitigate the risk of non-measurement given a lack of data. At closure, results will be evaluated reflectively.
**RESULTS MATRIX**

**Project objective:** The specific development objectives are to: (i) increase the supply of credit for financing productive investments by microenterprises; (ii) increase the supply of credit for financing investments to modernize production; and (iii) increase the supply of credit for productive investments to make production more environmentally sustainable. The general development objective of the reformulation and additional financing under the third individual operation of the CCLIP is to promote sustainable growth through investment financing to help improve the productivity and sustainable development of Colombian MSMEs.

**EXPECTED IMPACT**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit of measure</th>
<th>Baseline (2023)</th>
<th>Final target (2026)</th>
<th>Means of verification</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator 1:</strong> Rate of growth in sales of MSMEs benefitting from program-related subloans vis-à-vis a control group</td>
<td>%</td>
<td>0%</td>
<td>4%</td>
<td>Monitoring information from Bancóldex</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Indicator 2:</strong> Differential in the annual rate of growth in jobs at MSMEs benefitting from program subloans vis-à-vis a control group</td>
<td>%</td>
<td>0%</td>
<td>4.3%</td>
<td>Monitoring information from Bancóldex</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Indicator 3:</strong> CO₂ emissions averted as a result of productive investments aimed at making production more environmentally sustainable</td>
<td>Thousands of tons of CO₂</td>
<td>0</td>
<td>12.45</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
</tbody>
</table>
## Expected Outcomes

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Unit of measure</th>
<th>Baseline (2023)</th>
<th>Final target (2026)</th>
<th>Means of verification</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Specific objective 1: Increase the supply of credit for financing productive investments by microenterprises</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator 1: Minimum percentage of beneficiary microenterprises receiving credit for the first time from Bancóldex’s client banks</td>
<td>Percentage</td>
<td>0</td>
<td>10</td>
<td>Monitoring information from Bancóldex</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 2: Minimum percentage of beneficiary microenterprises receiving credit that are women-owned or -led</td>
<td>Percentage</td>
<td>0</td>
<td>50</td>
<td></td>
<td>Pro-gender indicator. See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 3: Amount of Bancóldex’s portfolio for financing productive investments by microenterprises</td>
<td>US$ million</td>
<td>270</td>
<td>315</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 4: Minimum number of financed enterprises of diverse population groups (Afro-descendant, indigenous, and LGBTQ+ persons)</td>
<td>Number</td>
<td>0</td>
<td>20</td>
<td>End of project, based on semiannual financial information</td>
<td>Pro-diversity indicator. See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Specific objective 2: Increase the supply of credit for financing investments to modernize production</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Indicator 5: Relative arrears rate in the portfolio for productive financing of MSMEs supported by program resources, compared to the arrears rate across the total portfolio of the banking system</td>
<td>%</td>
<td>0.33</td>
<td>0.33</td>
<td>Monitoring information from Bancóldex</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 6: Average tenor of Bancóldex’s total portfolio for financing investments aimed at modernizing production in MSMEs</td>
<td>Months</td>
<td>68</td>
<td>68</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 7: Amount of Bancóldex’s portfolio for financing investments aimed at modernizing production</td>
<td>US$ million</td>
<td>334</td>
<td>474</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Specific objective 3: Increase the supply of credit for financing productive investments to make production more environmentally sustainable</strong></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Indicator 8: Total amount of the relevant portfolio for financing climate investments</td>
<td>US$ million</td>
<td>75.3</td>
<td>135.3</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 9: Percentage of climate investments in the credit line for mitigation</td>
<td>%</td>
<td>80.69</td>
<td>90</td>
<td></td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td>Indicator 10: Percentage of program investments classified as climate investments</td>
<td>%</td>
<td>50</td>
<td>100</td>
<td>Monitoring information from Bancóldex</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
</tbody>
</table>
## Outputs

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Unit of measure</th>
<th>Baseline (2023)</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Final target (2026)</th>
<th>Means of verification</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Credit for microenterprises (Col$175,000,000,000)</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Output 1:</strong> Amount allocated to finance productive investments by microenterprises</td>
<td>Col$ billion</td>
<td>0</td>
<td>43.75</td>
<td>43.75</td>
<td>43.75</td>
<td>43.75</td>
<td>175</td>
<td>Bancóldex reports</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Milestone 1:</strong> Minimum number of microenterprises receiving credit from Bancóldex’s client banks</td>
<td>Number</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>60,000</td>
<td>Bancóldex reports</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Component 2: Modernize production (US$123,000,000)</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Output 2:</strong> Amount allocated to finance productive investments to modernize production</td>
<td>US$ million</td>
<td>0</td>
<td>30.75</td>
<td>30.75</td>
<td>30.75</td>
<td>30.75</td>
<td>123</td>
<td>Bancóldex reports</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Milestone 3:</strong> Percentage of Component 2 resources allocated to women-owned or -led enterprises</td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25</td>
<td>Bancóldex reports</td>
<td>See the monitoring and evaluation plan for detailed comments.</td>
</tr>
<tr>
<td><strong>Component 3: Climate investments (US$77,000,000)</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Output 3:</strong> Amount allocated to finance climate investments (mitigation and adaptation)</td>
<td>US$ million</td>
<td>0</td>
<td>19.25</td>
<td>19.25</td>
<td>19.25</td>
<td>19.25</td>
<td>77</td>
<td>Bancóldex reports</td>
<td>See the monitoring and evaluation plan for detailed comments. Annex 5 of the Credit Regulations includes a list of eligible investments in accordance with the multilateral development banks’ climate finance methodology.</td>
</tr>
</tbody>
</table>
Executing agency: Banco de Comercio Exterior de Colombia, S.A. (Bancóldex)

Operation name: Program to Support Access to Sustainable and Inclusive Productive Credit for Colombian MSME’s. Reformulation and Additional Financing.

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country system in the operation

<table>
<thead>
<tr>
<th>Budget</th>
<th>Reports</th>
<th>Information system</th>
<th>National competitive bidding (NCB)</th>
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<tbody>
<tr>
<td>☒</td>
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<thead>
<tr>
<th>Treasury</th>
<th>Internal audit</th>
<th>Shopping</th>
<th>Other</th>
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<tbody>
<tr>
<td>☒</td>
<td>☑</td>
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</tbody>
</table>

2. Fiduciary execution mechanism

Features of fiduciary execution

The borrower and executing agency will be Bancóldex, which will be legally responsible to the Bank for repaying the debt, with the guarantee of the Republic of Colombia, and will carry out the program’s technical and financial activities. Bancóldex will channel subloans to intermediary financial institutions (IFIs) so that the IFIs, in turn, can provide new credit to micro, small, and medium-sized enterprises (MSMEs). For Components 2 and 3 of the program, Bancóldex may also provide subloans directly to MSMEs through its first-tier window. The issuance, management, and repayment of subloans backed by loan proceeds will be governed by Bancóldex’s operational policies and the Credit Regulations. Bancóldex will be responsible for identifying and selecting eligible first-tier IFIs to participate in the project; these IFIs must meet the Bank’s eligibility criteria for the program. Bancóldex is expected to work primarily with IFIs that have a track record of serving the MSME market segment.

Bancóldex is responsible for financial management, for evaluating financial risks, and for monitoring in relation to the loans and amounts provided to the first-tier IFIs.

3. Fiduciary capacity

Fiduciary capacity of the executing agency

Bancóldex has experience in managing Bank-financed resources and has demonstrated its capacity as an executing agency on more than eight programs financed as part of CCLIPs ([CO-X1007](https://example.com) and [CO-O0004](https://example.com)) for US$650 million and US$600 million, respectively. Since 2019, it has been executing operations [4939/OC-CO](https://example.com) and [5169/TC-CO](https://example.com) for productive financing of MSMEs in Colombia. Both operations are at an advanced stage of satisfactory execution. The institutional capacity assessment conducted in October 2021 found that Bancóldex has sufficient capacity to carry out activities for the financial management and administration of resources for this program, and in preparing this operation it was

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1 Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank’s validation.
confirmed that no changes have occurred in the institution. The fiduciary risk has been classified as low.

5. Policies and guidelines applicable to the operation: For financial management, the Financial Management Guidelines for IDB-financed Projects (document OP-273-12 or its latest update) will apply. The program is not expected to include any procurement, as its components deal solely with loans.

6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

**Exchange rate:** For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For this purpose, the agreed exchange rate will be the rate at such time as the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

**Type of audit:** The project’s audited financial statements will be requested and submitted to the Bank within 120 days following the close of each of the project’s fiscal years during the original disbursement period, or any extensions thereof, in accordance with the procedures and terms of reference previously agreed upon with the Bank. The Bank will also request the borrower’s audited financial statements and complementary financial information related to such statements during the project execution period until all project resources have been disbursed. These statements and information will be submitted to the Bank within 120 days after the close of each fiscal period of Bancóldex, starting with the period in which project execution begins and throughout the original disbursement period or any extensions thereof. The project’s fiscal period runs from 1 January to 31 December of each year.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<table>
<thead>
<tr>
<th></th>
<th>Retroactive financing</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>The Bank may retroactively finance, as a charge against the loan proceeds, up to US$40 million (20% of the additional Ordinary Capital) in eligible expenditures incurred by the borrower between the project profile approval date (28 April 2023) and the approval date of the loan, for the financing of activities under Components 2 and 3, provided that requirements substantially similar to those established in the loan contract have been met. This amount is based on the expenditures that Bancóldex is projected to make for the execution of lines of credit consistent with this program’s objectives and components for long-term productive financing for MSMEs, and this is considered particularly important for the provision of timely support to eligible beneficiaries that are already in a potential project portfolio.</td>
</tr>
</tbody>
</table>

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<table>
<thead>
<tr>
<th></th>
<th>Programming and budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bancóldex is a public-private corporation under national law and, therefore, is not part of the national government’s general budget, i.e., its expenditures are not paid from the public treasury, but rather with proceeds from its own operations as a lending institution. Therefore, it is not required to enter its budget information into Colombia’s public financial management system. Bancóldex’s budget is structured in accordance with the strategic action plan that helps to chart the course of action of the various business units for the upcoming year and subsequently helps to determine allocations for each line. For budget development and monitoring,</td>
</tr>
</tbody>
</table>
Bancóldex uses clear policies that are determined in the “budgetary planning” and “budgetary management” processes in its value chain, and which are approved by senior management. To monitor budget management, tools are used to make business projections (IBM Planning) and to help monitor expenditures (IBM Planning and Workspace), as well as to monitor the various lines of loan placement and other business units (Data Warehouse). Bancoldex’s steering committees and its board of directors, which meets monthly, monitor budget execution.

| Treasury and disbursement management | Resources for Component 1 will be disbursed in Colombian pesos. Resources for Components 2 and 3 will be disbursed in U.S. dollars to Bancóldex. All disbursements will be processed using the reimbursement modality, and requests will be submitted to the Bank electronically. Bancóldex will separately submit disbursement requests for retroactive recognition of expenditures and disbursement requests for reimbursement of expenditures incurred during program execution. The exchange rate for reimbursement requests in U.S. dollars will be the rate in effect at the time payment is made in Colombian pesos. The program’s disbursements will reimburse Bancóldex for transfers made to IFIs that have loan agreements with Bancóldex and have submitted subloan contracts in compliance with the eligibility requirements established in the program’s Credit Regulations. |
| Accounting, information systems, and reporting | Bancóldex’s policies for accounting and for preparation of financial statements are developed in accordance with the current provisions of Law 1314 of 2009, which is regulated, compiled, and updated by Decree 938 of 2021, Decree 1432 of 2020, and previous measures. Financial statements are prepared in accordance with the accepted accounting and financial reporting standards in Colombia, which are based on the International Financial Reporting Standards, along with their interpretations, which are translated into Spanish and published by the International Accounting Standards Board. Project accounting uses the accrual method in Bancóldex’s accounting module, which can accommodate multiple users, uses Cobol, and is updated daily. Operations are managed and their accounts are maintained in “Core Bancario T24” (a standard software for managing loan operations). Operations related to the project will be clearly marked in Bancóldex’s database, and any changes will be made through an automatic data entry system in the Oracle Forms platform, in which the automatic controls and validations agreed upon with the Bank will be used to select and administer the status of associated operations. All of these tools are integrated into Bancóldex’s operational and database management systems. Bancóldex will oversee this amount in Delfos (its institutional information system), which includes a report that can be used to exercise automatic control of operations supporting each of the disbursements received from the Bank. As a result, oversight is effectively decoupled from Bancóldex’s accounting or portfolio transaction system. To submit the project’s financial statements, information is taken from the AS400 application for manual preparation in Excel. |
| Internal control and internal audit | Bancóldex is in compliance with the internal control requirements applicable to it as a financial institution and State entity. The Office of the Internal Comptroller, in prioritizing and developing the annual audit plan, considers the organization’s risk profile through supporting processes and in view of emerging risks. Bancóldex annually conducts the independent regulatory evaluation of its internal control system using the MECI: 2014 model administered by the Civil Service Administrative Department. An annual evaluation is also conducted of the accounting internal control system using the methodology of Colombia’s General Accounting Office, wherein the regulatory elements subject to evaluation relate to the existence and effectiveness of |
accounting policies, phases of the accounting process, rendering of accounts and reporting to stakeholders, and management of accounting risk.

<table>
<thead>
<tr>
<th></th>
<th><strong>External control and financial reports</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Execution of resources and eligibility of program expenditures will be audited on an annual basis by an independent audit firm acceptable to the Bank, which will be hired by Bancóldex. The program auditor may be the same firm that is conducting fiscal oversight and certifying the financial statements of Bancóldex and other projects in execution, which would help optimize costs and provide a comprehensive view for oversight of the executing agency and program administration. The auditor will submit a report on the eligibility of program expenditures and will verify that the promissory notes signed over to Bancóldex exist and that the resources are being channeled through the private-sector first-tier IFIs to the end beneficiaries, as specified in the program’s Credit Regulations. The auditor will also conduct inspection visits to both the first-tier IFIs and the end beneficiaries. The audit services will be financed with Bancóldex’s resources.</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Financial supervision</strong></th>
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<tbody>
<tr>
<td></td>
<td>The financial specialist will conduct, at a minimum, one onsite review per year and desk reviews of the audited annual and final financial statements. The auditor will verify that the promissory notes signed over to Bancóldex exist and that the resources are being channeled through the private-sector first-tier IFIs to the end beneficiaries, as specified in the program’s Credit Regulations. The auditor will also conduct inspection visits to both the first-tier IFIs and the end beneficiaries. The fiduciary supervision visits for financial management will include verification of the financial and accounting arrangements used for project administration and monitoring of implementation of any recommendations issued by the independent auditor of this project, <em>inter alia.</em></td>
</tr>
</tbody>
</table>
PROPOSED RESOLUTION DE-__/23

Colombia. Loan ____/OC-CO to Banco de Comercio Exterior de Colombia S.A. (Bancóldex)
Modification to the Third Individual Operation under the Conditional Credit Line for Investment
Projects (CCLIP) for Productive Business Financing (CO-O0004) “Financing to Support
Colombia’s Energy Transition” to finance the “Program to Support Access to
Sustainable and Inclusive Productive Credit for Colombian MSMEs”
(Modification to Loan 5459/OC-CO and Additional Financing)

The Board of Executive Directors

RESOLVES:

1. To approve the modification to the Third Individual Operation under the Conditional
Credit Line for Investment Projects (CCLIP) for Productive Business Financing (CO-O0004)
“Financing to Support Colombia’s Energy Transition” to finance the “Program to Support Access to
Sustainable and Inclusive Productive Credit for Colombian MSMEs”, in accordance with the
terms and conditions established in document PR-____.

2. That the President of the Bank, or such representative as he shall designate, is
authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may
be necessary with Banco de Comercio Exterior de Colombia S.A. (Bancóldex), as borrower, and
with the Republic of Colombia, as guarantor, to: (i) implement the modification to which reference
is made in paragraph 1; and (ii) grant the former an additional financing to cooperate in the
execution of the Program to Support Access to Sustainable and Inclusive Productive Credit for
Colombian MSMEs, which constitutes the third individual operation under the Conditional Credit
Line for Investment Projects (CCLIP) for Productive Business Financing (CO-O0004), approved
on 11 December 2019 by Resolution DE-141/19. Such financing will be for the amount of up to
US$200,000,000,000 from the resources of the Bank’s Ordinary Capital, and will be subject to
the Financial Terms and Conditions and the Special Contractual Conditions of the Project
Summary of the Loan Proposal.

(Adopted on ___ ____________ 2023)