

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

**STRENGTHENING OF LOW-COST HOUSING AND
TERRITORIAL DEVELOPMENT POLICY**

(CO-L1018)

LOAN PROPOSAL

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Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/countries/home.cfm?id_country=CO&Language=Spanish
Status of loans in execution and loans approved	http://portal.iadb.org/approvals/pdfs/COen.pdf
Tentative lending program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=CO&L=EN
Information available in the ICF/FMM files	http://ops/idbdocs/docsMain/getdoc.asp?docnumber=1180226
Annex II: Procurement Plan	http://ops/idbdocs/docsMain/getdoc.asp?docnumber=1234921

ABBREVIATIONS

CAVIS-UT	Unión Temporal de Cajas [Temporary Union of Family Assistance Funds]
CCF	Cajas de compensación familiar [family assistance funds]
CNI	Comprehensive neighborhood improvement
DANE	National Bureau of Statistics
DDT	Dirección de Desarrollo Territorial [Territorial Development Office]
DNP	Departamento Nacional de Planeación [National Planning Department]
DSH	Dirección de Sistema Habitacional [Housing System Office]
FINDETER	Financiera de Desarrollo Territorial, S.A.
FNV	Fondo Nacional de Vivienda [National Housing Fund]
FONADE	Fondo Financiero de Proyectos de Desarrollo [Development Projects Fund]
GDP	Gross domestic product
ICB	International competitive bidding
ICT	Information and communication technology
IGAC	Instituto Geográfico Agustín Codazzi [Agustín Codazzi Geographic Institute]
INURBE	Instituto Nacional de Vivienda de Interés Social y Reforma Urbana [National Institute of Low-cost Housing and Urban Reform]
LCH	Low-cost housing
LUP	Land use plan
MAVDT	Ministry of the Environment, Housing, and Territorial Development
MMW	Minimum monthly wage
NCB	National competitive bidding
NGO	Nongovernmental organization
OPV	Organizaciones populares de vivienda [community groups to promote housing solutions]
PCU	Program coordination unit
PET	Project execution team
PND	Plan Nacional de Desarrollo [National Development Plan]
RFP	Request for proposals
SAS	Sistema de Información para la Administración del Subsidio [Information system for subsidy management]
SBD	Standard bidding documents
SFV	Subsidio familiar de vivienda [Family housing subsidy]
SIMONVISU	Sistema de Monitoreo del Programa de Vivienda de Interés Social [Monitoring system for the low-cost housing program]
SISBEN	Sistema de Información de Beneficiarios [Beneficiary Information System]
SNR	Office of the Superintendent of Notarial and Registration Services
SVIS	Low-cost housing system
VVDT	Office of the Deputy Minister for Housing and Territorial Development

PROJECT SUMMARY
COLOMBIA
STRENGTHENING OF LOW-COST HOUSING AND
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(CO-L1018)

Financial Terms and Conditions ¹				
Borrower: Republic of Colombia			Amortization period:	25 years
Executing agency: Ministry of the Environment, Housing, and Territorial Development (MAVDT)			Grace period:	60 months
			Disbursement period:	60 months
Source	Amount (US\$)	%	Interest rate:	Adjustable
IDB	350 million	60%	Inspection and supervision fee:	0%
Local	235 million	40%	Credit fee:	0.25 % of undisbursed amounts
Total	585 million	100%	Currency:	U.S. dollars from the Single Currency Facility
Project at a Glance				
<p>Project objective:</p> <p>The general objective of the program is to help improve the quality of life of low-income families through access to better housing and living conditions. Specifically, the operation is geared toward: (i) strengthening and improving the subsidy system for low cost housing (LCH); (ii) promoting mass titling programs for government properties illegally occupied with LCH; (iii) creating instruments and laying the groundwork for development and application of a national comprehensive neighborhood improvement (CNI) policy; and (iv) strengthening the institutional framework and consolidating the sector information system.</p> <p>Special contractual conditions:</p> <p>See paragraph(s) 3.3: Approval by the Bank and implementation of the Operating Regulations; 3.10: Definition of mechanisms for selecting, contracting, rating, and evaluating inspectors; and 3.11: Operation of the subsidy information system and tracking system to the Bank's satisfaction; and signature of agreements with the operator and supervisory authority.</p> <p>Disbursements of loan proceeds for the titling component will be conditional upon signature, to the Bank's satisfaction, of (i) for the activities described in paragraphs 2.10 and 2.11, the agreement between the executing agency and Instituto Geográfico Agustín Codazzi [Agustín Codazzi Geographic Institute] (IGAC); and (ii) for the activities described in paragraph 2.12, the agreement between the executing agency and the Office of the Superintendent of Notarial and Registration Services (SNR).</p> <p>Exceptions to Bank policies:</p> <p>See paragraph 3.26: Revolving fund of up to 15% of the Bank loan proceeds.</p>				
<p>Project consistent with country strategy: Yes [X] No []</p> <p>Project qualifies as: SEQ [X] PTI [X] Sector [] Geographic [] Headcount [X]</p> <p>Verified by CESI on: 26 October 2007.</p> <p>Environmental and social review: See paragraphs 4.11 to 4.15.</p> <p>Procurement: See paragraph 3.24.</p>				

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1%, of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. FRAME OF REFERENCE

A. Urban population and housing in Colombia

- 1.1 Colombia is a country with a population estimated at nearly 42 million people, of whom 32 million live in urban areas. Over the last few decades, the country has undergone a strong urbanization process: in 1950 the urban population represented 39% of the total population, but by 2005 that figure had risen to 76%. Additionally, while the urban population increased by nearly five times, the rural population remained nearly constant. This phenomenon, while common in many cities of Latin America, is more marked in Colombia, where the armed struggle has increased migration to cities. Based on projections by the National Planning Department (DNP), it is estimated that by 2019, nearly 80% of the Colombian population will live in cities.
- 1.2 While urbanization generally leads to better quality of life in terms of basic needs, the scarcity of developed land, combined with a limited capacity to produce formal housing for low-income households, has made it impossible for a large portion of the population to access decent housing. In fact, during the last five years, the formal housing market was only capable of satisfying 51% of demand. This has led to cohabitation, an increase in overcrowding, or seeking housing on the informal market. It is estimated that 2.6 million households (31% of total urban households) are affected by the housing shortage in urban areas, of which approximately 60% are informal households with incomes below four times the minimum monthly wage (MMW).
- 1.3 DNP estimates further indicate that 3.95 million new households will be formed during the 2005-2019 period. In order to meet this demand without the formation of new squatter settlements and/or overcrowding, the formal housing market must be capable of producing at least 230,000 homes each year, of which 140,000 must qualify as LCH.¹
- 1.4 The limited capacity of the formal market to provide housing solutions has resulted in the appearance of informal settlements in Colombia. Those settlements constitute a large problem with economic, social, and environmental consequences that affect society as a whole. Approximately 16% (1.3 million) of urban households in Colombia are living in squatter settlements. On average, 24% of urban areas are made up of settlements with such characteristics. Those neighborhoods are characterized by deficiencies in public services, road construction and street furniture, haphazard property titling, and other issues. A large number of properties owned by the municipios, departments, or other national agencies have been illegally occupied by LCH (estimated at 700,000 by Instituto Geográfico Agustín Codazzi [Agustín Codazzi Geographic Institute] (IGAC)). The people residing on those lands live in a state of legal uncertainty without an asset to protect them against potential financial risks.

¹ LCH is housing that costs less than 135 MMW. One MMW is equivalent to approximately US\$180.

B. Colombia's housing and territorial development policy

- 1.5 Colombia has a strong tradition of institutions dedicated to the housing sector, and has instituted various models for providing housing to low-income sectors. Following certain periods of construction by the State, in the early 1990s the Low-cost Housing System (SVIS) was created with National Institute of Low-cost Housing and Urban Reform (INURBE) as its administrative agency. In 2003, INURBE was dissolved and replaced with the Fondo Nacional de Vivienda [National Housing Fund] (FNV), at the same time that the new Ministry of the Environment, Housing, and Territorial Development (MAVDT) was created.
- 1.6 The main instrument, still in use, is a grant (subsidy) that—when combined with personal savings and/or credit/contributions from subnational entities—allows families to buy a housing solution on the market, make improvements to their current home, or build a home on land that they own. The model is designed such that the amount of the subsidy covers approximately 70% of the value of the home. This system has enabled housing solutions to be provided to nearly 400,000 families between 2002 and 2006.
- 1.7 In general, the supply of LCH is regulated by the national government, while four sources/agencies are responsible for financing and administering the system: (i) the national government, with funds from the national budget and through the FNV, serves informal sectors with incomes below four MMW in the urban area; (ii) the Ministry of Agriculture serves those sectors in the rural area; (iii) cajas de compensación familiar [family assistance funds] (CCFs), through the administration of parafiscal resources,² serve formal workers affiliated with those institutions; and (iv) the Military Housing Promotion Fund serves military personnel. In addition to the above, the municipios and departments participate in the national LCH policy, applying for funds from the national program, supplemented with funds from their own budget.
- 1.8 With respect to plans and programs geared toward improving living conditions in squatter settlements, progress has been less significant at the national level. It was not until 2004 that national guidelines were issued to optimize the urban development policy, recognizing the need to respond to informal development and squatter settlements, and to implement policies that resolve the shortage of urban land for LCH.
- 1.9 In recent years, in order to solve the problem of government lands illegally occupied by LCH, the national government has endeavored to implement a property titling program known as “Colombia Titula.” Through that program, attempts have been made to address the illegal occupation of government lands, recognizing possession and transferring ownership from the State to the occupants. The nation's role in this case is to encourage the municipios to use the titling instrument, assist

² Companies in Colombia are required to contribute 9% of wages to the system. Of that contribution, 4% is administered by CCFs (private, not-for-profit entities), which turn those amounts into welfare benefits, including LCH.

and train them in defining access and dissemination mechanisms, and monitor efforts. It is estimated that approximately 320,000 properties meet the requirements for title to be awarded (see paragraph 3.12).

C. Challenges³

- 1.10 The Bank has been working with the Colombian housing sector since the early 1990s (loans CO-0058 and CO-0145). The most recent operation approved in 2003, the Urban Social Housing Program (loan 1483/OC-CO), was developed to support the country in its efforts to improve the supply of urban LCH. The US\$275 million program introduced a new institutional structure and assisted the country in its efforts to supply LCH through an implementation framework that relied on outside agencies. Under that operation, a total of 61,000 housing subsidies were granted, and institutional strengthening actions were undertaken. Ninety-one percent (91%) of the resources have been disbursed, and the operation is expected to be concluded in mid-2008.
- 1.11 The experience gained by both the country and the Bank during the aforementioned program has permitted improvements in the LCH system and its implementation and management mechanisms. In general, a more transparent system of subsidy allocation has been created, the administrative costs of allocation and execution have been lowered, mechanisms have been created for better monitoring and supervision of works, coverage and targeting have improved, and there have been significant improvements in the effective allocation of subsidies. During the program, support was also given to the national government in its efforts to implement urban development policies, such as the adoption of land use plans (LUPs)⁴ by municipios and the creation of instruments for formulating urban renewal programs/projects.
- 1.12 However, there is room to enhance the efficiency and effectiveness of the existing instruments (mainly LCH subsidies), and to develop others that allow aspects to be addressed that until now have not been given priority.
- 1.13 Following is a description of the main challenges being faced:
- 1.14 **There continue to be limitations on access to housing solutions in the market by informal households with incomes below four MMW.** In effect, given the levels of income of this population and their ability to pay and save, without subsidies and contributions from subnational entities, it would be impossible to acquire a housing solution in the formal market with an estimated cost of approximately US\$7,000.

³ The findings of the midterm evaluation of program 1483/OC-CO, which is currently in process, have been drawn upon for this chapter. Workshops and seminars were also held with representatives from CCFs, community groups to promote housing solutions (known by their Spanish-language acronym, OPVs), Colombian Chamber of Construction (CAMACOL), beneficiaries, etc.

⁴ An LUP is the guiding instrument for planning. Currently, 97% of municipios have adopted an LUP.

Table I-1
Accessibility of housing with and without subsidies

Ranges of MMW	Average monthly household income	Savings capacity	Maximum credit	Purchasing capacity	Subsidy and other subnational entity resources	Purchasing capacity with subsidies and other
	1	2	3	4 = 3+2	5	6 = 5+4
Between 0 and 1	105	312	249	561	5,280	5,841
Between 1 and 2	270	581	972	1,553	4,939	6,492
Between 2 and 3	459	899	1,908	2,808	4,655	7,462
Between 3 and 4	648	1,123	2,751	3,874	4,548	8,422

Source: Economic Analysis of the Mechanism for Determining the Amount of Subsidies for Low-cost Housing. Julio Miguel Silva, September 2007. Variables observed in 2005 appropriations in 2007 U.S. dollars.

- 1.15 **The instrument to respond to the qualitative deficit has not been effective.** While the Bank's program anticipated the allocation of 10,000 subsidies for housing improvements, only 1,000 have materialized. The main causes include: (i) before housing improvements can be made, legal title to the property must be obtained; (ii) the cost of procedures and permits for the above is burdensome and discourages use of the subsidy; (iii) before resources can be allocated for housing improvements, structural reinforcements must be made, which in many cases discourages families from applying for the subsidy since their main concern is adding on a room, remodeling the kitchen, etc.; and (iv) the active participation of an entity that consolidates demand is needed.
- 1.16 **The institutionality introduced in 2003 (FNV) presents a number of improvement opportunities.** Once FNV was created, the subsidy cycle became largely executed by third-party entities contracted for that purpose. Those entities are responsible for receiving and reviewing applications from families, approving projects, and assessing, allocating, and providing technical monitoring of those investments. This process improved on the previous INURBE model, where a single institution handled the entire process of subsidy allocation. Under the new model, the processes of serving families and applying for subsidies began to be carried out by CCFs through a temporary union of financial institutions,⁵ the responsibility for assessing and determining the eligibility of projects was handed over to FINDETER,⁶ and allocation of subsidies was assigned to FNV. All of this goes hand in hand with a process of works inspection by independent third parties and supervision of those inspectors by Fondo Financiero de Proyectos de Desarrollo [Development Projects Fund] (FONADE).⁷ Banco Agrario serves as the

⁵ The CCFs already had experience with this activity from managing their own resources.

⁶ FINDETER is a stock corporation reporting to the Ministry of Finance and Public Credit. Its corporate purpose is to promote regional and urban development through financing and advice on the design, implementation, and administration of investment projects or programs.

⁷ FONADE is a State industrial and commercial company with the legal, technical, and financial powers to support project preparation.

system's financial intermediary, and fiduciary entities and underwriters safeguard the funds. The following priority improvement areas were identified during the design phase of this operation:

- 1.17 **Efficiency in the process of subsidy allocation.** Although the system has improved with involvement of CCFs, there are a number of changes that should be made in order to improve its efficiency. Some of the failures detected during the program's midterm evaluation suggest problems with the annual programming of calls for applications, insufficient time for the CCFs to receive information, delays in reporting the causes of denied applications, limited capacity of some financial institutions at times of peak demand, and the possibility that some functions still carried out by FNV will be taken over by the CCFs. Moreover, many users have confused the image of the national program with the CCF programs.
- 1.18 **Information systems.** The current operation with the Bank anticipated implementation of an information system for subsidy management (SAS), and a monitoring system for the low-cost housing program (SIMONVISU). With respect to the SAS, the MAVDT has developed a set of applications around a centralized database to support subsidy management. Those applications are not integrated and the data generated by the different applications in the central database must be manually filtered, cross-checked, and merged, which affects the quality and integrity of the information, as well as reduces the efficiency of the subsidy management process. At the same time, the MAVDT was selected as the beneficiary of a national systems improvement program known as the "Connectivity Agenda" to receive technical and financial support in the design and development of an integrated management system for the definitive SVIS. This system promises to increase the functionality and automation of management processes and will be available by the end of 2009.
- 1.19 During the design phase for this operation, and in order to reduce the deficiencies identified as soon as possible (until the Connectivity Agenda system is available), the Bank and the MAVDT agreed on a work plan that would allow the current system to be used to start working with a centralized web-based data architecture. That system, which is expected to be completed in January 2008, will replace previous applications and will improve IT services for users, the quality and integrity of information, and the generation of reports, thus increasing the availability of web-based information and reducing manual intervention in data exchanges and operations maintenance.
- 1.20 For SIMONVISU, the MAVDT outsourced the development and implementation of a monitoring system that entered production in 2006. That system was ultimately not used for monitoring for several reasons, including limited coordination between users and systems, and the low level of reliability and timeliness of the indicators generated by the system, mainly affected by deficiencies in the SAS. In order to resolve this situation, as part of its design efforts, the Ministry began development of a new monitoring system in 2007, better integrating users into design (definition of requirements) and testing. This was based on a work plan that provides for

gradual implementation, which will start by measuring the logical framework indicators for this program (anticipated for December 2007).

- 1.21 **Involvement of municipios in the process of project formulation and eligibility.** The municipios are responsible for a large portion of project preparation work, competing for available resources. To that end, they have received technical assistance, which has improved their project preparation capacity. However, ongoing support for subnational entities is still needed in both project formulation and the ongoing communication of improvement processes and changes introduced in the SVIS.
- 1.22 **Inspections and oversight.** The method of inspector selection by bidders, the payment system, and the lack of an assessment of their activities have not ensured effective inspections, with negative consequences for the quality of homes built. This has also meant overburdening the supervisory authority, i.e. FONADE.
- 1.23 In addition to addressing the aforementioned SVIS issues, the actions of the central government as the maker of public policy need to be strengthened, consolidated, and/or improved. Key areas in this regard are:
- 1.24 **Creation of policies, programs, and instruments to support the country's territorial development.** To date, except for isolated cases, subnational governments have not implemented programs aimed at improving low-income neighborhoods. There has also been a lack of direct involvement by the national government in development of the instrument. Accordingly, the national government needs to create a policy/mechanism for work to support the municipios in developing comprehensive neighborhood improvement (CNI) programs. Another known limitation for the production of low-cost housing is the lack of urban land. Colombia has a series of instruments geared toward generating land, but the municipios need to be educated in and familiarized with their use. Policies aimed at recovering and optimizing the consolidated areas of the inner city through a comprehensive process of urban renewal and redensification also need to be promoted and generated. Finally, ongoing support is needed to help municipios improve their LUPs. Although 1,078 of the 1,099 municipios in the country already have an LUP, for many this has been the first land use planning process.
- 1.25 **Create instruments that permit greater use of supplemental loans from the financial system for LCH.** Although the country has made significant efforts at implementing measures aimed at stimulating credit for LCH, housing solutions financed through FNV have mainly been comprised of a combination of national subsidies and contributions from subnational entities. Only a small segment has obtained formal loans as a source of financing. The main causes of this phenomenon include: (i) a large segment of families receiving the LCH subsidy have limited borrowing capacity due to their low level of income; (ii) regulated interest rates in this market discourage lending; (iii) the higher costs of banking engineering specializing in credit analysis for the informal population; (iv) difficulty finding mass mechanisms for access to credit by the informal

population; and (v) demand for housing/credit is unmet in higher socioeconomic strata, so the financial system opts to make housing loans to families with higher incomes.

- 1.26 **Improve the process of awarding title to government property occupied by LCH.** As indicated above, the government promoted a process of awarding title to government properties occupied by LCH. Through that instrument, 30,000 property titles were granted over the last four years. However, the analysis made during the process of designing this program identified certain problems with the instrument, including: (i) economies of scale are not taken advantage of in a context of mass awarding of land titles, with the greatest burden being shouldered by the municipios with limited institutional and technical capacity; (ii) the current mechanism is not very attractive to families, given that awarding title is comparable to granting a housing subsidy, limiting future access to funds for home improvements; and (iii) when the monitoring agencies of the MAVDT present their observations on costs incurred by the municipios, the processes are delayed for up to two years.

D. The country's sector strategy

- 1.27 Issues related to urban environment and housing conditions have been included as one of the main pillars of the new National Development Plan (PND), Law 1151 of 2007: the construction of "Friendly Cities" has been considered a strategic element of the component for poverty reduction and the promotion of employment and equity.
- 1.28 The Housing Policy 2006-2010 outlines the following specific objectives: (i) define financial instruments and structures that are appropriate for each segment of housing demand; (ii) optimize existing instruments and incorporate new ones to expand the coverage of the Housing Policy; (iii) achieve a significant increase in the rate of housing construction, particularly LCH, in order to halt the formation of squatter settlements and the increase in the housing shortage; (iv) strengthen and increase the participation of the financial and solidarity sector in home financing; and (v) strengthen the entrepreneurial capacity of the sector, with an emphasis on the LCH productive chain.
- 1.29 In order to achieve the above objectives, the PND intends to develop instruments such as "planned savings with prior credit check", strengthening of the LCH guaranty, and incentives for financial entities that offer loans to households associated with the informal economy. There is also a proposal to optimize the LCH program, maintaining the cap of 135 MMW for LCH and 70 MMW for homes financed with resources from the national budget, and a system of subsidy allocation on the basis of income. The program is consistent with the targets of the PND, and will contribute resources that allow some of the measures included in that plan to be implemented.

E. The Bank's country and sector strategy

- 1.30 The Bank's country strategy with Colombia (document GN-2267-1) outlines three main objectives underlying the Bank's actions: (i) lay the foundations for economic revival and jump-starting growth; (ii) foster social development and ensure that the most vulnerable population are protected; and (iii) strengthen governance and further modernization of the State. The program makes a strong contribution to compliance with objective (ii) because it targets low-income families, and to compliance with objective (i) to the extent that the construction sector is labor-intensive and employment opportunities are created for unskilled workers.
- 1.31 The program is also compatible with the Bank's sector strategy for Urban and Housing Development (OP-751). The following are identified as objectives of that strategy: (i) improve the socioeconomic conditions of the urban population; (ii) strengthen the national urban systems and improve the internal functioning of the cities; and (iii) increase the effectiveness of the institutions responsible for the formulation and administration of urban development policies and programs. The program is compatible with objective (i) to the extent that these programs improve the living conditions of the low-income population in particular and of the urban environment in general. The program also includes actions aimed at the institutional strengthening of the MAVDT, which contributes to objective (iii).

F. Program strategy

- 1.32 **Lessons learned.** This operation has been designed bearing in mind the lessons learned from other subnational neighborhood improvement programs being conducted in Colombia, the Colombia Titula program, the Bank's experience with financing LCH programs, and the outcomes of the housing operation currently in process. Support will continue to be given to the government in strengthening the current subsidy system. To that end, efforts were made during the program's design phase to respond to deficiencies identified in the current program, mainly information systems and inspections.
- 1.33 The program also introduces innovative elements: Colombia has never developed a national CNI program and the new operation will lay the groundwork to make this possible. The program will include interventions in pilot neighborhoods, and a national policy will be defined based on the lessons learned.
- 1.34 The country will also be assisted in its efforts to support municipios in the mass awarding of land titles, this being one of the main limitations to access to subsidies for housing improvements and a first step to allow this population to gain access to credit. The possibility will also be analyzed of generating alternative instruments for broader participation by the private sector in LCH financing. Ongoing support will be given to the MAVDT in the form of institutional strengthening actions aimed at more actively exercising its leadership role in sector policies.
- 1.35 **The Bank's value added.** During preparation of this operation, support was given to the country in improving its urban environment and housing policies. This

mainly involved: (i) reviewing and improving the subsidy cycle and its processes; (ii) analyzing the problems of improvement subsidies for LCH; (iii) sharing the experiences of mass titling processes in other countries of the Latin America and the Caribbean region; (iv) supporting the technical analysis for making changes in the subsidies policy; (v) financing the design of pilot neighborhood improvement projects with resources from the Korean Fund; (vi) revising and improving the property titling cycle; (vii) analyzing the effectiveness of housing subsidies for the special population; (viii) visiting CNI programs in Ecuador and observing how they operate; (ix) supporting the country in improvements to information and tracking systems; and (x) improving program inspection and supervision mechanisms.

G. Coordination of the program with other Bank operations

- 1.36 With resources from the Korean Fund, the Bank has processed operation CO-T1037, the objective of which is to support the country in preparing a sample of projects (at the prefeasibility level) that would be the target of investment from the CNI component of this operation. Actions have also been coordinated with the Opportunities for the Majority area.

II. THE PROGRAM

A. Objectives

- 2.1 The general objective of the program is to help improve the quality of life of low-income families through access to better housing and living conditions. Specifically, the operation is geared toward: (i) strengthening and improving the subsidy system for low-cost housing (LCH); (ii) promoting mass titling programs for government properties illegally occupied by LCH; (iii) creating instruments and laying the groundwork for development and application of a national comprehensive neighborhood improvement (CNI) policy; and (iv) strengthening the institutional framework and consolidating the sector information system.

B. Structure of the program

1. Component 1. LCH subsidies (US\$543 million)

- 2.2 This component will finance 106,000 subsidies to support families in the informal urban sector with monthly incomes below four MMW, as well as the system's operating and oversight expenses. This assistance, combined with the family contribution, contributions from other entities, and/or supplemental loans will permit: (i) acquisition or construction of an entire home; or (ii) if the family already owns a squatter home, completion and/or improvements; (iii) for the special population, in addition to the above, leasing of a home or the purchase of a used home. In no case will the total value of the housing solution exceed 70 MMW. The subsidy amounts for each type of solution are detailed in the following table, together with the final estimated values of the solutions. Values have been estimated taking into consideration the performance of the program currently in process and sales prices for LCH in Colombia.

Table II.1
Quantity and amounts of subsidies by type of solution (in US\$ thousands)

Product	Quantity (in thousands)	FNV subsidy	Other contributions	Beneficiary	Value of solution
New home	53	4.4	3.5	0.4	8.3
Home improvement	29	2.1	0.2	0.1	2.4
Construction on owned land	3	3.9	2.3	2.1	8.3
Lease	9	2.7	0.0	0.0	2.7
Used home	12	4.5	0.0	1.0	5.5
Total	106				

- 2.3 Eligible houses are mainly determined by the cost of construction and the following minimum characteristics: a serviced lot with a single-family or multifamily structure that has a multipurpose space useable for bedrooms, a kitchen with a large sink, and a full bathroom with sink and shower. The houses will include all essential public services, including roads, electricity, drinking water, sanitation service, and sewer connections.⁸
- 2.4 **Applications and allocation of subsidies.** The target population will apply for and gain access to subsidies through annual calls for applications by FNV in the following modalities: competitive grants, special grants, and ordinary grants. Based on projections, it is estimated that the subsidies will be allocated under the program as follows: 65% competitive grants, 4% ordinary grants, and 31% special grants.
- 2.5 **Competitive grants.** The FNV subsidy is supplemented with an additional subsidy contributed by the municipal or departmental government and/or OPVs, generally for infrastructure works and city development. Informal households participate with incomes of less than two MMW. The FNV subsidy and the subnational entity's contribution cover a large proportion of the cost of the housing solution, serving households with little access to the credit market. In this case, there will be three calls for applications: **(a) national macroproject grant**, with the participation of special category municipios and municipio categories 1 and 2; **(b) territorial grant**, with the participation of the remaining municipios in categories 3, 4, 5, and 6;⁹ and **(c) improvements grant**, with the participation of special category municipios and municipio categories 1 and 2, where the purpose of the project is to overcome one or several basic housing deficiencies. In this case, the municipio is the entity that consolidates demand.

⁸ In order for a project to be eligible, the supply of basic infrastructure works must be guaranteed. If not available at the time of application for the subsidy, the subsidies will not be disbursed until the basic infrastructure works are guaranteed. The works will also include wastewater treatment for locations where the system has been installed, and in all cases in accordance with the respective municipal master plans or existing sanitation projects, which define the terms and works required for wastewater treatment.

⁹ Municipio categories 1 and 2 and special category municipios are those with more than 50,000 inhabitants. Municipio categories 3 to 6 have less than 50,000 inhabitants.

- 2.6 **Special grants.** These subsidies assist the most vulnerable families, such as those displaced by violence, victims of natural disasters, or victims of terrorist acts. In order to apply for this grant, applicants must be registered in the special registries mentioned in the program's Operating Regulations. For those households, there are differential mechanisms for access and eligibility, respecting criteria of transparency and equity. Likewise, in order to improve the housing solution for those households, under this modality the subsidy can be used to finance—in addition to new housing purchases or construction on one's own building site—the purchase of used homes, to rebuild a home damaged by an attack or violence, and/or to rent a home in the case of displaced victims or improve those damaged by a natural disaster. The percentage of Bank resources allocated to the special population may not exceed 20% for special calls for applications, and 5% for other resource grants, of the total subsidies granted by the program.
- 2.7 **Ordinary grants.** In this case, families apply for a housing subsidy financed with resources from FNV to purchase a new home from among eligible projects in the real estate market. The subsidy is supplemented with a loan obtained by the beneficiary and different types of savings. Ordinary grants are for informal households with incomes of up to four MMW.

2. Component 2. Awarding of title to government properties occupied by LCH (US\$20.7 million)

- 2.8 The objective is to support the processes of awarding title to approximately 320,000 government properties occupied by LCH, which will benefit 1.3 million Colombians. In order to fulfill this objective, the program will contribute resources for the necessary technical, legal, and financial support to be given to the subnational entities so that they can carry out the titling process. The estimated amount per family is US\$66. The phases of the process and activities to be financed are described below.
- 2.9 **Inventory.** The subnational entities will take an inventory of the properties to be titled, based on relevant legal and technical analysis. In this phase, the program will contribute resources to finance: (i) technical assistance for identification of the properties to be titled; and (ii) training and assistance to the subnational entities on the legal and technical process for the properties to be titled.
- 2.10 **Inspection.** The subnational entity, with technical support from IGAC, will inspect the properties to determine occupancy, use of the dwelling, any circumstances that would make titling difficult or impossible, and the date of occupation of the property. The program will support the municipios by financing technical assistance for property inspections, including: (i) creation of a database of occupants; (ii) training of subnational entity staff; and (iii) documentation of information obtained.
- 2.11 **Physical identification.** IGAC will determine the condition of the property and structures and issue the certified plat map. It will subsequently appraise the property

to determine whether it qualifies as LCH. The program will finance the costs of certifying the plat map and determining the official appraised value.

- 2.12 **Titling.** The subnational entity will issue an administrative decision transferring the property to the program beneficiary family. It will subsequently notify the families of the decision and file it with the Office of the Superintendent of Notarial and Registration Services (SNR) (via the registration and public instruments offices), and the certificate of transfer and clear title will be issued. The program will finance: (i) technical assistance to support the subnational entities in the processes of issuing the administrative decision for transfer of the titled property; and (ii) filing and registration expenses.

3. Component 3. Support for the territorial development policy (US\$17.3 million)

- 2.13 The purpose of this component is to implement a pilot program for CNI by financing activities that promote the physical and social integration of informal areas with the formal city through improvements in urban infrastructure and the supply of social services. It will also finance actions aimed at supporting the Territorial Development Office (DDT) of the Office of the Deputy Minister for Housing and Territorial Development (VVDT) in providing assistance to municipios and in developing land policy instruments.

a. Pilot CNI program (US\$8.5 million)

- 2.14 This component will finance the improvement of at least six settlements with investment in 1,900 families/properties, benefiting approximately 7,600 people in socioeconomic groups 1 and 2 residing in municipios of more than 100,000 inhabitants that have an LUP approved by representatives from the different regions of the country, prioritized and preselected based on poverty criteria, measured using the index of unmet basic needs, and institutional capacity and organization criteria measured based on fiscal performance. The following municipios were preselected using these criteria: Leticia, Apartadó, Cúcuta, Barrancabermeja, Florencia, and Buenaventura. If resources are available, a new selection of municipios can be made later in accordance with the established criteria, and the order specified in the qualification table contained in the Operating Regulations.
- 2.15 The average investment per property is US\$3,700, which corresponds to: (i) investment in works and additional activities estimated at US\$3,250 per property; and (ii) cost per resettled family, considering a maximum of 7% of the total families per neighborhood of US\$7,500. Eighty percent (80%) of the total value of the investment per settlement will be covered with resources from the program, with 20% coming from municipal contributions (5% in kind and 15% in resources). The latter may be complemented with resources from departmental governments and the beneficiary communities. The criteria for eligibility and selection of settlements by the municipal authorities are presented in the following table. Weighting is detailed in the Operating Regulations.

Table II-2: Eligibility and selection criteria

Eligibility Criteria

Environmental: The settlement is not located in zones that are restricted due to a high unmitigatable risk and/or environmental preservation and/or public works. **Social:** (a) needs: at least four needs of the settlement must be addressed by the program (illegitimate landholding status, lack of drinking water, basic sanitation, electricity, street furniture, roads, or homes built of inadequate materials); (b) age of the settlement: formed at least before 27 June 2003 (decree 564 of 2006); (c) socioeconomic level must be 0, 1, or 2, or at least 80% of the families must fall under Sistema de Información de Beneficiarios [Beneficiary Information System] (SISBEN) index 1 or 2. **Legal:** (a) the neighborhood has been legalized or may become legalized; (b) the settlement has property titles or title can be obtained to such property; (c) the minimum size of the settlement is 100 properties, with a maximum of 500 properties. **Technical and economic:** (a) the settlements are located within the city limits; (b) it is technically feasible for basic public services to be offered and supplied; (c) needs for family resettlement do not exceed 7% of the total number of beneficiary families; and (d) the minimum size of the settlement is 100 properties, with a maximum of 500 properties.

Selection Criteria

Social: (a) needs: greater number of needs of the settlement to be addressed by the program (illegitimate landholding status, without drinking water, basic sanitation, electricity, street furniture, roads, or homes built of inadequate materials); (b) older settlement; (c) lower socioeconomic status of the neighborhood or a larger number of families falling under SISBEN index 0, 1, or 2; (d) the occupancy level of the low-income neighborhood is at least 70%. **Legal:** the settlement has a community organization that has been legally established or is in the process of being legally established. **Technical and economic:** (a) larger number of properties; (b) greater counterpart contribution.

- 2.16 The program resources are to cover the costs of the minimum required comprehensive intervention, i.e. basic residential services. By the end of the program, all settlements should have at least resolved their problems of lack of drinking water, sewers, and storm drains; construction, expansion, and rehabilitation of secondary distribution systems and networks and service connections; as well as roads connecting to the city, provided they are secondary roads. Each property must also be legalized. In addition to the aforementioned works, the program may include the following: **(i) Infrastructure:** local roads and roads connecting to the city; public areas, parks and plazas; and environmental protection works and activities, such as tree planting, erosion control, soil stabilization, and natural protection of canals; supply of social and recreational infrastructure, such as community halls, daycare centers, and sports fields; **(ii) Social development:** actions aimed at organization, mobilization, and strengthening of communities and local governments in the identification and design of projects; training for monitoring execution; training in the use and maintenance of infrastructure built under the program; environmental protection and care; waste collection; and social monitoring.
- 2.17 This program is planned as a demonstration program with limited coverage. The projects to be executed are being developed at the prefeasibility level under operation CO-T1037. Also financed under this component will be consulting assignments to develop policies, prepare new project designs for policy continuity, and the creation of a project pipeline, for a total value of US\$1.2 million.

b. Land use and development (US\$8.8 million)

- 2.18 In addition, the DDT will be strengthened to continue providing technical assistance to the municipios, with a primary focus on territorial development policies and instruments. Consulting services and workshops will be financed with resources from the program for the following: (i) technical assistance for municipios in the formation and implementation of municipal files, review and modification of LUPs, and instruments to generate urban land; (ii) improvements in regulations for some components of the new PND; (iii) technical assistance for municipios for generating urban renewal and redensification projects; (iv) creation of urban renewal and neighborhood improvement policies; and (v) support for investment in urban renewal with counterpart funds.

4. Component 4. Strengthening of the urban environment and housing policy and consolidation of information systems (US\$8.3 million)

- 2.19 The following activities will be carried out with resources from the program: **(i) Strengthening of the housing sector.** Consulting services and training activities will be contracted with resources from the program for the following: (a) the design and production of manuals for improving LCH construction in different areas of the country; (b) updating workshops for municipios on issues related to LCH; (c) the design and development of tools that permit access to credit for informal low-income households, including training for nontraditional credit and microcredit agencies; and the generation of risk models for LCH guarantees; (d) the design and dissemination of LCH quality standards; and (e) the design and implementation of a more effective LCH communication and dissemination strategy; and **(ii) Consolidation of information systems.** The program will contribute resources to finance consulting and training services, as well as procurement of the necessary computer equipment for the following activities: (a) design of a strategic Information and Communication Technology (ICT) plan that permits the definition and scaling of the needs of the IT function in the Ministry and preparation of a comprehensive work plan for the 2008-2011 period; (b) implementation of new functionalities in the subsidy management information system (“interim system”) to meet any emerging requirements until the Connectivity Agenda is operational; (c) strengthening of the tracking system to expand capacity for tracking the CNI and titling components; (d) design and implementation of a system to support management of the titling and CNI process; and (e) modernization of the IT platform.

5. Component 5. Program management and monitoring (US\$2.5 million)

- 2.20 This component will include the costs for the audit, midterm and final program evaluation, and the project execution team (PET).

C. Cost and financing

- 2.21 The estimated total cost of the program is US\$585 million, including a loan of US\$350 million from the Bank’s Ordinary Capital and US\$235 million equivalent

in counterpart contributions. The counterpart will come mainly from three sources: the central government (US\$119 million), subnational entities, and subsidy beneficiaries (US\$116 million).

Table II-1
Cost table (in US\$ millions)

Investment Category	Bank		Counterpart		Total	
	US\$	%	US\$	%	US\$	%
I. Direct Costs	346.0	99%	234.3	99.7%	580.3	99.2%
1.1 Family housing subsidies (SFVs)	317.0		217.0		534.0	
1.1.1 Subsidies	317.0		186.0		503.0	
1.1.2 Operation	0.0		20.5		20.5	
1.1.3 Oversight	0.0		10.5		10.5	
1.2 Property titling	18.5		2.2		20.7	
1.3 Urban renewal, CNI, and territorial TA	8.5		8.8		17.3	
1.3.1 CNI	7.3		1.2		8.5	
1.3.2 DDT policy	1.2		7.6		8.8	
1.4 Strengthening of the VVDT	2.0		6.3		8.3	
1.4.1 Strengthening of the DSH	1.2		6.2		7.4	
1.4.2 System sustainability	0.8		0.1		0.9	
II. Management and monitoring	1.8	0.5%	0.7	0.3%	2.5	0.4%
2.1 Project execution team	0.4		0.2		0.6	
2.2 Audit	0.9		0.4		1.3	
2.3 Evaluation	0.5		0.1		0.6	
Subtotal	347.8	99.5%	235.0	100%	582.8	99.6%
III. Contingencies	2.2	0.5%			2.2	0.4%
Total	350.0	100%	235.0	100%	585.0	100%

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower of the program will be the Republic of Colombia. The Ministry of the Environment, Housing, and Territorial Development (MAVDT), acting through its Office of the Deputy Minister for Housing and Territorial Development (VVDT) and related agencies—the Territorial Development Office (DDT), Housing System Office (DSH), and National Housing Fund (FNV)—will be responsible for execution of the various program components.

B. Program execution and management

- 3.2 The MAVDT has established an internal project execution team (PET), which will be responsible for overall monitoring and oversight of the operation. The PET has been working with the Bank since the previous operation for the sector

(loan 1483/OC-CO) with a satisfactory level of performance. A program monitoring committee (CSP) will supervise overall compliance with the policies and targets and interagency coordination. The DNP will be responsible for the midterm and final evaluations of the program. Specific responsibilities related to execution of the components/subcomponents are as follows:

- 3.3 The following paragraphs set out the general guidelines for this operation. Execution of the components is detailed in the program's Operating Regulations. **Approval by the Bank and implementation of the Operating Regulations will be a condition precedent to the first disbursement.**

1. Subsidy component

- 3.4 **Beneficiaries.** FNV initiates the process by scheduling annual calls for applications for the different types of subsidy. At each such call for applications, households are informed of the application requirements, which in general terms are as follows: be an independent or informal worker who is not affiliated with a family assistance fund (CCF), have a "household" of two or more people, have total monthly household income not to exceed four times the minimum monthly wage (MMW), not own a home, and never have been a family housing subsidy beneficiary of the National Institute of Low-cost Housing and Urban Reform (INURBE), FNV, or other grantors (Military Fund, Banco Agrario, CCF).

Component	Agency responsible
LCH subsidies	DSH
Property titling	DSH
Territorial development policy	DDT
Strengthening of sector and systems	VVDT
Administration	VVDT-PET
Midterm, final, and impact evaluation	DNP

- 3.5 The CCFs, operating through the Unión Temporal de Cajas [Temporary Union of Family Assistance Funds] (CAVIS-UT), promote the call for applications, receive information submitted by applicants, and consolidate it for delivery to the FNV.

Beneficiary selection criteria	Weighting
SISBEN score (household income level)	-
Number of members in the household	+
Female head of household / disabled / elderly	+
Savings	+
Planned savings time	+
Number of times applied	+

- 3.6 Once the information is consolidated, the FNV cross-checks it to verify accuracy and then ranks and creates a list of applicants based on a score assigned to each household. Scores are based on a formula that weights the variables in the attached table. The citizens are then informed that they have been prequalified to receive the subsidy, and a deadline is set for demonstrating that supplemental funds are available to purchase the housing solution. Once this is demonstrated, FNV allocates the subsidies to the beneficiaries by administrative decision. The beneficiaries then have six months to claim their benefit.

- 3.7 **Eligible projects.** In parallel with the above and as part of the process, the bidders (NGOs, OPVs, subnational entities) present their projects to the evaluating entity, which reviews the technical, legal, and financial feasibility of each project and, if appropriate, grants eligibility status and assigns a score. Conditions include obtaining the license or building permits. The subsidies may be used for the purchase or construction of housing solutions that have been determined to be eligible.¹⁰
- 3.8 Once the subsidy has been allocated, the following scenarios may occur: (i) if the solution chosen by the beneficiary is a home that is already built, a purchase contract is signed and delivered to CAVIS-UT. CAVIS-UT verifies the consolidated information and forwards it to FNV, which issues the order for the financial entity to pay the seller directly, against presentation of the duly recorded bill of sale; (ii) if the solution is to build, and an advance subsidy payment is required, an escrow account is opened, and a completion policy and inspection contract are secured; (iii) in the case of a lease, the lease agreement is presented in order to proceed to make payments to the leaseholder; and (iv) in the case of a used home, the purchase agreement is filed, and then payment is made.
- 3.9 Once this process is complete, FNV instructs the Development Projects Fund (FONADE) to review the documentation provided by the builder, to confirm that it is complete and meets the requirements of the Operating Regulations. FONADE also visits the housing or construction site to verify that public utilities are connected, and that the property is not in a high-risk area or has been encroached upon. The supervisor then gives clearance for CAVIS-UT to authorize FNV to advance the subsidy funds, and FNV requests payment of the advance by the financial agent (trust fund). A similar procedure is used for subsequent disbursements after checking construction progress.
- 3.10 At least two monitoring and oversight agencies are involved in construction of the physical works during this process: the inspectors, who are in charge of technical oversight of construction, and FONADE, which is responsible for monitoring the work of the inspectors and reporting to FNV. Inspectors for each project will be selected by third parties using lists of qualified inspectors provided by FNV. FNV will determine the requirements to be met by inspectors, and will ask FONADE to evaluate their work annually. **Defining mechanisms for the selection, contracting, rating, and evaluation of the inspectors will be a condition precedent to the first disbursement.**
- 3.11 The process is supported by an information system that has been developed by the country and the Bank during the design of this operation and will be strengthened through the actions of this program. **Operation of the subsidy information and tracking systems to the Bank's satisfaction will be a condition precedent to the first disbursement. The signature of agreements with the operator and the**

¹⁰ For municipio categories 1 and 2 and special category municipios, the construction permit is equivalent to eligibility. Eligibility expenses are defrayed by each bidder.

supervisory authority will also be a condition precedent to the first disbursement.

2. Titling component

- 3.12 DSH will be responsible for execution of the component, acting through a group created for that purpose. The MAVDT will invite subnational entities interested in participating in the process of awarding title to government-owned urban properties occupied by LCH, informing them of the participation requirements, including: (i) properties subject to titling must be legalized or in the process of legalization (basic services or feasibility); (ii) the properties have been illegally occupied by LCH prior to 1 December 2001; and (iii) the properties subject to titling are not located in a restricted zone (unmitigatable area, environmental reserve, public works).
- 3.13 After the invitation deadline, the subnational entities are ranked in order of priority. The following criteria will be applied to that ranking: (i) percentage of properties to be titled, as a proportion of total properties in the municipio; and (ii) size of the subnational entity's contribution to support titling activities.
- 3.14 The MAVDT proceeds to sign an interadministrative agreement with the selected subnational entities, establishing the rights and obligations of each party. The MAVDT is primarily responsible for the following: (i) training and legal and technical support for the subnational entities in the process of awarding property title; (ii) interagency coordination with IGAC and the Office of the Superintendent of Notarial and Registration Services (SNR); (iii) monitoring of compliance with the process through at least quarterly visits to the subnational entity during performance of the agreement; and (iv) maintaining the necessary information for the program's information system. The main responsibilities of the subnational entities are as follows: (i) taking an inventory of government properties; (ii) conducting a legal and technical analysis of the selected properties; (iii) inspecting the properties subject to titling; and (iv) awarding those properties to families.
- 3.15 As part of this agreement, both parties must also designate a group of staff to perform the ensuing tasks, creating a timetable for subsequent monitoring and supervision. The model agreement to be signed by the municipios and the MAVDT is included in the program's Operating Regulations. Once the agreement has been signed, the MAVDT starts its exploratory mission to assist the municipio in the initial tasks, including training for awareness-raising among the population, inventory of potential government properties, and the subsequent analysis and inspection of those properties. MAVDT monitoring and supervision of the agreement will be through an individual appointed by the Deputy Minister for Housing and Territorial Development.
- 3.16 Once the subnational entity has completed the activities for which it has been trained, the MAVDT asks IGAC to initiate the cadastral and appraisal process. Once the appraisal has been made and the deadlines for protests of property awards

have expired, the subnational entity prepares the resolutions for awarding the properties and notifies the beneficiaries. Finally, the MAVDT asks SNR to record the respective titles. Disbursements of the loan proceeds for titling component activities will be conditional upon signature, to the Bank's satisfaction, of the agreements between the MAVDT and IGAC, and between the MAVDT and SNR.

3. Comprehensive neighborhood improvement (CNI) component

- 3.17 The MAVDT, through the DDT, is responsible for the CNI component and will coordinate, train, and monitor the program activities. That office will appoint an implementation team of at least three people. The municipios will act as the subexecuting agencies. They will be in charge of the following through the municipal technical teams: (i) selecting the settlements eligible for financing based on the criteria defined in the Operating Regulations; (ii) obtaining the required permits for construction, legalization of the settlement if required, and legalization of the properties in coordination with the DDT; (iii) completing the technical studies and specific projects conducted to date at a prefeasibility level; (iv) maintaining a bank account in the name of the program; and (v) preparing technical and financial reports for completed projects and those in process. The technical team appointed by the municipio to carry out these tasks must be made up of at least three people. Before disbursing resources for the CNI component, an agreement must be presented that has been signed by the MAVDT and the corresponding municipio.
- 3.18 The providers of residential services will help design the infrastructure works under the CNI component, and participation agreements will be signed for such purposes. There is also a commitment from the companies to provide services and ongoing maintenance for the works delivered.
- 3.19 Other NGOs, nonprofit organizations, and individual consultants will offer technical assistance and paid support to municipios in community organization work and the identification and prioritization of needs with the low-income community, in order to define the projects under the CNI component. Those entities or NGOs will be selected based on criteria defined in the program's Operating Regulations.
- 3.20 The project cycle for this component will include the following steps:

Table III-1: CNI cycle	
	<ol style="list-style-type: none"> 1. Selection of municipios that meet established criteria. 2. Dissemination in selected municipios→ agreement. 3. Selection of neighborhoods → socioeconomic diagnostic → confirmation. 4. Agreement between municipio and community organization representing the settlement. 5. Preinvestment plan, coexecuting unit, and municipio → will prepare. 6. Project formulation. 7. Project evaluation. 8. Contracting of social monitoring. 9. Procurement of works. 10. Procurement - execution - oversight. 11. Acceptance of works. 12. Monitoring of maintenance.

- 3.21 Once projects for the target neighborhoods have been technically evaluated and approved, the agreement signed between the local authorities and community representatives, and financing resources secured for the project—comprised of national and municipio resources—the municipios, supported by the DDT, will procure the urban development works in accordance with the program requirements. In parallel with the works procurement, the DDT, together with the municipio and community representatives, will outsource social monitoring services for the projects. If the intervention requires that actions be initiated, completed, or concluded for individual legalization of the properties, the municipio will ensure that progress is made in coordination with that office of the Ministry.
- 3.22 The project will be concluded upon acceptance of the works by the appropriate agencies or entities, with the necessary training for the community to become an active participant in the care and proper use of the works or facilities. If the planned services will be operated by the community, the municipios, with the support of the DDT, will train the community, verify and hand over the operation, and assume the initial oversight of maintenance. The DDT will be responsible for producing the necessary technical manuals for these activities.

4. Institutional strengthening component

- 3.23 The subcomponent for strengthening the DSH will be the responsibility of DSH; the information systems subcomponent will be the responsibility of the VVDT; and the components for strengthening the DDT will be the responsibility of the DDT. A work plan has been developed for these components. Annual work plans will be prepared each year, the content and scope of which are detailed in paragraph 3.29.

C. Procurement

- 3.24 Procurement of goods and services and the contracting of works under this program will adhere to the guidelines set out in the Policies for the Procurement of Goods and Services Financed by the Inter-American Development Bank (document GN-2349-7). Consulting services will be selected and contracted in

accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-7). Ex ante and ex post reviews have been agreed upon with the country and are incorporated into the procurement plan.

Table III-2
Threshold amounts

	ICB	NCB	PC
Works	More than US\$5,000,000	Between US\$350,000 and US\$5,000,000	Less than US\$350,000
Goods	More than US\$250,000	Between US\$50,000 and US\$250,000	Less than US\$50,000
Consulting services (national firms only). Consulting assignments for less than US\$350,000.			

D. Execution period and disbursement timetable

- 3.25 The program's execution period will be an estimated 54 months. The disbursement period for the loan resources will be an estimated 60 months, running from the effective date of the loan contract.

Table III-3
Tentative disbursement timetable (in US\$ millions)

Source	2008	2009	2010	2011	2012	Total	%
IDB	70	87	87	88	18	350	60%
Local counterpart	47	59	59	59	11	235	40%
TOTAL	117	146	146	147	29	585	100%
% per year	20%	25%	25%	25%	5%	100%	

E. Revolving fund, recognition of expenditures, and accounting

- 3.26 For purposes of program disbursements, a revolving fund will be established for up to 15% of financing, which is an exception to the Bank's policies justified by the following: (i) the urban housing operation currently in process has effectively used a 15% revolving fund; (ii) in response to the country's new budget regulations, the calls for proposals will mostly be conducted at the beginning of the calendar year; and (iii) a large number of projects at the territorial level are executed under the advance payment modality and require the transfer of funds to the bidders (once the subsidies have been awarded) in order to begin the works. Semiannual reports are to be presented on the status of the revolving fund within 60 days after the end of each six-month period.
- 3.27 Colombia has requested retroactive recognition against the loan proceeds of expenditures incurred up to 18 months prior to loan approval for up to US\$10 million in subsidies allocated. Colombia further requested recognition of up to US\$5 million in expenditures against the counterpart contribution. Recognition

of these expenditures is recommended, to the extent that compliance with procedures substantially equivalent to the Bank's procedures has been demonstrated.

- 3.28 The PET will maintain an accounting system for the program developed in accordance with the Bank's requirements, keep the accounting records for all of the program's items, consolidate the accounting records, and present semiannual reports to the Bank on the status of the fund.

F. Monitoring and evaluation

- 3.29 Every six months, the executing agency will present the Bank with a progress report on the program, which should at a minimum analyze compliance with: (i) activities defined in the annual work plan; (ii) targets-outputs of the logical framework, and other key issues that the counterpart and the Bank may consider advisable; (iii) monitoring of the main risk factors identified during preparation of the operation; and (iv) identification of potential problems that could arise during execution and jeopardize attainment of the program objectives.
- 3.30 The program finances three evaluations: a midterm, final, and impact evaluation. The evaluations will be conducted by an outside firm hired by the DNP. The terms of reference and firm selected must obtain the Bank's no objection.
- 3.31 The **midterm evaluation** will be completed once 50% of the program resources have been disbursed, with special attention to the following aspects: **(i) subsidies:** quality of housing solutions, effectiveness of the new inspection system; targeting; effective allocation of subsidies and houses built; subsidy cycle times; household satisfaction with solutions received; family access to supplemental funds; availability of public services; user satisfaction with the SAS and SIMONVISU; strengths and weaknesses of the institutional structure; incentives created by the change in the subsidy valuation mechanism and the formula for rating households; **(ii) CNI:** participation of citizens in decisions regarding investment and maintenance of works and services, perception of safety and welfare in the beneficiary neighborhoods, problems coordinating the works, interest of the municipios in cofinancing CNI programs, strengths and weaknesses in institutional design, execution, and monitoring mechanisms; **(iii) awarding of title:** interest of families in the legalization process; collection of property taxes; interest of municipios in the process; trends in illegal land occupation; and progress in transitioning from the "authorization" mechanism to the "title transfer" mechanism (costs, time, quality, etc.).
- 3.32 **Final evaluation.** Once 90% of the resources have been disbursed, a final evaluation will be performed to analyze: (i) compliance with the outcomes defined under goal and purpose in the logical framework; (ii) issues addressed in the midterm evaluation, particularly those that have not had sufficient time for maturity.

- 3.33 **Impact evaluation.** The country has decided to assess the impact of the titling and CNI components, and of subsidies to the displaced population (the rest have been evaluated in the framework of program CO-0241). Changes will be looked at in family welfare. For such purposes, target and control groups will be compared over time.
- 3.34 **Ex post evaluation.** The VVDT will compile, store, and retain all accounting and technical information generated by the program, which will allow the Bank to prepare the project completion report (PCR). The Bank's Office of Evaluation and Oversight (OVE) may use that information, indicators, and parameters, at its discretion, to conduct an ex post review of the direct effects or impacts of the program, in accordance with the guidelines of policy document GN-2254-5.
- 3.35 **External audit.** The financial statements will be audited in accordance with the terms of reference previously agreed with the Bank, which will include unannounced visits and reviews during the year. The external audit of the program is to be performed by a firm of independent auditors that is acceptable to the Bank, based on the terms of reference previously approved by the Bank (documents AF-400 and AF-500). The Bank's standard procedures for selecting external audit services (document AF-200) will be used in the process of selecting and contracting the audit firm. The program's annual financial statements will be presented within 120 days after the fiscal year end and completion of the final audit, within 120 days after the final disbursement. The costs for the audit are included in the cost of the program and will be financed with the loan resources.

IV. VIABILITY AND RISKS

A. Institutional viability

- 4.1 The stakeholders that will participate in the award and execution of subsidies have been working satisfactorily for the last four years. During that time, both the executing agency and other participating entities have improved their work. That work has been complemented with other efforts during the design of this operation. Moreover, the audit firm for program CO-0241 has analyzed the institutional capacity of the organization (SECI) with positive results. In the specific case of the titling component, the task force will be strengthened for implementation. The CNI component has the main characteristic of being a pilot test and the DDT will be strengthened (with resources from operation CO-T1037) to carry out its CNI work.

B. Socioeconomic viability

- 4.2 The economic analysis generated useful information for the design of this operation. The following aspects were analyzed, among other: (i) main incentive structures that guide the decisions of the system's stakeholders; (ii) possible inefficiencies in the subsidy allocation process; and (iii) streamlining of costs associated with key actions included in the program. The main macroeconomic

- impacts that would result from the anticipated investments were also estimated in the framework of objectives defined in the National Development Plan 2006-2010.
- 4.3 During preparation of the project, technical support was given to the government to redefine the **formula used to determine the value of subsidies** for the entire SVIS. Under the current mechanism, the amount of subsidies is directly related to the value of the home that is being applied for. This has distorted the decisions of families who—in order to maximize the subsidy amount—apply for housing solutions that are inferior to what they would be eligible for based on their income. The midterm evaluation of the current program determined that 56% of families have made housing improvements, which evidences a residual purchasing power that could have been used to purchase a better and/or larger home. For that reason, a change was proposed in the formula such that the amount of the subsidies is determined by family income (on a progressive schedule), irrespective of the type of solution. For informal families, income will be approximated based on their SISBEN score. Under that scheme, it is expected that: (i) families will acquire homes with a higher value (on average 30% higher); accordingly, it will be key to continue deepening actions to improve access to credit and encourage savings; (ii) the average subsidy for families with incomes of up to two MMW increases by 9% and is reduced by 40% for remaining families; (iii) given the current distribution of families by income level, the average expected value of subsidies would decrease, which would lead to a 6% increase in the level of coverage. It should be noted that if the relative weight of displaced families increases (those that receive a somewhat larger subsidy), the coverage level could be slightly reduced.
- 4.4 Although information on **timing and costs for the subsidy cycle** is limited and aggregate in nature (mainly access to information generated by the CCFs), there are no indications of significant inefficiencies in the subsidy allocation cycle (phase redundancies, excessive requirements, etc.). Based on 2005 allocation data, it is estimated that the costs incurred by society in the subsidy cycle represent nearly 27% of the value of allocated funds. This is, a priori, a high figure that results from a system that maximized controls to overcome past irregularities. The process is particularly costly under the “advance payment” modality, where expenses are more than 60% higher than the modality of “payment against deed”. Those costs are not the product of inefficiencies, but rather the greater guarantees and requirements for the “advance payment” modality. The costs are principally defrayed by the bidders (10%) and the national government (11%), with families directly covering a smaller portion (6.5%). While INURBE was operational, the administrative costs defrayed by the national government represented 18% of allocated resources.
- 4.5 The system’s greatest weakness is that, until now, demand been much greater than the government’s budget capacity, losing resources for each family that applied and ultimately did not receive the subsidy. In 2005, of approximately 50,000 households that applied for ordinary grants and subnational entity subsidies, only 18% were actually allocated. This excess demand implied resources of more than

- US\$1.7 million, equivalent to 590 subsidies (nearly 13% of the amount allocated in 2005). Another factor that increases the costs of the process is the large number of claims; claims represent 50% of applications, with a cost that would have exceeded US\$570,000 in 2005. Finally, inspections have not been effective, with negative consequences for the final quality of the housing solutions.
- 4.6 In order to define the **costs of the CNI component**, a regionally representative sample of 11 projects was studied and unit cost information was obtained, which permitted calculation of a reference budget for the package of works considered under the program. The terms of reference for the feasibility studies of the pilot projects that will be financed in the framework of a technical cooperation agreement will include the analysis of technical alternatives (essentially material and/or construction alternatives, as appropriate) for the main infrastructure works (streets and sidewalks, water networks, storm drains, and sewer systems).
- 4.7 The efficiency of the **process of awarding title to illegally occupied government properties** was also studied under the current modality of “legal authorization of title” versus the modality proposed in the new operation of “free award of land title”. The current process has no redundant or unnecessary phases. However, it involves a fixed subsidy amount and the dispersal of efforts in the municipios, limiting the scope of the instrument, while at the same time generating a number of inefficiencies with costs for society: (i) the mechanism is not very attractive to families since by applying for this subsidy, they become ineligible for other larger subsidies for home purchases, construction, or improvements; (ii) when the audit of the Ministry does not approve costs incurred by the municipios, arguments and counter arguments are given that considerably delay the process (up to two years); (iii) economies of scale are not taken advantage of in a context of mass awarding of land titles, with the greatest burden falling on municipios with limited institutional and technical capacity. Elimination of the “subsidy”, outsourcing, and centralization of the main activities of the process, and training for municipios, will allow these problems to be overcome, increasing the scale of the process, making it faster and lighter, and improving its quality. On average, times would be reduced by more than 60% (from approximately 24 months to 8 months), while the unit financial costs would be reduced from US\$81 to US\$70 (-13%). Based on the country’s prior experience, it is expected that the properties to which title is awarded will increase in value by 30%, which would be equivalent to more than US\$700 per home. For their part, local governments would receive approximately US\$11 per legalized property each year in the form of property taxes, and the national government would receive approximately US\$4 per deeded property sold on the market in the form of VAT on notary fees.
- 4.8 Finally, given the importance assigned in the PND 2006-2010 to **growth in GDP and employment** as a means to reduce poverty and improve equity, it is important to note that: (i) for every dollar invested in the construction of LCH and housing improvements, US\$1.40 of economic activity would be generated in the short term, while US\$1.00 invested in CNI would generate US\$3.80 in output. Accordingly,

the total investment anticipated for the items mentioned would generate on the order of US\$810 million in GDP terms; (ii) on a short-term basis, the works completed would generate 94,000 direct jobs and 112,000 indirect jobs.¹¹ Thus, in a framework that combines public and private contributions, the State only directly “finances” 40% of GDP generated. That proportion is appreciably reduced if we consider the greater tax revenues collected as a result of the increase in economic activity.

C. Financial viability

- 4.9 For the subsidy component, the counterpart contributions from beneficiary households (either from savings or credit) reflected in the experience of the program currently in process demonstrate that the program is financially feasible. The counterpart from subnational entities is also based on recent historical experience, reinforced by the strong demand from municipios to participate in calls for applications at the territorial level. Law 1114 promulgated in December 2006 guarantees the national fiscal space to finance the program to the extent that it indicates that the government must allocate approximately US\$150 million of its annual budget for urban low-cost housing through 2010.
- 4.10 Colombia’s recently approved multiannual budget has designated budget line items for works under the titling component. There are no requirements for counterpart resources from the municipios. The CNI component requires counterpart funds contributed by the municipios. The agreements/commitments that have been or will be signed with mayors for the pilot tests involve commitments to allocate a portion of their investment budget to the program’s territorial space and, consequently, do not imply expenditures for investments in addition to those already budgeted. As in the previous case, there is multiannual fiscal space for investments financed by the national government’s budget.

D. Social and environmental impact

- 4.11 Based on the analysis, the operation has been classified as category B. This operation also qualifies as a social equity enhancing program as described in the key objectives contained in the report on the Bank’s Eighth Replenishment. Furthermore, this operation qualifies as a poverty-targeted investment (PTI) since its components would principally benefit low-income households. Subsidies to buy, build, or improve a home will continue to be granted in accordance with the current household selection criteria where, as observed, more than 90% of beneficiary families during the 2004-2005 period had incomes of less than or equal to two MMW, thus falling below the poverty line defined by the National Bureau of Statistics (DANE). In the case of subsidies for the special population, the project helps reduce poverty. A recent study shows that the average income of displaced families is 30% below the poverty line. The CNI component would fulfill the

¹¹ Estimates of GDP and employment multipliers are detailed in a consulting report included in the technical files of program CO-0241. It was assumed that they are stable and, therefore, valid for this analysis.

criteria of “direct classification” since all beneficiary households are located in poor urban areas. The same would occur with titling subsidies associated with the previous component.

- 4.12 The program also increases employment and will improve the quality of life of the beneficiaries of the CNI component, providing some 1,900 families/properties with greater access primarily to sanitation services and electricity, and to public areas with trees, pedestrian walkways, transportation, recreational parks, and paved roads, among other. The urban focus of the program will not have any impacts on indigenous or Afro-descendent communities.¹²
- 4.13 Based on the analysis performed, the program will also have positive environmental impacts. The immediate benefit of the formal urbanization process is reduction of the probability of homes being affected by natural disasters and the elimination, or at least reduction, in pressures on ecologically sensitive areas, such as wetlands, natural reserves, areas surrounding bodies of water, forest relicts, and other similar areas where development without control or alternatives has synergistic impacts as well as cumulative costs for the State and society.
- 4.14 The construction phase is also likely to have the usual impacts caused by housing construction and installation of residential services. These include: (i) increase in load on the basic services infrastructure as a result of new demand; (ii) possible phenomena related to industrial safety, hygiene, and occupational health for construction workers; (iii) different types of emissions, some related to the production and transportation of materials that, in turn, affect traffic and the occupation of public space; others related to the works themselves, all of them causing nuisances for residents; and (iv) impacts related to occupation of the homes built associated with public and private space.¹³
- 4.15 In order to mitigate these risks, the MAVDT will: (i) pass a resolution to adopt specifications manuals for basic construction, occupational health, and industrial safety; (ii) apply the guidelines for training subnational entities and the community on public space, urban development, and project sustainability mechanisms; (iii) strengthen the procedure for determining project eligibility followed by FINDETER; (iv) strengthen and systematize project inspections to exercise joint control with the respective environmental and municipal authorities; and (v) strengthen citizen participation in projects starting with the design phase. Special attention will be given to tasks aimed at raising awareness on the need to assume the costs of basic goods and services as a result of the improvements.¹⁴

¹² The social and environmental analysis showed that the investments have been viewed positively by the technical and scientific community, as well as the population in general, in the context of a full analysis of the costs and generic benefits and the externalities of the actions considered.

¹³ The municipios have a credit line through FINDETER for financing works.

¹⁴ The midterm evaluation of the program currently in process indicates that just 17% of the population considers it a disadvantage to have to pay for things they did not pay for previously, while nearly 70% consider that there is no disadvantage because they have a home.

E. Benefits

- 4.16 Through the subsidies component, the housing conditions of 106,000 families (most with monthly incomes of less than two MMW) will be improved through the purchase or construction of a home and/or improvements to their existing home. At the same time, approximately 2,000 families will enjoy better access to basic public services (water, wastewater, sewers, etc.), as well as a healthier and safer environment. Additionally, the mass titling program will allow 320,000 Colombian families to obtain deeds to their property, thus benefiting from the assurance of permanence, incorporation in the real estate market, access to the improvement subsidy, etc.

F. Expected outcomes

- 4.17 Expected outcomes of this operation include improvement of the LCH subsidy and a consolidated information and tracking system. It is also expected that a national CNI policy will be formulated and municipios will learn about titling processes.

G. Risks

- 4.18 **Limitations on access by the informal population to supplemental loans.** During this operation, it was observed that access to credit by the informal population has not been as expected. One of the main weaknesses, discussed in paragraph 4.5, is excess demand for the program. The possibility of offering greater subsidy coverage in the future to meet the levels of demand in Colombia and/or improving the available space and/or quality of housing ultimately depends on the appearance of supplemental credit. For such purposes, mechanisms for providing access to credit by the informal population should be guaranteed. In order to achieve this in the future, the program will support the country's efforts to bring lending institutions closer to the population of potential borrowers, including training for credit and microcredit institutions and development of collateral for LCH.
- 4.19 **Institutional weaknesses.** The creation of FNV in late 2003 ushered in a new institutionality for implementation of Colombia's housing policy. FNV was created in response to the experience of INURBE. In this regard, a decision was made to create a fund with legal capacity and budgetary and financial autonomy, but without an administrative structure or staff of personnel. However, because the director of FNV is the Director of the Housing System, in practice it has been quite difficult for those in charge of the operating areas of FNV to dedicate time/space to the formulation of housing policies. This weakness has been reinforced by the lack of information systems and a large number of contractors with high turnover rates. To mitigate this risk, efforts have been made and will continue to be made to consolidate information systems, the main MAVDT equipment, and to assist authorities in their efforts to clearly define responsibilities.
- 4.20 **Quality and habitability of housing.** One of the main problems identified is that the quality of housing has not been fully satisfactory due to mistakes, principally in

inspections. It is expected that the new system of selecting inspectors and the new method of oversight to be carried out by the country will allow this risk to be mitigated.

- 4.21 **Titling program not attractive to families.** One possibility is that families are reluctant to participate in the titling process because they have to pay property taxes once the home is registered in their name. To mitigate this risk, the program requires applicants to obtain title to their property before they are eligible to receive subsidies for housing improvements. Additionally, titling forms part of the activities and process of the CNI component.

**STRENGTHENING OF LOW-COST HOUSING AND TERRITORIAL DEVELOPMENT POLICY
(CO-L1018)
LOGICAL FRAMEWORK**

Narrative summary	Indicators	Means of verification	Assumptions
GOAL			
G. Help improve the quality of life of low-income families through access to better housing and living conditions			
	<p>By the end of the program and over the next two years:</p> <p>G1. At least 85% of beneficiary families of the housing program consider that their quality of life has improved after receiving the housing solution.</p> <p>G2. At least 70% of beneficiary families of the neighborhood improvement program consider that their neighborhood has improved from a physical, social, and environmental standpoint.</p> <p>G3. At least 80% of families benefiting from property titling maintain that the security of ownership of their home has improved, and 20% have invested in home and/or property improvements.</p>	<p>The program final evaluation will include an opinion survey conducted with a representative sample of beneficiary families. The methodology and necessary information should be compiled to replicate the analysis two years after the end of the program.</p> <p>The program final evaluation will include an opinion survey conducted with a representative sample of beneficiary families. The methodology and necessary information should be compiled to replicate the analysis two years after the end of the program.</p> <p>The program final evaluation will include an analysis of a representative sample of families that obtained a title deed. That survey should be replicated two years after the end of the program.</p>	<p>The housing sector continues to be a priority of the national government.</p> <p>Subnational governments play a more proactive role in defining, implementing, and financing the housing policy.</p> <p>Macroeconomic stability.</p> <p>Expansion of formal mechanisms and sources of LCH financing.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	G4. The value of legally occupied land increases by at least 30% in real terms. The price gap between illegally and legally occupied lands has essentially been eliminated. Baseline: Average of US\$42 m ² for illegally occupied land; Average of US\$57 m ² for legally occupied land.	Program final evaluation. Calculations of the tax value of properties by IGAC (the same information source should be consulted two years after the end of the program).	Fiscal conditions allow public investment in housing to be maintained at least at levels similar to those anticipated for the 2007-2011 period.
PURPOSES			
P. Strengthen, expand, and improve the national government's housing policy			
P1. Strengthen and improve the LCH subsidy system	<p>By the end of the program and over the next two years:</p> <p>P1.a The proportion of new homes occupied increases from 35% to 50% by 18 months after the subsidy allocation.</p> <p>P1.b Contributions from subnational entities to the financing of new housing solutions increase by 18%. 2006 baseline: 13.5% of the total value of solutions.</p> <p>P1.c At least 85% of beneficiary families are satisfied with the housing solutions received. 2006 baseline: 80%.</p> <p>P1.d The proportion of projects presented by municipios in the Municipal Call for Proposals and declared to be eligible is at least 80%.</p> <p>P1.e The proportion of subsidy beneficiaries that received loans from formal financial institutions increases from 12% (observed in 2004) to 15% by the end of the program, and to 18% by two years after the end of the program.</p>	<p>Program final evaluation based on the housing sector information system. The same source should be consulted two years after the end of the program.</p> <p>Program final evaluation based on the housing sector information system. The same source should be consulted two years after the end of the program.</p> <p>The program final evaluation will include an opinion survey conducted with a representative sample of beneficiary families. The methodology and necessary information should be compiled to replicate the analysis two years after the end of the program.</p> <p>Program final evaluation based on the housing sector information system and FINDETER data. The same source should be consulted two years after the end of the program.</p> <p>Final evaluation of the first phase of the program based on the housing sector information system. The same source should be consulted two years after the end of the first phase.</p>	<p>The housing sector continues to be a priority of the national government.</p> <p>Subnational governments increase their participation in LCH financing.</p> <p>Macroeconomic stability and deepening of the financial market.</p> <p>Fiscal conditions allow public investment in housing to be maintained at least at levels similar to those anticipated for the 2007-2011 period.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	<p>P1.f The number of low-cost housing starts increases from 46,000 units in 2006 (observed in 2006) to 55,000 by the end of the program.</p>	<p>DANE.</p> <p>General structure of the building inventory.</p> <p>Housing starts by type.</p>	
<p>P2. Create instruments and lay the groundwork for development and application of a national CNI policy.</p>	<p>P2.a By the end of the program, at least 10 municipios have shown interest in cofinancing CNI programs under the policy defined by the national government.</p> <p>P2.b By two years after the end of the program, at least three municipios that have participated in the national government's program replicate the instrument in other low-income neighborhoods in their jurisdiction.</p> <p>P2.c By the end of the loan operation, the country has a national CNI policy.</p> <p>P2.d By the end of the program, the country will have a bank of CNI projects that are eligible for future action by the national government.</p>	<p>Program final evaluation based on the reports and monitoring activities for municipios.</p> <p>Resources allocated for the evaluations should include funds to commission a study to analyze the effects of the CNI policy. That study should be commissioned by the DNP.</p> <p>Program final evaluation based on the policy document.</p> <p>Program final evaluation with specific projects at a prefeasibility level.</p>	<p>The municipios have the interest and political will to move forward with the processes.</p> <p>National agencies are sufficiently involved in formulation of the policy.</p>
<p>P3. Promote mass titling programs for government properties illegally occupied with LCH.</p>	<p>P3.a By the end of the program, at least 5% of the municipios that participated in the titling program promoted by the national government are replicating the instrument with their own resources in other low-income neighborhoods in their jurisdiction (10% by two years after the end of the program).</p>	<p>Program final evaluation based on reports from DSH. The same source should be consulted two years after the end of the program.</p>	
<p>P4. Strengthen the institutional framework and consolidate the housing sector information system.</p>	<p>P4.a By the end of the program, at least three nontraditional mortgage lenders are making loans for LCH.</p>	<p>Program final evaluation based on banking institution records.</p>	

Narrative summary	Indicators	Means of verification	Assumptions
	<p>P4.b At least 70% of users maintain that the tracking system is a useful tool for monitoring and decision-making.</p> <p>P4.c 70% of decision-makers express satisfaction with the information system for the SFV system.</p>	<p>Program final evaluation based on a representative group of the system's users. The same survey should be replicated after two years.</p> <p>Program final evaluation based on a survey of a representative group of users. The same source should be consulted two years after the end of the program.</p>	
Components			
C1. National LCH subsidies are effectively executed	<p>C1.a Over the course of the program, approximately 106,000 LCH subsidies are allocated: 29,000 for housing improvements, 2,000 LCH construction on owned properties, 53,000 for the purchase of new homes, 9,000 for leased homes, and 12,000 for the purchase of used homes. By 20 months into the program, 50% of the final targets have been met.</p> <p>C1.b By the end of the program, at least 31,000 new low-cost homes have been legalized and given to the people; at least 8,000 by two years into the program.</p> <p>C1.c By the end of the program, at least 17,000 low-cost homes have been improved; at least 4,000 by two years into the program.</p> <p>C1.d By the end of the program, at least 1,200 low-cost homes have been built on owned land.</p> <p>C1.e By the end of the program, at least 8,000 homes have been leased and remain occupied by the leaseholder; at least 4,500 by two years into the program.</p>	<p>Information from the tracking system and semiannual progress reports.</p> <p>Information from the tracking system and semiannual progress reports.</p> <p>Information from the tracking system and semiannual progress reports.</p>	<p>Private sector interest in the LCH business.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	C1.f By the end of the program, at least 11,000 used homes have been legalized and given to the special population; 5,000 by two years into the program.		
C2. Property titling program is designed and in operation	<p>C2.a Over the course of the program, legal title is granted for approximately 320,000 government properties illegally occupied with LCH; at least 100,000 properties by two years into the program.</p> <p>C2.b By 6 months into the program, 50 agreements have been signed between the national government and the municipios to carry out the property titling process; 100 by 12 months; 220 by 2 years; and 350 by the end of the program.</p> <p>C2.c Over the course of the program, training on technical, legal, and operational issues is given to all municipios participating in the property titling process. It is estimated that at least 150 will be trained by two years into the program.</p>	<p>Information from the tracking system and semiannual progress reports.</p> <p>Information from the tracking system and semiannual progress reports.</p> <p>Information from the tracking system and semiannual progress reports.</p>	<p>Subnational governments are interested in the property titling process.</p> <p>Families are interested in obtaining title to the properties they have been occupying illegally.</p>
C3. Strengthened territorial development policy			
C3.1 The CNI program is defined and being implemented.	<p>C3.1.a By 10 months into the program, the package of works and social actions to be carried out in the 6 pilot neighborhoods has been agreed with the community.</p> <p>C3.1.b By 18 months into the program, the basic infrastructure works for 6 pilot neighborhoods have been designed at the feasibility level.</p>	<p>Information from the tracking system and semiannual progress reports.</p> <p>Information from the tracking system and semiannual progress reports, and documentation that contains studies and designs.</p>	<p>There is effective interinstitutional coordination among the various stakeholders involved at the national, municipal, and neighborhood level.</p> <p>Active participation in and social commitment with the selection and maintenance of works in low-income neighborhoods.</p>

Narrative summary	Indicators	Means of verification	Assumptions
	C3.1.c Over the course of the program, at least 6 neighborhoods are improved (benefiting approximately 1,900 properties); at least 3 neighborhoods by 2 years into the program.	Information from the tracking system and semiannual progress reports.	There is a sustainable mechanism that guarantees the financing of operating and/or maintenance expenses for services created.
C3.2 Mechanisms for land use planning and development are strengthened.	C3.2.a Over the course of the program, 200 municipios receive technical assistance in the creation and implementation of municipal files and/or the review and modification of their respective LUPs.	Information from the tracking system and semiannual progress reports. Manual specifying the scope and type of assistance/training.	The municipios have the interest and political will to move forward with the processes.
	C3.2.b Over the course of the program, 16 municipios are assisted in formulating and adopting an LUP; at least 7 municipios by two years into the program.	Information from the tracking system and semiannual progress reports. Manual specifying the scope and type of assistance/training. LUPs.	
	C3.2.c By the end of the program, 10 regulatory documents have been formulated for Law 388 of 1997, as well as other regulatory instruments related to land use planning and development; at least 6 by 2 years into the program.	Information from the tracking system and semiannual progress reports. Training and/or regulatory documents.	
	C3.2.d By the end of the program, at least 10 subnational entities have received technical assistance in developing urban renewal projects; at least 5 by 2 years into the program.		
	C3.2.e By the end of the program, the country will have a bank of urban renewal projects that are eligible for future action by the national government.		
	C3.2.f Over the course of the program, technical assistance has been given to at least 100 municipios to promote instruments for generating urban land; at least 40 municipios by 2 years into the program.	Information from the tracking system and semiannual progress reports. Manual specifying the scope and type of assistance/training. Instruments developed and promoted.	

Narrative summary	Indicators	Means of verification	Assumptions
<p>C4. Strengthened urban environment and housing policy and consolidated information systems</p> <p>C4.1 DSH strengthened</p>	<p>C4.1.a Over the course of the program, 14 nontraditional credit agencies for mortgage loans and portfolio management are trained; 7 by 24 months.</p> <p>C4.1.b By 30 months into the program, a workshop has been held to disseminate the outcomes of the activities described in indicator 4.1.a.</p> <p>C4.1.c By 12 months into the program, a study has been completed on updating the risk model for the LCH guaranty corresponding to the National Guaranty Fund.</p> <p>C4.1.d By three months into the program, the draft guidelines and manuals have been prepared, and a strategic group has been formed to support the municipios in property titling.</p>	<p>Information from the tracking system and semiannual progress reports.</p>	<p>Political will to make the necessary changes and adjustments in the subsidy system.</p>
<p>C4.2 VVDT strengthened</p>	<p>C4.2.a By 30 months into the program, the definitive sector information system is operational (Connectivity Agenda).</p> <p>C4.2.b By 12 months into the program, an image and communication plan has been designed and executed for the national housing program.</p> <p>C4.2.c By 24 months into the program, the sole LCH statute has been prepared and enacted. By 30 months into the program, the process of disseminating that statute has begun.</p> <p>C4.2.d By 36 months into the program, a manual of LCH prototypes with alternative materials has been prepared.</p>		

Narrative summary	Indicators	Means of verification	Assumptions
	C4.2.e By 8 months into the program, at least 10 workshops have been held to disseminate the new LCH policy (40 workshops by the end of the program).		
C4.3 Information systems consolidated	<p>By 12 months into the program, the VVDT has a strategic ICT plan for the 2009-2011 period.</p> <p>By 12 months into the program, an information system has been implemented and is being utilized to manage the CNI component.</p> <p>By 12 months into the program, an information system has been implemented and is being utilized to manage the property titling component.</p> <p>By 24 months into the program, the Ministry has a new information system that automates the different family subsidy management processes, ensuring availability, quality, and integrity.</p>	<p>Monitoring reports.</p> <p>Monitoring reports.</p> <p>Monitoring reports.</p> <p>Monitoring report and user satisfaction survey.</p> <p>Monitoring report, user satisfaction survey, and audit reports.</p>	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/07

Colombia. Loan ____/OC-CO to the Republic of Colombia
Strengthening of Low-cost Housing and Land Development Policy

The Board of Executive Directors

RESOLVES:

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 the Republic of Colombia, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for the strengthening of low-cost housing and land development policy. Such financing will be for an amount of up to US\$350,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

LEG/SGO/CO-1194224-07
CO-L1018