

SOCIAL SAFETY NET PROGRAM

(CO-0247)

EXECUTIVE SUMMARY

Borrower and guarantor:	Government of Colombia	
Executing agency:	Administrative Department of the Presidency (DAPRE) through the Investment Fund for Peace (FIP)	
Amount and Source:	IDB: (OC)	US\$270 million
	Local:	<u>US\$116 million</u>
	Total:	US\$386 million
Terms and conditions:	Amortization period:	25 years
	Grace period:	3 years
	Disbursement period:	3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	Single Currency Facility in US\$
Objectives:	<p>The program has short-, medium-, and long-term objectives. In the short term, program activities will help to mitigate the effects of the economic crisis on the very poor. Over the medium and longer term, it is expected that the subprograms for youth worker training and family support will help to institutionalize mechanisms to support and encourage investment in human capital and to provide a more effective social safety net for vulnerable sectors of the Colombian population. The target groups are families in the lowest two deciles of income distribution, which have been most seriously affected by the recession now gripping the country.</p>	
Description:	<p>The program consists of three main courses of action: employment, worker training, and family support. Although in the short term these subprograms will help to mitigate the effects of the economic crisis on incomes of the target population, they are expected to produce medium and long-term benefits as well. For each of these subprograms, self-targeting and/or geographic targeting mechanisms will be applied, supplemented by the beneficiary identification and selection system (SISBEN), which is described in paragraphs 2.3 and 2.4.</p>	

Employment subprogram (US\$162 million): This subprogram has the short-term objective of raising the income of the very poor (approximately 160,000 people) while the recession persists, through programs to generate employment for unskilled labor, by providing cofinancing for small basic infrastructure projects and community projects in low-income urban areas, preferably with a high content of unskilled labor. It will also support neighborhood improvement programs, social and community infrastructure, and expanded coverage of residential public utility service.

Youth worker training subprogram (US\$65.5 Million): The principal objective of this subprogram is to improve job opportunities for approximately 100,000 low-income youth between the ages of 18 and 25, in the first and second deciles of SISBEN, in seven of the country's major cities (Bogota, Medellín, Cali, Barranquilla, Bucaramanga, Manizales, and Cartagena) where unemployment is highest. The program will provide training for young people at the semiskilled level, including a classroom phase of up to 350 hours, of which between 50 and 100 hours must be devoted to vocational training activities. This training will be followed by a three-month period of full-time practical working experience in industry, directly related to the training received during the classroom phase. The training entities will identify these practical work assignments in advance, and will thereby ensure that the courses offered are relevant in terms of effective demand in industry.

Family support subprogram (US\$98.4 Million): The purpose of this subprogram is to encourage families living in extreme poverty (decile 1 of SISBEN) to increase and maintain investment in their children's human capital. To achieve this, the subprogram has four objectives: a) to increase school attendance and reduce primary and secondary school dropout rates; b) to supplement the incomes of families in extreme poverty with children under seven in order to augment their food budget; c) to provide more health care for children under seven; and d) to improve the child-upbringing practices in terms of health, nutrition, early stimulation and domestic violence.

The instrument for achieving these objectives is a conditional grant that provides beneficiary mothers with direct financial support, in exchange for the fulfillment of commitments by the family. Such an instrument has been found to be much more effective and efficient than in-kind subsidy programs, and it is expected that, if proven effective here, it will gradually replace other less effective and outdated programs.

Based on the assessment, the subprogram will consist of two elements: a school subsidy and a food and health subsidy, the amounts of which will be inflation adjusted to maintain their real value over time.

**The Bank's
country and
sector strategy:**

In response to the problems identified, the government has embarked on an economic program to reverse the situation, with the cooperation of the Bank and other multilateral and bilateral financial agencies. This economic adjustment program is supported by a US\$2.70 billion enhanced structural adjustment facility with the IMF for the next three years, together with a financial package of US\$4.20 billion from the multilateral banks, to which the IDB will contribute up to US\$1.70 billion. As part of this agreement, the Colombian government will earmark each year for the next three years the equivalent of 0.3% of GDP (between US\$250 million and US\$300 million) for strengthening its social safety net, with support from both the Inter-American Development Bank and the World Bank. The IDB will provide financing of US\$270 million and the World Bank US\$250 million in income support for the most vulnerable social groups, to help avoid permanent damage to their human and social capital, and to lay the groundwork for lifting themselves out of extreme poverty by enhancing their employability and their capacity to generate income in the medium and long term.

The country paper, approved by the Programming Committee of the Board of Executive Directors on 11 August 1999, focuses the Bank's activities on five objectives: a) supporting the peace process and its sustainability, by facilitating dialogue and national consensus; b) reducing poverty and inequality, by supporting the formation of human capital and enhancing access to productive activities and basic social services; c) consolidating the decentralization process, by strengthening civil society and local and regional institutions through a consensus-based approach to regional government; d) modernizing the state apparatus, through structural reform of institutions and public finances, including strengthening regulatory mechanisms; and e) promoting sustainable growth, by cooperating in the rehabilitation or creation of economic infrastructure and environmental protection in order to enhance productivity, with the participation of the private sector.

The proposed program fits in with this strategy, particularly with respect to the objective of poverty and inequality reduction through its focus on protecting the human capital of the most vulnerable groups at a time of socioeconomic crisis, through programs of job creation, youth worker training and income support for families most affected by the country's current critical situation.

Although the Colombian government is currently funding a series of programs that target vulnerable groups, they are of limited coverage, with little capacity for immediate expansion, some are not very effective, and others do not target the neediest groups. The principal social programs, which absorb most social spending, are those of the Colombian Institute for Family Welfare (ICBF), the Social Solidarity Network, and the National Apprenticeship Service (SENA). Consulting services have recently been retained to examine these programs in depth, and the results will be assessed by the banks and the Colombian authorities at the first annual meeting, in order to arrive at decisions on the reallocation of funds from less efficient programs. As noted earlier, the country does not have effective mechanisms for assisting the unemployed or for guaranteeing a minimum family income in emergencies. Over the short run, the employment, youth worker training and family support subprograms proposed here will provide a swift, efficient and targeted response for the families most affected by the recession gripping the country. Over the medium and longer term, the program will help to lay the foundations for developing an effective and permanent national system of social protection that will allow vulnerable families to cope with natural or economic emergencies in the future.

**Environmental
and social
review:**

The principal beneficiaries of the family support subprogram are families in the poorest quintile of the population, with school-age or younger children (under seven years). The school grant will protect and increase the human capital of these families and improve their prospects for earning higher incomes in the future. Similarly, the food and health grant will have positive effects on developing the human capital of these poor families. As well, actions under this subprogram will promote the advancement of women by helping to consolidate the family unit and giving decision-making power over family income to mothers or female heads of household, who will be the recipients and administrators of the family grants. At the same time, these recipients can be expected to provide local leadership in promoting community participation in project execution and supervision.

Works under the employment subprogram will by their nature have a positive environmental impact. Funding will be provided for the construction or rehabilitation of health centers and posts, school classrooms, and recreational facilities. Funding will also be provided for the construction of pedestrian access and the expansion or installation of water supply and sewer systems, and, on a reduced scale, of low-income housing. In all cases, project evaluation will include an analysis of environmental impacts, using the guidelines and methodology of FINDETER for projects of this type.

The design of the employment and worker training subprograms includes mechanisms to encourage women's participation. In particular, communications relating to the subprograms will contain specific messages directed at potential female beneficiaries.

Benefits:

Impact on poverty. The employment subprogram is expected to ensure that a total of 160,000 people, currently unemployed and with few resources, receive not only a working wage but the opportunity to integrate themselves into the labor market, at least temporarily. Although a program of this kind cannot hope to resolve the country's difficult unemployment situation, its impact on the incomes and well-being of direct and indirect beneficiaries should extend well beyond the period during which workers will be employed on the projects. On one hand, since a significant proportion (perhaps 50%) of the unemployed are the victims of structural unemployment, the fact that they can enter the labor market for even a few months will allow them to retrieve lost skills, restore their self-esteem, and establish links with potential future employers, which will serve to make them more employable and help them generate stable incomes once they leave the program. On the other hand, it is expected that the works to be carried out will help improve the economic, social and community infrastructure of low-income localities.

Similarly, the training and work experience provided under the youth worker training subprogram for more than 100,000 poor young beneficiaries between 18 and 25 will offer concrete opportunities for occupational and social integration to a group that is at very high risk, and this is expected to contribute as well to reducing the risk that these young people will fall victim to drug addiction, crime and violence.

Although the youth worker-training program will not provide young people with jobs directly, it will help them obtain the skills necessary to compete for employment, by broadening the coverage and enhancing the efficiency of the job training market in Colombia.

Finally, the potential impact of the family support subprogram on inequality and poverty could be substantial, as shown in the simulation results provided in Table IV-1. The program will thus have an important impact on the human capital of poor groups.

Evaluations of similar conditional transfer programs show that they have produced significant increases in school attendance and the use of basic health services and have gone a long way towards fostering a more balanced and nutritional diet for children, with resulting positive, long-term impacts on human capital formation for families participating in the program. Every additional year of schooling is associated with better prospects for completing the school cycle,

improving scholastic performance and earning higher incomes in the future. At the same time, improving nutrition and health for children under seven years has a permanent impact on their future growth and development.

Risks:

Employment subprogram. There is a risk that the municipalities will not contribute the expected counterpart resources. This risk is mitigated by the subprogram's design, which sets variable percentages for cofinancing, depending on the fiscal capacity of the municipality and the impact that the economic crisis has had on it.

As with any program of this type, there is a risk that municipalities will not have the capacity to carry out the projects. This risk is mitigated by the participation of NGOs and workers' cooperative enterprises (EATs) as administrators of funding

Youth worker training subprogram. There is a risk of slippage in the pace of project execution. This risk has been mitigated by adopting a gradual approach to implementation, whereby the subprogram will begin in Bogota during the first year, and will then be extended to Medellín and Cali, and later to the rest of the seven participating cities.

Another risk to this subprogram relates to the response capacity of the various participating players. This risk was addressed during the preparatory stage by a series of studies examining the capacity to provide training and the willingness of potential beneficiaries, training entities and companies to participate in the subprogram, which demonstrated that there is an adequate response capacity from the private sector and positive expectations for the program on the part of the major stakeholders involved.

Family support subprogram. A key assumption for the success of this program is the existence of an adequate supply of services that can respond promptly to the growth in demand generated by the cash transfer. For this reason, adequate supply is a precondition for municipal participation in the subprogram. The current status of supply in education and health services was examined in the selected municipalities, in terms of their capacity to absorb the growing demand that will be generated by the grants, and steps have been taken to strengthen the supply of services.

The concept of distributing cash transfers may arouse concerns over the potential for political misuse of resources by local governments.

The program will ensure transparency and will mitigate the risk of corruption in the handling of funds through proper targeting, supervision, auditing, communication and evaluation, as described in paragraph 4.30.

The program includes financial responsibilities that will have to be assumed by the national budget, once the Banks end their participation. According to preliminary estimates, funding for the program at its maximum coverage level will represent 8% of central government social spending in 1998, 3.6% of total central government spending, and 0.4% of GDP, levels that should be manageable even without the savings that could be achieved by redirecting and/or consolidating existing social programs. Since the program represents a direct investment in human capital, its related costs should not be viewed as recurring costs in the traditional sense. Nevertheless, given the government's intention to transform it into a permanent program, the funding of grants will be a recurrent expense and will be assumed by the government over time. For this reason, the program will finance decreasing portions of the grants. The Colombian authorities have expressed their intention to redirect resources from existing, less effective programs, and to eliminate those that are not fulfilling the purposes for which they were established.

**Special
contractual
clauses:**

As contractual condition precedent to the first disbursement:

- a. An agreement must have been reached on a mechanism to transfer funds to DAPRE-FIP through a special foreign-currency account designated for the project with the Banco de la República (see paragraph 3.1).
- b. The National Coordination Unit (NCU) must have been formed and its principal officers hired (see paragraph 3.6).
- c. For each subprogram, it must be demonstrated, to the Bank's satisfaction, that: (i) the Operating Regulations previously agreed on with the Bank for the respective subprogram are in effect, and (ii) the temporary information systems for each project subprogram have been designed and developed and its main functionalities installed for testing by the NCU (see paragraph 3.10).
- d. The agreements with "participatory executing agencies" must have been signed (see paragraph 3.12, 3.24 and 3.32).

- e. Personnel must have been selected to work in the subprogram coordinating units (see paragraph 3.13, 3.23 and 3.32).

**Social equity
and poverty
reduction
classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI), since it is expected that more than 50% of beneficiaries will be persons falling below the Bank's official poverty line for Colombia. The borrower will be using the 10% age points in additional financing.

**Exceptions to
Bank policy:**

None

Procurement:

The limits applicable to Colombia for the procurement of goods and services and the contracting of works are US\$350,000 and US\$5 million, respectively. The program does not call for works of this magnitude, however. Bidding on contracts for amounts below these thresholds will be conducted in accordance with national legislation, which requires public competitive bidding for purchases exceeding the equivalent of US\$130,000.

I. FRAME OF REFERENCE

A. Introduction

- 1.1 This document presents a comprehensive and focused program of social protection measures designed to alleviate the short-term effects that the economic crisis is having on people living in extreme poverty, as well as to build institutionalized mechanisms—in effect, a social safety net—that will sustain and promote investment in the human capital of these people. The program consists of three subprograms: Employment, Youth Worker Training, and Family Support. The Employment Subprogram is intended to raise incomes for poor people over the short-term, through programs to generate employment opportunities for unskilled labor, by providing cofinancing for small, basic infrastructure projects in low-income urban communities. The Youth Worker Training Subprogram will improve the opportunities for young people to find employment through a program of training and practical working experience in the private sector. The Family Support Subprogram will protect and promote investment in the human capital of poor children through a subsidy grant conditional upon school attendance and the use of basic health services by children and recipient families.
- 1.2 The Government of Colombia has requested the IDB and the World Bank to provide financing for this program. The IDB will finance US\$270 million for activities in the three areas mentioned, and World Bank will contribute US\$250 million for financing the Employment and Family Support Subprograms. This program was prepared in close cooperation with the World Bank, and it will be administered and evaluated jointly with that institution.

B. Background

- 1.3 Colombia is passing through one of the most difficult moments of its recent history. The severe increase in problems of public security in recent years has been accompanied by a marked decline in the pace of economic growth, a sharp increase in unemployment, and a deterioration in the public accounts. Average real annual GDP growth, which exceeded 5% between 1992 and 1995, dropped to barely half that rate in the three-year period 1996-1998, and economic activity declined by an estimated 5% during 1999. Moreover, although inflation was successfully held below 20% in 1998, and has stood at about 10% for the last few months, the fiscal balance of the central government recorded significant and growing deficits between 1996 and 1999, and the deficit now stands at about 5% of GDP.¹ That level, which is hardly sustainable over the long term, led the current government, which took office in the second half of 1998, to take severe fiscal measures to correct a situation that threatened to undermine the country's future macroeconomic stability.

¹ International Monetary Fund.

- 1.4 As a reflection of the deteriorating economic situation and the unfavorable short and medium outlook, all of the major risk classification agencies have downgraded their rating of sovereign-risk Colombian bonds since the second half of last year to below investment quality. As a consequence, the margins on Colombian sovereign-risk bonds has risen substantially in recent months, from around 400 basis points at the end of 1999 to nearly 750 basis points in May 2000, placing them for the first time higher than Brazil and the EMBI+ index of a representative basket of emerging markets, and making the cost of capital for Colombia significantly more expensive. Nevertheless, the economy is expected to resume growth during the year 2000, and GDP should rise by between two percent and three percent.

C. The sector and its principal problems

- 1.5 This difficult situation has had a particularly severe impact on families living in poverty. This group is especially vulnerable, because it has very low levels of human capital, assets and savings, and its access to the labor market during times of recession is very limited. The loss of employment for these families means the disappearance of their principal source of income, plunging them into even deeper poverty and vulnerability.

1. Poverty

- 1.6 There are no suitable mechanisms in Colombia for compensating the unemployed or for guaranteeing a minimal level of family income, which means that the crisis has produced a considerable increase in poverty levels. Between 1991 and 1996, poverty showed a declining trend in Colombia. The Colombian government estimates that during that time, in terms of the national poverty line, the percentage of poor individuals declined from 59% to 50%.² Beginning in 1997, this trend was reversed, and in 1999 roughly 65% of the total population was classified as poor³. This increase was generalized, although it was felt most sharply in urban areas. The increase in poverty since 1997 is reflected, on one hand, in a generalized decline in incomes, and on the other hand, in a worsening of income distribution. The Gini index rose from 0.5 to 0.55 between 1995 and 1998.

2. Unemployment

- 1.7 The recession of 1999, a year in which GDP fell by 4.5%, has affected nearly all productive sectors, and has struck with particular severity at two of the most important sectors in terms of employment: manufacturing and construction. Urban unemployment in March 2000 reached 20%, one of the highest rates recorded in

² Nevertheless, this was not a generalized decline, since the rural poverty rate rose from 69% to 80% during this period.

³ This analysis was performed by the IDB on the basis of DANE workforce surveys for 1997, 1998, and 1999.

recent decades. A portion of unemployment is considered to be structural, since even before the current recession the rate stood at around 10%; nevertheless, the remaining 10 points may be attributed for the most part to the recent recession. The group most seriously affected consists of young people, most of whom are women, who are entering the labor market for the first time, with no prior experience or training. There are currently nearly 3 million unemployed in the country, and one million of these live in the seven major cities. Thirty-eight percent of the latter group are between 15 and 24 years of age. The economic recovery of recent months has not yet made itself felt in terms of higher employment. The emergency resulting from high levels of unemployment is therefore likely to continue at least into the immediate future.

- 1.8 Fifty-five percent of the unemployed are between 25 and 60 years of age, 25% between 20 and 24 years, and 18% fall in the 15-19 year age group. Approximately 55% of all unemployed are women. The rise in overall unemployment during the crisis has been greatly accentuated, but the highest unemployment rates and the greatest increases are to be found among the poorest 20% and, in particular, among youth aged 18 to 21 years, and within this group, among women.⁴ There is a very close relationship in Colombia between unemployment and levels of poverty, which means that the unemployment associated with the current recession will also have negative effects over the medium and longer term, since the human capital of the poorest groups deteriorates during prolonged bouts of unemployment, and this gradually undermines the future employability of workers.

3. Low school attendance rates

- 1.9 In the case of children and young people, families find themselves obliged to withdraw them from the school system because they cannot afford this investment in human capital, and the labor of these members is needed to support the family's subsistence. For a high percentage of children, this interruption implies their permanent exit from the education system, while for the few who manage to reenter it, their school performance and career prospects will suffer a negative impact that is difficult to overcome.
- 1.10 In 1998, the school dropout rate was highest among the poor, particularly in the transition years (i.e. the move from home/preschool to primary, and the move from primary to secondary school). In municipal school systems, poor children begin their studies later. According to government calculations for 1998, at age six, 27% had not yet begun school, while for the population as a whole this figure stood at 8.5%. At seven years of age, 18% had not yet begun, compared to 3.7% of the total. The highest rate of school attendance occurs at nine years of age, but here again the poorest groups fall significantly behind: only 17% of these children are in the grade

⁴ Unless otherwise specified, sources of data presented are the DNP and the IDB Research Department, analyzed on the basis of the Labor Force Survey that the DANE has conducted since 1995.

that corresponds to their age, compared with an average of 38%. In rural areas, attendance rates are lower for all ages, and children begin school at a later age.

- 1.11 Evidence from household surveys shows that between 1997 and 1999 school attendance declined even further among poor children and youth aged 6 to 21 years in the poorest quintile, while it remained constant, or even rose, in the case of the remaining 80% of children. The school dropout rate among poor students translates directly into higher unemployment rates, because when families withdraw their children from school because they are financially incapable of keeping them there, one of the alternatives is to try to put them to work in an attempt to offset the effects of the crisis.

4. Dietary and nutritional deficiencies

- 1.12 The decline in incomes brought about by the economic crisis is having a direct impact on people's well-being. Lower family income leads to a deterioration in diet, which has an irreversible effect on nutrition and development of the smallest children, and tends to accentuate the vicious circle of poverty in which these segments of the population are trapped.⁵ Chronic malnutrition⁶ among children under five years was already at 15% in 1995, and this figure was double that level among rural children whose mothers had no education, or only primary school. Although there are no recent, nationwide data available,⁷ there is evidence to show that food consumption in the four major cities has declined by 39%, suggesting that the effect on nutrition, especially among the very poor, may be significant.

D. The country's strategy for the sector

- 1.13 In response to these problems, the government has introduced an economic program that seeks to reverse the situation, and for which it is counting on cooperation from the Bank and from other multilateral and bilateral financial agencies. This economic adjustment program is supported by an Extended Facility Agreement with the IMF for US\$2.7 billion over the next three years, and this will be accompanied by a financial package of US\$4.2 billion from the multilateral banks, with a contribution of up to US\$1.7 billion from the IDB. As part of this agreement, the Colombian government has undertaken to earmark each year for the next three years resources equal to 0.3% of GDP (between US\$250 million and US\$300 million per year) to strengthening its social safety net, with support from both the Inter-American Bank and the World Bank. The IDB will provide financing

⁵ DNP: Social Safety Net. Executive Summary, Bogota, September 1999, page 5.

⁶ Chronic malnutrition is measured internationally as -2 standard deviations below size-for-age benchmarks.

⁷ Data on malnutrition are taken from the National Demographic and Health Survey conducted in 1995 by PROFAMILIA. A new survey is planned for the second half of 2000.

of US\$270 million and the World Bank US\$250 million⁸ to support the most vulnerable groups, to help avoid permanent damage to their human and social capital, and to lay the ground for lifting themselves out of extreme poverty by enhancing their employability and their capacity to generate income over the medium and long term.

- 1.14 The Colombian government has introduced a number of social programs targeted at the most vulnerable groups. Some of these are targeted according to geographic criteria, while others are designed to provide services to special groups of the population. The Colombian Institute for Family Welfare (ICBF), for example, manages a program of community shelters for children under seven years, among other programs aimed at protecting children. In addition, the General System of Social Security and Health includes a system of subsidies for people who are unable to pay, and priority is given to enrolling the most vulnerable among the poor: the maternal-child group, the disabled, informal workers, indigenous people and seniors. In recent years, the Social Solidarity Network has provided benefits to low-income families through financing for small-scale social projects (in housing, social infrastructure, youth training, transfer programs, and services for the elderly) in all municipalities of the country, involving the local community in identification, implementation and monitoring. These programs form the nucleus of an institutional approach to building a social safety net in the country, but there are still important shortcomings in terms of coverage, efficiency, targeting, and capacity to expand services swiftly.
- 1.15 On the basis of experience and lessons learned with existing programs, and in an effort not only to respond immediately to the present crisis but also to attack some of the structural causes of poverty, the Colombian government has begun to design a Social Protection Program. This program seeks: (a) to mitigate the effects of unemployment and enhance the ability of the most vulnerable groups to find stable employment; (b) to introduce incentives for the poorest families to invest in the education of their school-age children so they can develop the capacities that will allow them in the future to lift themselves out of poverty; and (c) to protect the nutrition and health of pregnant mothers, children under seven, and children from families living in conditions of extreme poverty and vulnerability.

E. Bank strategy in the sector

- 1.16 The Country Paper, approved by the Programming Committee of the Board of Executive Directors on 11 August 1999, focuses the Bank's efforts on five

⁸ The World Bank will have two operations: the first, approved in May 2000, for US\$100 million for the employment program, and a second, to be approved in December 2000 or January 2001, for US\$150 million for the conditional subsidy grant program.

objectives: (a) supporting the peace process and its sustainability, by facilitating dialogue and national consensus; (b) reducing poverty and inequality, by supporting the formation of human capital and enhancing access to productive activities and basic social services; (c) consolidating the decentralization process, by strengthening civil society and local and regional institutions through a consensus-based approach to regional government; (d) modernizing the state apparatus, through structural reforms to institutions and the public finances, including strengthening regulatory mechanisms; and (e) promoting sustainable growth, by cooperating in the rehabilitation or creation of economic infrastructure and environmental protection in order to enhance productivity, with participation of the private sector.

- 1.17 The proposed program fits in with this strategy, particularly with respect to the objective of reducing poverty and inequality, by focusing on protecting the human capital of the most vulnerable groups at a time of social economic crisis, through programs of, youth worker training and income support for families most affected by the country's critical situation.

F. Program strategy

- 1.18 Although the Colombian government is currently financing a series of programs that target vulnerable groups, they are of limited coverage, with little capacity for immediate expansion, some are not very effective, and others do not target the neediest groups. The principal social programs, which absorb most social spending, are those of the Colombian Institute for Family Welfare (ICBF), the Social Solidarity Network, and the National Apprenticeship Service (SENA). Consulting services have recently been retained to examine these programs in depth, and the results will be assessed by the Banks and the Colombian authorities at the first annual meeting, in order to arrive at decisions on funds reallocating from less efficient programs. As noted earlier, the country does not have effective mechanisms for assisting the unemployed or for guaranteeing a minimum family income in emergencies. Over the short run, the employment, youth worker training and family support subprograms proposed here will provide a swift, efficient and targeted response for the families most affected by the crisis gripping the country. Over the medium and longer term, the program will help to lay the foundations for developing an effective and permanent national system of social protection that will allow vulnerable families to cope with natural or economic emergencies in the future.
- 1.19 The program consists of three subprograms. Although each has all the features of an independent program, the Colombian government and the project team have agreed to consider them as one single operation, because:
- a. Taken together, they represent a unified strategy for resolving problems of three different population groups: the employment strategy is targeted primarily at

unemployed heads of low-income households (80% of whom live in urban zones of the 77 largest municipalities of the country, and the remaining 20% in smaller municipalities); the youth worker training component is targeted at poor young people between the ages of 18 and 25 in the seven major cities; and the family support program is targeted at the lowest income quintile of the population, in the smaller municipalities (numbering 78) that account for 44% of the world's population.

- b. The financial risk that resources will be underutilized because of execution problems with any of the subprograms is reduced because funding can be transferred from one subprogram to another, depending on how execution is proceeding in each one.
 - c. Although each subprogram will have its own execution schedule, administration and other general functions will be managed in common, so that there should be substantial savings in administrative costs.
- 1.20 The activities under the different subprograms will be implemented in phases, so that periodic operating reviews can be undertaken and the procedures designed during preparation refined.

II. THE PROGRAM

A. Objectives

- 2.1 The program has short-, medium- and long-term objectives. In the short term, program activities will help to mitigate the effects of the economic crisis on the very poor. Over the medium and long-term, it is expected that the subprograms for youth worker training and family support will help to institutionalize mechanisms of social protection that will support and encourage investment in human capital and that will constitute a more effective social safety net for vulnerable sectors of the Colombian population. The target population are families in the lowest two deciles of income distribution, which have been most seriously affected by the recession now gripping the country.

B. Description

- 2.2 The program consists of three main courses of action: employment, worker training, and family support. Although in the short term these subprograms will help to mitigate the effects of the economic crisis on incomes of the target population, they are expected to produce medium and long-term benefits as well.
- 2.3 For each of these subprograms, self-targeting and/or geographic targeting mechanisms will be applied, supplemented by the beneficiary identification and selection system (SISBEN). SISBEN is a targeting instrument that uses an approximate resources index, known as I-SISBEN, that Colombia has employed since 1994 to select beneficiaries for social programs, particularly health and housing subsidies. The I-SISBEN covers a broad spectrum of variables relating to the quality of housing and amenities, utility services, demographic aspects, income, employment, human capital and social security. It is estimated that in 1997 the SISBEN, as applied to health subsidies, covered 76% of poor people at the national level, with a lesser degree of filtering than in similar systems in Australia and Norway.
- 2.4 SISBEN consists of six deciles that correspond to ranges of scores based on the I-SISBEN. Deciles 1 and 2 correspond to families living in extreme poverty who have household incomes sufficient only to buy a basic basket of food; this range is approximately equivalent to the lowest two deciles of income distribution. In the case of potential beneficiaries who have not yet been registered in SISBEN (a situation that applies to approximately 15% of the nation-wide universe of beneficiaries) the municipality will undertake the necessary additional surveys on a demand basis⁹ in order to determine their eligibility; this activity is already

⁹ Communication activities will be undertaken, financed by the program (see paragraph 2.27) to inform potential beneficiaries about requirements and procedures for registering with SISBEN.

underway with domestic financing. The project team considers that the I-SISBEN scores are a good approximation of the real socioeconomic level of the individuals identified, and that the system is applied with high levels of coverage and low filtration; it will therefore be used from the outset in all subprograms.

1. Employment Subprogram (US\$162 million)

- 2.5 This subprogram has the short-term objective of raising income levels for approximately 160,000 poor people affected by the crisis through programs to generate employment for unskilled labor, by providing cofinancing for small, basic infrastructure projects and community projects in low-income urban areas, preferably with a high content of unskilled labor. It will support neighborhood improvement programs, social and community infrastructure, and the extension of public utility services to homes. Program funds will cofinance both material inputs and unskilled labor for eligible community projects. The costs of auditing each project (as required by Colombia's *interventoria* legislation) will also be covered. Each project will have a maximum cost of US\$150,000 and will employ on average 50 unskilled workers. Projects are expected to take about five months to complete. The subprogram will finance on average 70% of the total value of subprojects. The proportion of the cofinancing that the proponents of the projects will be called on to provide will vary, depending on size and financial capacity of each one. Each project will be administered by an NGO or a Workers' Cooperative Enterprise (EAT), which will be responsible for contracting and paying unskilled labor. These NGOs/EATs will be paid an administration fee, which will be recognized by the subprogram as part of operating costs.
- 2.6 It is expected that over the medium term the works to be financed will produce benefits for the low-income communities in which the program will operate. In addition, one of the medium-term benefits that such programs typically produce is to increase employment among beneficiary workers who had been adversely affected by unemployment.
- 2.7 To ensure that the subprogram is properly targeted, persons participating in the projects must hold a citizenship card and must be unemployed, over 18 years of age, not enrolled in regular daytime studies, and classified in decile 1 or 2 of SISBEN. The program will use a social marketing strategy in an effort to increase participation by women.
- 2.8 **Monitoring, audit, and evaluation.** The subprogram calls for three types of monitoring, audit, and evaluation activities. The first involves supervision and monitoring by the National Coordination Unit (NCU). The second is a financial and procedural audit, concurrent and sample-based, to be performed by an independent external firm. The third is an external evaluation of the subprogram's impact. This external evaluation has two components: a mid-term evaluation and a results and

impact evaluation. The mid-term evaluation will include the following aspects: analysis of strategies and targeting mechanisms for the subprogram, and evaluation of institutional operating aspects. Indicators will be derived to measure different types of results and quality standards.

2. Youth worker training subprogram (US\$65.5 Million)

- 2.9 The principal objective of this subprogram is to improve job opportunities for approximately 100,000 low-income youth between the ages of 18 and 25, with the first and second deciles of SISBEN, in seven of the country's major cities (Bogota, Medellín, Cali, Barranquilla, Bucaramanga, Manizales, and Cartagena). These are the cities where unemployment is currently the highest, and they all have the training infrastructure necessary to implement the subprogram. The program will provide training for young people at the semiskilled level, including a classroom phase of up to 350 hours, of which between 50 and 100 hours must be devoted to vocational training activities. This training will be followed by a three-month period of full-time practical working experience in industry, in a field directly related to the training received during the classroom phase. The training entities will identify these practical work assignments in advance, and will thereby ensure that the courses offered are relevant in terms of effective demand in industry. Studies on the private supply of occupational training conducted as part of preparation for this program show that there is ample capacity in all participating cities to respond to a program of this type. The results of the study are found in the technical files for the project. The results of the analysis, based on surveys, focus groups and personal interviews with young people, employers and directors of training institutes, demonstrated a keen interest on the part of these key players to participate in a program of this kind, in the current Colombian context. The design will include mechanisms to ensure adequate participation by women in the subprogram. The classroom phase, given the disadvantaged status of this population, will have to include attitudinal modules and remedial work in mathematics and literacy skills. During both the classroom and the practical phases in industry, the program will provide a daily living allowance of US\$2.50 to beneficiaries to cover transportation costs and a snack; this allowance will be increased to US\$3.50 for young mothers with children under seven. It will also cover all costs of the training courses and of occupational accident insurance, both for the training and the practical phases.
- 2.10 The provision of the courses will be awarded through a public bidding process for which training centers of legally established companies and specialized private training entities will be eligible, provided they are officially registered and meet the requirements for incorporation. Public training companies, other than SENA, may offer courses under the subprogram provided that they demonstrate that the financing is not subsidized with public funds thus guaranteeing transparency and equity in public competitions. This form of training, which has been shown to be successful in several countries of the region, will constitute an alternative mechanism to the training provided by SENA, the principal public institution

providing occupational training in Colombia. That entity is viewed by business circles in the country as slow and inefficient in adapting the courses it offers to the training needs of the labor market. The program will be introduced gradually, beginning with Bogotá, and extended to Medellín and Cali in year two, and to the four remaining cities in year three.

- 2.11 In addition to providing practical training and a living allowance to beneficiaries in the short term, the subprogram will contribute over the medium term to improving stable employment opportunities for a particularly vulnerable population group: unemployed youth in deciles 1 and 2 who are currently not served by any existing public program (SENA offers training primarily for older workers who are already employed and who have a higher educational and socioeconomic status than those targeted by the subprogram).
- 2.12 If it proves to be successful over the longer term, the subprogram will also help to enhance the efficiency and effectiveness of Colombia's occupational training system, by demonstrating the advantages of an approach to training that, while financed with public resources, relies on private suppliers selected through transparent and competitive award procedures, in response to concrete demands of the Colombian economy. On the basis of the dialogue conducted during preparation of the subprogram, SENA is currently giving thought to contracting private training firms for its short-term training programs. For this reason, prior to startup of the subprogram, a test will be conducted, financed by SENA, and carried out in accordance with the execution guidelines and mechanisms proposed for this program, as described in Chapter III.
- 2.13 The subprogram also calls for activities to strengthen the capacity of potential training entities so that they can introduce skills-oriented training and redirect their training programs toward young people, by incorporating workplace-related skills (self-esteem, punctuality, work relations, etc.). This will be done by providing financing for: (a) the design of a strategy and support materials to prepare training institutes to take a skill- and workplace-focused approach to training; (b) the development of introductory workshops for institutes with the potential of offering such training; and (c) virtual support activities for institutes offering training, through the provision of online materials and consultation.
- 2.14 The subprogram will be subjected to two evaluations: (a) an evaluation after each cycle of bidding on project execution, known as monitoring, the general purpose of which is to evaluate activities, results and immediate effects of the subprogram, and (b) an evaluation, the principal objective of which is to quantify the impact of the subprogram.

3. Family Support Subprogram (US\$98.4 Million)

- 2.15 The purpose of this subprogram is to encourage families living in extreme poverty (in the first decile of SISBEN) to increase and maintain investment in their children's human capital. To achieve this, the subprogram has four objectives: (a) to increase school attendance and reduce primary and secondary school dropout rates; (b) to supplement the incomes of families in extreme poverty with children under seven in order to augment their food budget; (c) to provide greater health care for children under seven; and (d) to improve the upbringing of children in terms of health, nutrition, early intellectual stimulation and the avoidance of domestic violence.
- 2.16 The instrument for achieving these objectives is a conditional grant that provides beneficiary mothers with direct financial support, in exchange for the fulfillment of commitments by the family.¹⁰ Such an instrument has been found to be much more effective and efficient than in-kind subsidy programs, and it is expected that, if proven effective here, it will gradually replace other less effective programs.
- 2.17 The strategy for targeting this subprogram will be carried out in two stages. The first stage consists of a geographic targeting, where departments will be ranked in accordance with an objective index of socioeconomic vulnerability: this same priority will be applied to extensions of the program, thereby ensuring transparency in the selection of participating departments and municipalities. Within each department, a total of 519 municipalities (urban and rural) will be selected that have banks and that can offer an adequate level of service, and that are not beneficiaries under other programs with similar objectives. The second stage will involve individual targeting, through SISBEN, applying the established criteria of age, condition and socioeconomic status.
- 2.18 On the basis of the diagnosis performed, the subprogram will contain two elements: a school grant and a nutrition and health grant, the amounts of which will be indexed to maintain their real value over time.
- 2.19 Preliminary calculations show that, on average, a beneficiary family will receive approximately US\$30 per month, equal to 20% of monthly family income. The school grant is provided for each eligible child¹¹ and, therefore, will vary depending on the size of the family: the nutrition and health grant, on the other hand, is

¹⁰ The benefit is paid to the mother, since it has been found that family consumption patterns are influenced depending on whether it is the mother or the father who receives the funds. When the mother distributes income, consumption tends to be concentrated more on food, education and health. Directing the family benefit to the mother can unleash a series of positive changes in family behavior and can strengthen her role in household decision-making.

¹¹ The school grant must necessarily be provided on an individual basis, in order to function effectively as an incentive to attend and remain in school.

provided as a lump sum for each eligible family. As a point of reference, a total combined subsidy of US\$56 per family has been established, an amount equivalent to the minimum amount necessary to cover basic needs of the beneficiary population, or approximately one-half the minimum wage.¹²

- 2.20 **School grant.** The purpose of this grant is to encourage school attendance by children aged 7 to 17 years and to enhance their scholastic performance. The expected impact of the school grant is: (a) to increase attendance and reduce dropout rate over the short term; (b) to increase the number of years of schooling over the longer term, in target areas; and (c) to encourage the return of school-age children who have dropped out.
- 2.21 This objective will be achieved by providing a grant to each student of a family who is enrolled in primary or secondary education, condition upon actual attendance (at least 80% of the time). The amount is calculated on the basis of direct costs of school attendance for families in the first quintile. The grant will be differentiated by primary and secondary levels, in accordance with a scale that was estimated on the basis of dropout risk. This differentiation will encourage child not to repeat a grade.
- 2.22 **Nutrition and health grant.** As a supplement to the school grant, a nutrition grant will be provided to supplement the food budget of families with children under seven years who do not attend the community shelters of the ICBF, on condition that the grant be used for basic health services, in accordance with rules established by the Ministry of Health, and that the mothers of children under seven years attend educational discussion sessions. The grant will be paid to the mothers of children under seven, to supplement the family diet during the critical stage of early childhood growth and development. The amount of the grant was calculated to cover the gap between the cost of a basic food basket and the average income of indigent families with children of eligible age.
- 2.23 The objectives of the grant are: (a) to improve comprehensive maternal-child health care for children under seven, and (b) to improve the nutritional quality of the family diet. The expected impact of this grant over the short term is to increase the family's consumption of food and its awareness of health, nutrition and self-care issues. Over the longer term, it should reduce rates of chronic malnutrition among children, improve the state of children's health, and enhance their school performance.

¹² The family grant ceiling is defined as the difference between the maximum income per capita of a family in the first quintile and the average income per capita of a family in the first quintile multiplied by the average number of beneficiaries per family in the first quintile.

- 2.24 **Implementation and monitoring.** The subprogram will be implemented in a series of stages, the first of which, on a reduced scale, will make it possible to evaluate the efficiency and effectiveness of program design, consolidate the institutional factors, and produce a demonstration effect for extending the subprogram. The subprogram will be extended gradually, with priority to the inclusion of new departments and municipalities depending on their needs index, and subject to the limitations on the supply of services.
- 2.25 The integrated evaluation of the conditional subsidy program consists of four subcomponents: internal monitoring, external monitoring by sample, social control, and external impact assessment. The first has to do with the monitoring of the physical advance of the program and its financing, in order to furnish the Bank and the Colombian government with periodic reports. The second involves external monitoring by sample to evaluate the field operation and delivery of the subsidy. The third is a social participation plan designed for control and supervision of the program on the part of the beneficiary communities. Subcomponents two and three seek to detect problems with subsidies available in education and health, operating problems, and monitoring of the process of verification and enforcement of subsidy payment and eligibility conditions. The fourth subcomponent is the external assessment commissioned to gauge the impact of the program on human resources development in the target population.
- 2.26 Two types of external evaluation will be performed. The first will cover the initial stage, and will focus on operational aspects. This evaluation will be used to determine procedures and coordination measures necessary to expand the program on a broader scale. The second will measure the program's impact over the medium term. The objective of the impact evaluation is to provide an unbiased estimated of the impact of the family support subprogram. It will determine whether the subprogram is having a positive impact on the well-being of beneficiary families, in terms of changes in their indicators of human capital formation and food consumption. As well, it will verify whether the quality of education in the schools is consistent with the parameters established by the education departments. It will also compare the impact on consumption and the nutritional condition of the health and nutrition grant with the in-kind and food subsidies currently provided by the ICBF under its community shelter, community kindergarten, and child care programs. The principal impact indicators for the subprogram are listed in Table II-1, and in the logical framework (see Annex III-4) of the family support subprogram. The impact evaluation will be based on an experimental design, developed as the subprogram is gradually extended, using a random allocation of families between beneficiary and control groups. Quantitative and qualitative evaluation methods will be used, depending on the nature of the indicators selected. The results of the medium and long-term evaluations will provide feedback both for program management and for policy decisions regarding construction of the social safety net. Both evaluations will be put out to international tender in accordance with Bank procedures.

Table II-1	
IMPACT INDICATORS	
1	Percentage of net increase in the SISBEN score of beneficiary families.
2	Percentage of net reduction in school dropout rates between grades 5-6 and 9-10.
3	Percentage of net increase in monthly school attendance.
4	Percentage of children under seven with updated vaccination schedules.
5	Percentage of children under seven who meet regular growth and development monitoring criteria.
6	Percentage of net increase in nutritional food consumption by children under seven.
7	Percentage of net increase in awareness of practices conducive to family well-being

4. Project administration (US\$21 million)

- 2.27 The project will be administered by the NCU, which will also supervise and monitor execution of all planned activities. The program will pay for the costs of operation and the purchase of goods and services necessary for the functioning of the three subprograms. Among the services to be contacted will be those for managing the program information system, and the services of a trustee for payment of the family support subprogram grants.

5. Communications strategy (US\$3 million)

- 2.28 The three subprograms will be supported by a social marketing strategy that will ensure that: (a) executing agencies understand and fulfill their responsibilities under the various subprograms; (b) participants and beneficiaries are fully aware of the existence of the subprogram, the conditions of eligibility, how to enroll in it, and the operating rules of each subprogram; (c) beneficiaries are aware of their obligations and rights; and (d) the public participates in overseeing and supervising execution of the various subprograms. Social communication activities will support, in particular, the family support subprogram, since the strategy will be focused on promoting sound childcare practices, stressing the importance of early childhood development and the negative impact of domestic violence.

C. Dimensioning

- 2.29 The program was dimensioned through a series of exercises for each of the subprograms. For the Employment Subprogram, the capacity of municipalities to make counterpart contributions was analyzed on the basis of their investment budgets for works of the type to be financed by the subprogram. The capacity of NGOs and EATs to administer the projects financed was also examined. Project cost estimates were based on data from the Regional Development Finance Corporation (FINDETER) and the Social Solidarity Network, both of which have conducted works of this type. The youth worker training subprogram was dimensioned on the basis of the cost of courses and daily allowances for similar projects, adjusted for the number of potential beneficiaries. The cost of the family

support subprogram was determined using estimated unit costs per beneficiary, and extrapolating the results for the number of eligible beneficiaries. The dimensioning of the Employment and family support subprograms took into consideration the number of potential beneficiaries who might be covered with the funding that both the IDB and the World Bank will provide for these programs. Administration costs for each of the subprograms were estimated by dimensioning the organizational structures needed to ensure proper execution of each, and in light of the amount that each Bank would be contributing to cover those items.

D. Costs and financing

- 2.30 The total cost of the project has been estimated at approximately US\$386 million, of which US\$270 million will come from IDB financing and the remaining US\$116 million from counterpart contributions, as detailed in Table II-2.

Table II-2 TOTAL COST OF THE SOCIAL SAFETY NET PROGRAM (In US\$000 equivalent)				
INVESTMENT CATEGORIES	TOTAL			%
	IDB	LOCAL	TOTAL	
1. ADMINISTRATION	14,992	6,066	21,058	5.5
1.1 Employment Subprogram	5,180	420	5,600	1.5
1.2 Youth Worker Training Subprogram	5,926	467	6,393	1.7
1.3 Family Support Subprogram	3,886	5,179	9,065	2.3
2. DIRECT COSTS	241,745	84,094	325,839	84.4
2.1 Employment Subprogram	100,000	62,000	162,000	42.0
2.2 Youth Worker Training Program	65,469	—	65,469	17.0
2.3 Family Support Subprogram	76,276	22,094	98,370	25.4
3. COMMUNICATIONS STRATEGY	3,000	—	3,000	0.7
3.1 Social Marketing	3,000	—	3,000	0.7
SUBTOTAL	259,737	90,160	349,897	90.6
4. CONTINGENCIES	7,563	1,158	8,721	2.3
4.1 Contingencies	7,563	1,158	8,721	2.3
5 FINANCIAL COSTS	2,700	24,682	27,382	7.1
5.1 Interest	—	21,186	21,186	5.5
5.2 Credit Fee	—	3,496	3,496	0.9
5.3 Inspection and supervision	2,700	—	2,700	0.7
GRAND TOTAL	270,000	116,000	386,000	100.0
% BY SOURCE	70	30	100	

- 2.31 Of the counterpart contributions, US\$62 million is expected to come from municipal contributions for project cofinancing, and US\$54 million from the central government. IDB financing for the family support subprogram will decline over

time: according to preliminary estimates, it will drop from 90% in the first year to 65% in the third year, after which the government will assume 100% of costs.

E. Execution and disbursement periods

2.32 The program will have an execution and disbursement period of three years.

F. Bank financing

2.33 IDB financing, in the amount of US\$270 million, will be provided from Ordinary Capital resources, and will cover 70% of total program requirements.

2.34 The terms and conditions of the Bank loan are detailed in Table II-3:

Table II-3	
TERMS AND CONDITIONS OF THE LOAN	
Source of funds:	Ordinary Capital (Single Currency Facility in US\$)
Amount:	US\$270 millions
Periods:	
Amortization:	25 years
Grace:	3 years
Disbursement:	3 years
Interest rate:	Variable
Credit fee:	0.75% on undisbursed balances
Inspection and supervision:	1%

III. INSTITUTIONAL FRAMEWORK AND PROGRAM EXECUTION

A. Institutional framework

1. Borrower and executor

- 3.1 The borrower will be the Republic of Colombia and the executing agency will be the Administrative Department of the Presidency (DAPRE), which will execute program activities through the Investment Fund for Peace (FIP). **Prior to the first disbursement, the borrower must present evidence satisfactory to the Bank that a financing mechanism has been agreed for transferring funds to DAPRE-FIP through a special foreign-currency account designated for the project, with Banco de la República, in which the proceeds of the IDB financing will be deposited.**

2. Execution strategy

- 3.2 **Strategy selected.** During preparation of the program, it was determined that the best option for executing it would be to use to the fullest extent possible existing organizations with experience or fields of action compatible with program needs. This decision was taken on the basis of the high degree of coordination that would be necessary to maintain the integrity of the program, as well as the need of both Banks for an interlocutor that could ensure coherence in execution, monitoring, evaluation and financial reports. In accordance with the strategy selected, "participatory executors" will be used for specific functions in the corresponding components. Thus, FINDETER will be used for the employment evaluation; local chambers of commerce will be used as "windows" for providing information and receiving applications for the youth worker training subprogram; and the local offices of the ICBF will be used for the family support subprogram.
- 3.3 Day-to-day operations, under both the IDB and the World Bank programs, will be conducted by the NCU, under the responsibility of the DAPRE-FIP. The NCU will enjoy relative autonomy and will have its own structure (see paragraph 3.5-3.9), with qualified technical personnel who will be contracted by the program and will work on it full-time. The NCU will be responsible for executing program activities, which will be conducted in accordance with criteria and guidelines established in the corresponding operating regulations for each subprogram. It will therefore be responsible for loan administration, including procurement, disbursements and accounting. The National Planning Department (DNP) will be responsible for monitoring and technical review of the program's progress.
- 3.4 Several options were considered for the institutional location of the NCU. Thought was initially given to locating it within the DNP, which was considered relatively immune to political manipulation. This option was rejected, however, because of

fears that the eminently programmatic nature of the DNP might be compromised by assigning it an active role in implementing a program of this nature and, on the other hand, because of the DNP's previous negative experience when it had involved itself as a program executing agency. The alternative selected was to establish the NCU as a dependency of DAPRE-FIP. The FIP was recently established as a system for accounts for managing the funds that the government of Colombia intends to use in pacification efforts. The institutional scheme proposed has several advantages: in the first place, it ensures support at the highest levels of government, and secondly it offers greater flexibility in execution, since the FIP is governed by special procurement procedures that can be used for the program, provided they are acceptable to the Bank. The decision to locate responsibility for project coordination and administration in the DAPRE-FIP was taken after discussion with the government and with IDB and World Bank management.

B. Project coordination and administration

- 3.5 **Organizational structure.** The Social Safety Net will be part of the FIP, which was created by Law 487 (and regulated by decree 149 of 2000) as a funding account of DAPRE, with no juridical personality, for the purpose of financing programs and projects structured to support the peace process.
- 3.6 The FIP is managed and administered by a Management Council, composed of the Director of DAPRE, as Chair, the Minister of Foreign Affairs, the Senior Presidential Adviser for Government Affairs, the Director of the DNP, and four members appointed by the President of the Republic. Its affairs are administered by an Executive Director. For its part, the NCU for the Social Safety Net will have a National Coordinator and the professional staff needed to ensure proper functioning of the three component subprograms. In addition, it will have staffing as needed to attend to administrative, legal and financial aspects relating to the program. This organization structure is presented in Annex III-1. Its functions and staff are detailed in the program operations manual, which is part of the technical files for the program. **Appointment and contracting of the principal executives of the NCU (National Director, Subprogram Coordinators, Financial/Administrative Manager) will be a condition prior to the first disbursement.**
- 3.7 **Steering Committee.** To ensure that program operations are technically sound and well coordinated, a Steering Committee will be established, composed of senior representatives of the institutions involved, such as the DNP, the ministries of education and health, as well as the ICBF and the SENA. The major responsibilities of this committee will be: (a) to provide technical guidance to the national coordinator, (b) to ensure coordination among the different subprograms, and (c) to help supervise execution.
- 3.8 **Functions of DAPRE-FIP.** DAPRE, through the NCU, will have the following responsibilities: (a) to open separate and specific bank accounts for the proceeds of

the financing and the local counterpart contribution; (b) to maintain adequate accounting, financial and internal control systems for handling program resources; (c) to organize the accounting system in such a way that sources and uses of project resources can be identified, both in the NCU and in the participatory executing agencies, and to provide the documentation necessary for verifying transactions and facilitating timely preparation of financial statements for the program; (d) to prepare and submit, to the Bank's satisfaction, applications for disbursement and justification for the use of funds, as well as semi-annual reports on use of the revolving fund, based on information from the participatory executors; (e) to ensure that proper records are kept to document disbursements; and (f) to prepare and present to the Bank the required semiannual and annual financial statements.

- 3.9 The participatory executors will be responsible for establishing and maintaining a proper records-keeping system for all documentation supporting eligible program expenses, and for rendering accounts to the NCU. This documentation must be kept available for review by Bank officers, and by the program's external auditors.

C. Execution of the subprograms

- 3.10 Each of the three subprograms will be executed in accordance with specific operating regulations. The CESI, at its meeting of March 24, decided to review the quality and effectiveness of the environmental guidelines and the community participation rules of FINDETER, and their suitability for use in this program. That review was completed, and the resulting environmental guidelines have been incorporated into the operating regulations. As well, the CESI made other recommendations on environmental and social aspects that were incorporated into the operating regulations. As of the date of this report, the principal technical parameters and procedures have been agreed on with the Colombian authorities, and the respective regulations have been prepared. **As a condition precedent to the first disbursement for each subprogram, it must be demonstrated, to the Bank's satisfaction, that: (a) the Operating Regulations previously agreed on with the Bank for the respective subprogram are in effect, and (b) the temporary information systems for each project subprogram have been designed and developed and its main functionalities installed for testing by the NCU.**

1. Employment Subprogram

- 3.11 This subprogram will finance community projects in the country's 78 largest municipalities, and will focus its efforts in the poorest communities (those classified in the first and second quintiles according to the SLI). Funding for community projects will be available in all participating municipalities, from the beginning of the program.

- 3.12 Execution of activities under this subprogram will be done for the most part through outsourcing contracts with various national, subnational and private entities. These include: (a) FINDETER, a municipal development finance agency with broad experience in project evaluation and execution at the municipal level, which will be responsible for evaluating projects submitted for financing under the subprogram; this evaluation will be decentralized among the ten regional units of FINDETER; (b) NGOs and EATs, which will function as management agencies and will be responsible for administering subprojects and paying beneficiaries; and (c) a private firm that will operate the management information systems for supervising subprojects and workers. **To ensure proper implementation of the subprogram, the signature of an agreement with FINDETER will be a condition prior to the first disbursement.**
- 3.13 Within the NCU structure, there will be a Subprogram Coordination Unit that will have operational responsibility for execution. **The appointment of the necessary personnel for the Coordination Unit for the subprogram within the NCU, as well as the contracting of personnel for the regional units of FINDETER, will be a condition prior to disbursements for the subprogram.**
- 3.14 The subprogram will operate over a project cycle typical of this kind of operation, as summarized below.
- 3.15 **Promotion.** At the outset of the subprogram, and to a lesser extent during years 2 and 3, there will be a series of promotion and outreach activities, at both the national and regional level. The Coordination Unit for the subprogram will be responsible for contracting and supervising these services.
- 3.16 **Submission of projects.** The menu of eligible projects for financing includes: improvement works in low-income neighborhoods, social and community infrastructure, and extension of public utility services. Eligibility criteria for each of these categories are defined in the operating regulations and in the guidelines for submitting proposals, which will be distributed to potential applicants. Municipal and departmental governments, public utility companies, NGOs and EATs will be eligible to sponsor and submit subprojects. In order to encourage a sense of "ownership" and to ensure that projects financed are useful for the community, the subprogram will encourage community participation in identifying and submitting project proposals. The operating regulations will include this requirement. Proposals will be received by the regional units of FINDETER, where they will be checked for the necessary information and documentation, and for compliance with the eligibility criteria. Applications accepted will be entered into the information systems. In the case of projects proposed by municipalities, these must have selected an NGO or EAT to take on execution or administration of the subprojects. For this purpose, the NCU will keep a registry of NGOs and EATs that have been prequalified on the basis of agreed criteria contained in the operating regulations. This registry will be permanently open and will be periodically updated.

- 3.17 **Project evaluation.** Every project proposal will be evaluated by technical staff of FINDETER or by consultants contracted for this purpose by the regional units. The evaluation methodology to be used covers the technical, organizational, financial and social aspects of projects. Costs will be evaluated against a cost base defined in light of experience with projects of this type in Colombia. The evaluation formats and guidelines were developed on the basis of FINDETER's own experience, that of other national programs (Social Solidarity Network), and similar programs in other countries, such as the TRABAJAR project financed by the World Bank in Argentina. The methodology, guidelines and formats to be used will be set out in the corresponding operating regulations.
- 3.18 **Project approval.** Projects will be approved for each region by a committee consisting of FINDETER staff, the NCU regional representative, and a local representative.¹³ All projects considered feasible will be assessed against specific criteria to be defined in the operating regulations, and will be given a score based on factors such as the level of poverty in the area where the project is to be executed, the percentage of local contribution, etc. The approval process will be conducted every two months. Once the committee has approved projects, the DAPRE-FIP will issue a resolution listing the projects and the amount of each that will be financed by the subprogram. The NCU representative for the region may sign a letter of agreement with the project sponsor, using the standard format approved for this purpose by the IDB and the World Bank.
- 3.19 **Execution, financing, and payment of workers.** Once the project has been approved, the NGO/EAT responsible for its management will submit to the FINDETER regional office a list of workers to be hired. This list must have been put together on the basis of SISBEN data and the beneficiary selection criteria found in the operating regulations. The list of proposed workers will be checked online by regional office staff, using the database maintained by the NCU. At this point, a project supervisor will be appointed and will conduct a field visit to ensure that conditions are ready for the project to begin. With this assurance, a disbursement plan will be established. The NCU will consolidate all disbursement plans and will establish a system for issuing payment orders.
- 3.20 **Project supervision.** Project supervision will be contracted by the regional office for the subprogram. It is expected that each project will be inspected at least once a month during execution, which is not expected to exceed five months. Supervision will involve verifying compliance with technical specifications and environmental guidelines and adherence to budgeted costs. Projects must also be supervised as required by Colombian law in the case of works financed with State resources.

¹³ This person could be a member of a supervisory firm which will be contracted in each region to ensure the technical consistency and quality of the projects.

- 3.21 **Financial parameters, resource allocation, and contracting.** Since more than 80% of the unemployed are located in the 78 municipalities mentioned above (these include municipalities with more than 100,000 inhabitants, departmental capitals and metropolitan areas), 80% of the resources of the subprogram will be earmarked for these areas, while the remaining 20% can be used by the country's other municipalities. Every two months, the NCU will assign a budget to each region on the basis of an annualized cash flow program, and the projects submitted in each region. This quota system is intended to avoid the concentration of projects in a few regions.
- 3.22 For financing to be provided for each project an agreement must be signed between DAPRE-FIP, the sponsor, and NGO-EAT which will administer the resources. A model contract will be used, as contained in the operating regulations for the subprogram.

2. Youth Worker Training Subprogram

- 3.23 The subprogram will be carried out in seven of the country's major cities (Bogota, Medellín, Cali, Barranquilla, Bucaramanga, Manizales and Cartagena). It will be implemented gradually, beginning with Bogota, being extended to Medellín and Cali in year two, and to the remaining four cities in year three. Within the NCU structure, the subprogram will have a coordination unit that will be responsible for its execution. At the local level, a coordinating unit will be set up in each city where courses will be offered, primarily for the purpose of supervising the courses and establishing relations among the different stakeholders. **Appointment of the necessary personal of the subprogram coordination unit within the NCU, and the establishment of local coordination units, will be a condition prior to disbursements for the subprogram.**
- 3.24 The important "window" function for registering beneficiaries will be performed by local chambers of commerce in the cities where the courses will be given. The responsibility for coordinating these local chambers with subprogram management will be in the hands of the Colombian Confederation of Chambers of Commerce, a private, nonprofit organization set up by the country's chambers of commerce, businesses, and similar organizations, which has members in all the major cities of the country. The confederation will decide who will provide the "windows" in each city, consistent with program guidelines. The confederation will have the option of assigning "window" responsibilities to the Employment Intermediation Centers (CIE) of SENA, if it believes that they are best suited to the task. **An agreement between the subprogram and the confederation must be signed as a condition prior to the first disbursement.** This agreement will establish the duties and responsibilities of each party and will define the organizational strengthening measures that the subprogram is to provide to ensure that the "windows" function properly.

- 3.25 The program will be executed by contracting the services of training institutions which will design and carry out training activities, targeted at the beneficiary population, including the practical work experience component. For these purposes, the subprogram coordination unit will create and administer a national registry of training entities. This registry will be intended primarily to evaluate training entities in terms of their juridical, institutional and administrative aspects, as well as their operational experience, in general and in relation to a population similar to the subprogram target group. The evaluation will be based on regulations¹⁴ that take into account the factors mentioned above. The entity's registration will be confirmed by an administrative act or resolution issued by the subprogram coordination unit, indicating the registration number used to identify the training entity within the national registry. That number will be unique and non-transferable. Each year, trading entities must update their information file; those that fail to do so may be suspended from the subprogram.
- 3.26 The courses will be awarded by means of international competitive bidding in accordance with Bank procedures. The specific procedures for selecting and awarding courses will be specified in the subprogram operating regulations that are part of the technical files for this operation.
- 3.27 Once the courses are awarded, the NCU will sign the corresponding contracts with the training entities. The subprogram coordination unit must then send a full report on courses available in the respective locality to the registration windows, through the coordination units. This report must include at least the name of the entities providing the courses, their addresses, and the number of openings for the course. Under ideal circumstances, this report will include a brief description of the course, detailing in particular any entry-level requirements. The association in charge of registration will confirm that the applicant is an eligible beneficiary and will provide guidance on the training courses available locally under the subprogram, taking into account the beneficiary's occupational, social and educational profile. These institutions will be the "gatekeepers" for the program, and in this sense they will be "strategic partners", with the duty to provide at least the following services: (a) help the beneficiary to identify his or her occupational interests; (b) develop a basic educational and occupational profile for the applicant, and (c) provide guidance and information to the beneficiary about the various training opportunities and their characteristics. In cases where such information is available, they must also advise the beneficiary of any entry-level requirements for the various courses.
- 3.28 For purposes of selecting and recruiting beneficiaries, the training entities awarded contracts will work directly with the enrollment agency. This relationship will have to be relatively flexible, so that the training entity can turn to the enrollment agency or the latter can send registered beneficiaries to the former's facilities. The training

¹⁴ Regulations for the national registry of training entities and the forms to be used are contained in the technical files of the program.

entity must advise the enrollment agency of the identity of the young people who are finally selected, as well as those who are not.

- 3.29 Administration and supervision of the subprogram will be done by the subprogram coordination unit and its local units. In particular, supervision will include efforts to verify the quality of the training provided, participants' attendance at classes and work assignments, and other aspects of importance to proper training. These administrative and supervisory tasks will be performed by the permanent staff of the local coordination units, and by part-time contractual personnel, depending on the needs of the process. Experts will be hired to evaluate the courses offered for each round of tenders. Similarly, experts will be contracted to evaluate courses by visiting the training entities and participating businesses.
- 3.30 Payments to the training entities will be made by direct deposit from the subprogram, using the Integrated Financial Information System (SIIF) of the National Treasury. The NCU will record payments electronically after making the corresponding settlements, according to the individual contracts. The payment system will be a performance-based one, that is on the basis of the progress achieved by each beneficiary in each stage of the course, i.e., the classroom phase, the practical work assignments, or the subsequent placement of the beneficiary in a permanent job. The payment system will also allow payments to be adjusted up or down, depending on whether beneficiaries remain in the courses; from this perspective, for purposes of calculating the amounts payable to the training entities, a record will be kept of beneficiaries' attendance at courses.
- 3.31 Grants to beneficiaries will be calculated as a daily amount and will be paid for each day of attendance during the classroom and practical phases. If the beneficiary is placed in a formal business with a work contract, the grants to which he would have been entitled during the classroom phase will be paid to the training entity as a reward for this placement. Grant funds for beneficiaries will be delivered to the training entity in trust, and that entity will be responsible for passing on these funds to the trainees. These funds are not part of the price of the service contract with the training entity.

3. Family Support Subprogram

- 3.32 This subprogram has a virtually nationwide scope, since it will cover 519 eligible municipalities in 27 departments. Sixty percent of the population of these municipalities is rural. **Execution of this subprogram will rely primarily on the regional and local offices of the ICBF, with which the subprogram must sign an execution agreement as a condition prior to the first disbursement. As a further condition prior to the first disbursement, the necessary personnel must be hired for the subprogram coordination unit and for the local offices of the ICBF.** As well, the mayors of the eligible municipalities will be actively involved, as will grass-roots community groups, which will serve as "social auditors". The

subprogram also calls for enlisting volunteer mothers, who will play an important role in promoting the program and organizing beneficiaries.

- 3.33 **Summary of the training process.** The inherent characteristics of the program are such that it will be executed at four levels: national, regional, municipal and community. At the national level, the NCU will prepare annual operating plans, will carry out the functions of identifying and selecting municipalities and beneficiaries in accordance with program criteria, will order and coordinate the payment of grants to beneficiary women, and will be responsible for program supervision and quality control. It will also be responsible for producing the information and educational materials for disseminating the program. The subprogram will have regional coordination units (UCR) that will operate in the existing regional offices of the ICBF, with the principal duty of coordinating participation by the various municipalities, as well as supervising the work of the local coordination units (UCZ) that will be established in each municipality. Each municipality will assign a liaison officer to enlist the cooperation of the local service establishments (schools and health centers).
- 3.34 For the sake of organizational efficiency, the family support subprogram will be implemented by department, since it will be necessary to ensure that there exists adequate operational capacity. The existence of such an operational capacity will be established in an agreement with the regional office of the ICBF and its local offices, in addition to which a minimum level of personnel must be made available to the program to constitute the UCR and its respective UCZ. As well, the regional ICBF will need to have available minimum physical premises for its operations. The departments will be assigned priority on the basis of the size of their target population, i.e., the greater the number of potential beneficiaries (decile 1 of SISBEN) the higher will be its priority. Execution will begin in the departments of Tolima and Boyacá and will then be extended by order of priority until all 27 departments are covered.
- 3.35 For each department, the process will begin with identifying the "eligible municipalities" and ultimately defining the subuniverse of municipalities in which the subprogram may be implemented. The criteria for eliminating municipalities are: (a) if they are beneficiaries of other subprograms under the Social Safety Net; (b) if they have more than 100,000 inhabitants; and (c) if they do not have a banking institution within their territory. With completion of the targeting process, on the basis of these criteria, there will remain 519 eligible municipalities throughout the country, distributed among 27 departments.
- 3.36 Once a department has been admitted into the subprogram, the targeted municipalities will be invited to participate in it. If the mayor agrees to begin negotiations, the UCR and the mayor will sign a memorandum containing the agreements that have been reached and including updated municipal information from the SISBEN, as well as information on the existing supply of school and

health services. On the basis of this information, the regional unit will evaluate the municipality's capacity to participate in the program. With those municipalities that have this capacity, the subprogram will sign an agreement establishing the responsibilities of each party, as well as the expected startup date of activities.

- 3.37 The next stage in the process will consist of selecting the eligible beneficiary families. The NCU will use computer files from the SISBEN, which will have been previously delivered by the participating municipal authorities. These initial lists will be compared with previous information from SISBEN, as updated regularly by the DNP. The revised lists will be sent to the regional units which, with the support of the local units and the municipal liaison offices, will proceed to enroll the beneficiaries. The enrollment of beneficiaries will be recorded officially in the program, once the corresponding information has been confirmed. Before they are enrolled they will be advised of the benefits and responsibilities of the program, and they will be told how much time they have to register their children in the health centers and to enroll them in school. Procedures and forms, for this and other stages of the process, are included in the operating regulations for the subprogram, which are part of the technical files of this project.
- 3.38 Payments to eligible mothers will be made every two months. Municipal liaison officers will be responsible for ensuring that the schools and health centers complete the corresponding forms for verifying that the conditions are fulfilled. These forms will be processed by the regional unit, which will scan them into the computerized information system. The NCU will verify the information compiled from all participating departments and will handle payments. The grants will be disbursed by a trustee, who will need to work out arrangements with banks or other financial institutions to ensure transparency and efficiency, given the great volume of individual payments that the program will entail. As well, internal and external audits will be conducted to ensure that the grants are being handled efficiently and transparently.

D. Procurement and contracting procedures

- 3.39 The limits applicable to Colombia for the procurement of goods and services and the contracting of works are US\$350,000 and US\$5 million, respectively; nevertheless, the program does not call for works of this magnitude. Tendering for amounts below these limits will be conducted in accordance with national legislation, which requires public bidding for purchases exceeding the equivalent of US\$130,000.¹⁵ The executing agencies in charge of carrying out the projects will be selected by the proponents from those listed in the Executing Agencies Register, prepared by the NCU and the Association of NGOs, through a prequalification process conducted in accordance with the procedures described in Annex C to the

¹⁵ Law 80 establishes variable limits depending on the size of the budget of each public entity. The legal maximum is US\$130,000.

loan contract. Training entities listed in the National Training Institute Register established for the subprogram will be invited to submit proposals.

- 3.40 The contracting of consulting services for the program will be conducted in accordance with Bank procedures, as established in Annex C of the Loan Contract.
- 3.41 Annex III-2 presents the preliminary procurement plan for the major items under the program.

E. Disbursement Schedule.

- 3.42 Table III-1 shows the tentative schedule for disbursement of loan funds and the local counterpart contribution, in accordance with the execution schedule:

Table III-1 DISBURSEMENT SCHEDULE (US\$ million)					
SOURCE	YEAR 1	YEAR 2	YEAR 3	TOTAL	%
IDB	38,491	104,272	127,238	270,000	70
Local	16,596	38,739	60,664	116,000	30
Total	55,087	143,011	187,902	386,000	100
%/year	14.3	37.0	48.7	100	

F. Recognition of expenses and revolving fund

- 3.43 The borrower has asked the Bank to recognize expenses already made or to be made prior to the date of approval of financing by the Board of Executive Directors. The project team reviewed the amounts committed and to be committed for proposals received, as well as the regulations and procedures that were applied in the selection of beneficiaries. On the basis of this review, and in order to ensure continuity of the subprogram, the project team estimates that the Bank could recognize up to US\$5 million as a charge to the local counterpart contribution, and US\$5 million as a charge to retroactive funding. These funds will cover expenses incurred by the Colombian government in assembling the execution and administration structure, as well as the first disbursements made under the initial phase of the family support subprogram.
- 3.44 Given the kind of activities to be conducted and the expected pace of execution, a revolving fund is recommended, up to the equivalent of 5% of financing, or US\$13.5 million.

G. Cash flow and disbursement control

- 3.45 As noted above, funds will be deposited to a special account, in the name of the program, with the Banco de la República. The DAPRE-FIP will access this

account, through the NCU, to make the corresponding payments. The projected cash flow is shown in Annex III-3.

- 3.46 Since the expected execution process called for under each subprogram has its own execution dynamics, with distinct players, beneficiaries and geographic scope, and since the program will serve a very large beneficiary population, with relatively small expenditures spread over a broad geographic area, and since it is expected to generate vast quantities of documentation both on procurement and on disbursements, it will be difficult to execute the operation using ex-ante review procedures. In light of the foregoing, the ex-post review procedure will be used, both for procurement and for disbursements.
- 3.47 To support the ex-post review, the overall program will need to have a sound and systematic electronic information system that will produce reliable, timely and consistent information to permit proper monitoring and supervision of execution. Before disbursements begin, the Bank will confirm that the information system for each subprogram is operating in accordance with the flow processes identified and that it can provide the supporting documentation needed to comply with Bank financial management procedures.

H. Bank monitoring during program execution

- 3.48 Monitoring and evaluation will serve to identify problems and any changes required in program execution or goals. The Bank's country office will monitor the overall progress of the program. The monitoring and evaluation methodology will be established in accordance with terms and conditions agreed with the Bank, within three months after the first disbursement. In principle, monitoring and evaluation will be done in accordance with the following program:

1. Launch meeting

- 3.49 Within three months after declaration of eligibility for disbursement, a meeting will be held to launch the program. The objective of this meeting will be to review with key participants the execution plan and the organizational structure for administration and monitoring of the project. This occasion will be used to clarify any outstanding issues to ensure that all participants understand the objectives of the project and the requirements of the Bank, as well as to address any other topics of interest to those involved.

2. Monitoring meetings

- 3.50 Six months after the startup of execution, a meeting will be held to review operational aspects of each subprogram, with special attention to the initial stage of the family support subprogram. The evaluation of the initial stage will serve to validate the operating regulations or to introduce any necessary operational changes.

- 3.51 At the end of the first year of execution, and annually thereafter, a monitoring meeting will be held to review the following aspects:
- a. A review of project execution during the previous year, including activities carried out and expenditures made.
 - b. Comparison of specific achievements against detailed goals for the project, in accordance with the tables of goals and milestones (see Annex III-4).
 - c. Evaluation of execution and coordination mechanisms, with special attention to participation by national entities.
 - d. Review and evaluation of recommendations flowing from experience with projects during the year, especially the action plans for implementing policies or other changes as a result of such recommendations.
 - e. Agreement on action plans for the execution of program activities during the coming year, which will serve as a guide for projected disbursements, both from Bank funds and counterpart funds.
 - f. Agreement on any corrective measures or new execution goals resulting from the review.
- 3.52 At the end of the first year, a special evaluation of the family support subprogram will be made, to determine how effective it has been in terms of: (a) the practicality of the operating scheme; and (b) the relevance and effectiveness of the conditions applied. As well, the effectiveness of the instruments will be reviewed against those of other, existing social support programs.

I. Ex-post evaluation

- 3.53 The Colombian government and the project team have agreed that an ex-post evaluation should not be necessary, since the concurrent evaluation system to be employed will be able to measure the impact of the subprograms.

J. External audit

- 3.54 A firm of auditors acceptable to the Bank will conduct an annual audit of the program during its execution, in accordance with Bank policies, and will issue a report within 120 days after the end of each calendar year. As well, the same independent firm will conduct concurrent financial and operating audits and will issue annual reports within 120 days after the end of the corresponding year. Those reports will include a review of supporting documentation for disbursement requests submitted to the Bank, in accordance with terms of reference agreed in advance with the Bank. The audit costs will be part of the project cost, and will be paid with resources from the Bank loan.

IV. FEASIBILITY AND RISKS

A. Feasibility

1. Technical feasibility

- 4.1 The design of each of the subprograms is based on a series of specialized studies that examined in detail such key aspects as the characteristics of the target population, the supply of required services and their response capacity in light of the proposed activities, and the incentives offered to each of the players involved in each subprogram. As well, while the subprograms contain features that are innovative in the Colombian context, thorough account was taken of successful experience with similar programs that have been executed in other countries of the region, particularly the employment program in Argentina (TRABAJAR), the youth worker training program in Chile (Chile Joven) and the conditional subsidy grant program in Mexico (PROGRESA). Each of these programs was observed directly in operation, through a series of study visits conducted by the project team and the Colombian counterpart responsible for preparing the program. As a result, the proposed program and the operating regulations for each of the subprograms reflect the principal lessons learned during execution of those earlier programs.
- 4.2 The technical quality of the subprojects to be financed through the employment subprogram will be ensured through ex-ante evaluation by FINDETER, on the basis of criteria already established to this end by that entity. On the other hand, in the youth worker training subprogram, training entities will be allowed to compete for funding only if they are part of the national supply registry and if they meet the established minimum requirements. Moreover, an important feature of the individual ex-ante evaluation for each course will be the institution's technical quality in each of the proposed specialties, and this includes such aspects as the teaching strategy and curriculum, the integration of horizontal elements of occupational training as part of the courses, the level of the teaching staff and, for future tenders, the institution's previous record as a supplier under the program.
- 4.3 The studies on the private supply of occupational training conducted as part of the program preparatory work show that there is ample capacity in all participating cities to respond to a program of this type. As well, the results of the analysis, based on surveys, focus groups and personal interviews with young people, employers and directors of training institutes, demonstrated a clear interest on the part of the key players to participate in a program of this kind, in the current Colombian context. Finally, with respect to the family support subprogram, experience with similar programs shows that there is a high likelihood that the family behavioral changes generated by the program will be lasting. The design of the subprogram ensures that it will be applied only in localities where there is an adequate capacity to provide education and health services. In this way, the improvements that the

subprogram is expected to produce in preventive health care and nutrition for young children will have a permanent impact on their future mental and physical development. Experience in Colombia indicates that children who begin primary school on time are more likely to complete elementary school, with better results in terms of performance, than those who start later.

2. Socioeconomic and financial feasibility

- 4.4 The three subprograms incorporate elements to maximize the results expected from the resources assigned to each of them. Moreover, in order to ensure that benefits will flow to the target groups, self-targeting and geographical targeting mechanisms have been included, to the extent possible, and these will be supplemented through use of the individual beneficiary targeting system that the country already has in the form of SISBEN. Because of this approach, the proposed operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI), since it is expected that more than 50% of beneficiaries will be persons falling below the Bank's official poverty line for Colombia.
- 4.5 The employment subprogram incorporates elements that will contribute to self-targeting. The types of projects to be financed (basic infrastructure and social works), as well as their geographic location (in low-income urban neighborhoods), will ensure that the subprogram attracts only to low-income groups. This feature will be reinforced by the fact that participants will receive a total income below the minimum wage (equal to the remuneration payable for a six-hour day's work). On the other hand, the type of eligible projects (see paragraph 2.5), and the requirement for cofinancing by beneficiary municipalities in accordance with their fiscal capacity, will help ensure that the works will respond to local needs and that they will enjoy the support of local authorities for their future operation and maintenance.
- 4.6 The courses to be funded under the youth worker training subprogram will be evaluated not only against criteria relating to the quality of proposals and the management capacity of the offering entities, but also against cost per student/hour and cost per beneficiary in each of the specialties. As well, the proportion of the quoted price that will actually be paid to the training entities will depend on the results of each of the critical phases of the training process, including not only successful completion of the classroom phase, but also the placement of students in practical work assignments. These features are a key element in ensuring that the courses to be given will be closely related to effective demand in the economy and will meet real needs, and in this way will maximize the impact of the subprogram in terms of improving employment prospects for the beneficiary population. It is important to note that, while the subprogram will encourage participation by men and women on an equal footing, mechanisms are planned to ensure that all players

recognize the subprogram's special interest in attracting significant participation by women. These efforts will include special communication and promotion activities for the subprogram, and payment of a higher daily amount to cover the additional transportation costs of female beneficiaries with preschool children. It is expected that if this subprogram is successful, it could be institutionalized in the future and used as a new way of contracting training services for existing programs.

- 4.7 Finally, the Family Support Subprogram will make use not only of SISBEN but also of geographic criteria for targeting localities with particularly high levels of poverty, where the program can be expected to have the greatest social and economic impact. Moreover, recognizing that school dropout rates tend to be highest in the transition between primary and secondary school, and that in Colombia the rate of return to school is greater for the higher grades, the program design calls for the school grant to increase significantly from the beginning of secondary school. It is important to note that under the program grants will not be provided automatically, as if they were an acquired right, since to be eligible for them a family must demonstrate that it has complied with the program conditions, in each period, in terms of health care and school attendance. On the other hand, from the viewpoint of the beneficiary family, the grant is of limited duration, and a family will be eligible only as long as its children are within the specified age range and are fulfilling the requirements of the subprogram; this provides a natural mechanism for gradually reducing the level of individual grants. Finally, although this initial stage of the subprogram has the features of a demonstration project, it is expected that it will be sustainable in the future to the extent that a program of this kind can show greater impact and effectiveness, and this would permit resources to be redirected from other, existing programs in the future.

3. Institutional feasibility

- 4.8 Notwithstanding the program's institutional complexity, an analysis of the factors detailed below suggests that, from the institutional viewpoint, the program is feasible. This feasibility was analyzed in terms of three major factors: (a) institutional support; (b) the capacity of the Participatory Executors and their supply capacity for the various subprograms; and (c) the national capacity to administer the program.

a. Institutional support

- 4.9 The program enjoys strong institutional support at all levels. During the preparation phase, official support was confirmed, both on the part of the central authorities and the regional and municipal authorities. As well, support was confirmed on the part of the various entities that will have an active role in its execution, as well as among the associations representing businesses, training institutions and the grass-roots community.

b. Capacity of the participatory executors

- 4.10 **Employment Subprogram.** FINDETER is an organization with long experience in evaluating municipal-scale projects, and it has a decentralized structure suitable to the needs of the subprogram. Nevertheless, this capacity will be strengthened with additional technical personnel in its regional units. During preparation of the subprogram, there was shown to be an adequate number of experienced NGOs to take on responsibility for managing the projects to be financed. Colombia is a country that has a solid base of NGOs.
- 4.11 **Youth Worker Training Subprogram.** Unlike some other countries, Colombia has a network of local chambers of commerce in each of the cities where the subprogram will be conducted, and their participation will not only ensure a sufficient number of registration windows but will provide the necessary linkage between training institutes, businesses and associations. The Confederation of Chambers of Commerce, which will play an important role in coordinating this effort, is well organized to carry out the subprogram's activities, although, once again, it will need to be strengthened with part-time staff and computer equipment. During preparation of the subprogram, it was concluded that the country has sufficient training institutions prepared and willing to offer courses.
- 4.12 **Family Support Subprogram.** The ICBF has a decentralized organizational structure that reaches down to the municipal level and that will be able very quickly to establish the execution, supervision and monitoring base required for expanding activities after the initial demonstration test. The specialized technical knowledge required for activities under this subprogram will be enhanced with resources from the loans. On the other hand, its many years of experience in interacting with town halls and beneficiary groups will be a significant assistance in execution of the subprogram. The commitment of the ICBF to the subprogram has been demonstrated through the role that its technical personnel played in the preparatory work.

c. Administrative capacity

- 4.13 As noted in chapter III, in order to ensure adequate administration capacity, it was decided to establish a technically structured organization fully dedicated to management activities under the three subprograms. During the preparation stage, various operating regulations were designed, as well as procedures for administering and monitoring the program as a whole. As well, the work plan was analyzed to determine the number of positions needed as well as the technical profile required for each of them. To ensure the suitability of key personnel, the Bank has reserved the right of no objection for hirings. While constitution of the NCU has been established as a condition prior to the first disbursement, the government has already begun the hiring process so that the new staff will be familiar with the various subprograms and their execution requirements. The Bank

has given its no objection to the hiring of professionals for NCU, the coordination unit for the Youth Worker Training Subprogram, and the heads of the systems, administration and internal control offices.

4. Social and environmental feasibility

- 4.14 The principal beneficiaries of the Family Support Subprogram are families in the poorest quintile of the population, with school-age children or children under seven years. The school grant will protect and increase the human capital of these families and improve their prospects of increasing their incomes in the future. Similarly, the nutrition and health grant will have positive effects on developing the human capital of these poor families. As well, actions under this subprogram will promote the advancement of women by supporting activities to help consolidate the family unit and give decision-making power over family incomes to mothers or female heads of household, who will be the recipients and administrators of the family grants. At the same time, female recipients can be expected to provide leadership in promoting community participation in project execution and supervision.
- 4.15 Works under the Employment Subprogram will by their nature have a positive environmental impact. Funding will be provided for the construction or rehabilitation of health centers and posts, school classrooms, and recreational facilities. Funding will also be provided for the construction of pedestrian access and the extension or installation of water and sewage systems, and, on a reduced scale, of social housing. In all cases, project evaluation will include an analysis of environmental impacts, using the guidelines and methodology employed by FINDETER for projects of this type. During the preparation phase, these guidelines and methods were reviewed and adapted to the projects included in this subprogram, and are part of its operating regulations. Given the anticipated high degree of community participation, it can be expected that environmental issues will be considered from the initial conception of projects, as well as in their design.
- 4.16 The design of the Employment and Occupational Training Subprograms includes mechanisms to encourage women's participation. In particular, communications relating to the subprograms will contain specific messages directed at potential female beneficiaries. During project preparation, measures to facilitate women's participation in both subprograms were identified and incorporated.
- 4.17 Colombia has recorded some 400,000 individuals, or about one percent of the total population, who have been displaced since 1995 as a result of the armed conflict. To meet their special needs, the government has programmed US\$100 million a year from international cooperation, NGOs and decentralized entities to improve mechanisms and instruments for prevention, protection, humanitarian assistance, return and relocation, and social and economic stabilization for people displaced by

violence.¹⁶ Although the current program is not explicitly targeted at the displaced population (because there are other, more effective instruments, and these people cannot be identified through SISBEN) it is of course open to any family that can meet program requirements, that has a permanent residence, and that is registered in SISBEN.

B. Benefits

1. Impact on poverty

- 4.18 Through the Employment Subprogram it is expected that a total of 160,000 people, currently unemployed and with few resources, will receive not only occupational income but the opportunity to integrate themselves into the labor market, at least temporarily. Although a program of this kind cannot hope to resolve the difficult situation of unemployment in the country, its impact on the incomes and well-being of direct and indirect beneficiaries should extend well beyond the period during which workers will be employed on the projects. On one hand, since a significant proportion (perhaps 50%) of the unemployed are affected by structural unemployment, the fact that they can enter the labor market for even a few months will allow them to retrieve lost skills, restore their self-esteem, and establish links with potential future employers, which will serve to make them more employable and help them to generate stable incomes once they leave the program. On the other hand, it is expected that the works to be carried out will help to improve the economic, social and community infrastructure of low-income localities.
- 4.19 Similarly, the training and work experience provided under the Youth Worker Training Subprogram for more than 100,000 poor young beneficiaries between 18 and 25 will offer concrete opportunities for occupational and social integration to a group that is at very high risk, and this is expected to contribute as well to reducing the risk that these young people will fall victim to drug addiction, delinquency and violence.
- 4.20 The Youth Worker Training Subprogram will also help lay the foundation for an occupational training model in which the private sector will be actively involved, both in the design of the curriculum and in the provision of courses and working experience for young beneficiaries. Although the Youth Worker Training Program will not provide young people with jobs directly, it will help this group to obtain the skills necessary to compete for employment, by broadening the coverage and enhancing the efficiency of the occupational training market in Colombia.
- 4.21 Finally, the potential impact on inequality and poverty of the Family Support Subprogram, targeted as it is at the poorest 20% of the national income distribution,

¹⁶ Action Plan, CONPES 3057, November 1999.

could be substantial (see Table IV-1).¹⁷ The program has the potential to reduce national poverty by two percentage points, and rural poverty by three percentage points, and to cut virtually in half the poverty gap (i.e. the distance between the median income of the poor and the indigence line (IL)). Moreover, there is also a prospect of reducing income inequality by nearly 10%, and thereby reducing the Gini coefficient from 0.5625 to 0.5578¹⁸. Table IV-1 illustrates the Gini index, the proportion of the poor population and the poverty gap, at the national level and for urban and rural zones, respectively, and compares them with estimates of inequality and poverty levels as they will be after allocation to each family of a conditional subsidy grant.

Table IV-1 POTENTIAL IMPACT OF THE FAMILY SUPPORT SUBPROGRAM ON POVERTY AND INEQUALITY (1999)			
	NATIONAL	URBAN	RURAL
Simulated effect of grants on proportion of poor people			
% of poor by original IL	17.59	10.36	29.40
% of poor by IL with grants for children under 18	15.90	9.30	26.60
Simulated effect of grants on the poverty gap			
Original poverty gap	38.59	32.35	32.72
Poverty gap with grants for children under 18	19.62	20.18	19.63
Simulated effect of grants on inequality			
Original Gini	0.5625	0.5343	0.5274
Gini with conditional grants for children under 18	0.5578	0.5322	0.5148

- 4.22 This subprogram targets payments at the poorest women in Colombia, mothers with children under 17 years of age. The strategy has been selected because a series of studies in Latin America and other parts of the world suggests that women spend a greater proportion of family income for food, clothing and school-related expenditures for their children. Nevertheless, the benefits of the grants go beyond their impact on children's welfare. Because they will receive the grants directly, and will be responsible for fulfilling the conditions set by the subprogram, women will be able to exert direct demand for basic social services, and this will represent an important advance in their status and in their decision-making power within their families and their communities.
- 4.23 Although the Family Support Subprogram does not take ethnic origin into account as a targeting criterion, the subprogram will in practice be aimed at the lowest-income groups within the poorest municipalities, where a significant proportion of the population are of Afro-Colombian and indigenous origin. Table

¹⁷ The methodology used for these simulations is found in the project technical files.

¹⁸ The Gini index is based on the accrued distribution of incomes. A value of 0 implies that incomes are perfectly distributed and that the poorest household or individual has the same income as the richest. On the other hand, a distribution of 1 means that all incomes in the economy accrue to the richest household or individual.

IV-2 shows beneficiaries of the subprogram by their different characteristics.¹⁹ Consultations are underway with executing agencies, representatives of these communities, and civil society in general, to provide input into the initial stage in terms of reaching these communities.

Table IV-2 CHARACTERISTICS OF BENEFICIARIES OF THE FAMILY SUPPORT SUBPROGRAM (IDB only)						
Department	Number			%		
	Families	Children 7-11	Children 12-17	Rural *	Afro-Colombian **	Indlg **
Antioquía	58,560	72,418	67,186	41	23	11
Boyacá	12,840	16,538	14,426	56	3	1
Córdoba	40,428	45,996	43,404	51	59	13
Meta	11,004	14,415	12,192	35	5	7
Tolima	18,948	22,622	20,098	38	5	23
TOTAL/AVERAGE	141,780	171,989	157,306	44	19	11
* Does not include the departmental capitals (Medellín) which are excluded from the subprogram. ** Figures for Afro-Colombian and indigenous populations refer to the entire department and not only to beneficiaries.						

2. Impact on human capital

- 4.24 Programs with conditional subsidy grant mechanisms similar to the one proposed here have been carried out in other countries of the region (Mexico, Honduras and Brazil), and have been evaluated as among the most successful social programs. These evaluations show that such programs have generated significant increases in levels of school attendance, in the use of basic health services and in the consumption of a more balanced and nutritional diet by beneficiary children,²⁰ with a consequent positive, long-term impact on human capital formation among families participating in the program. Every additional year of school attendance is associated with better prospects for completing the school cycle, improving scholastic performance and earning higher incomes in the future. At the same time, improving nutrition and health for children under seven years of age has a permanent impact on their future growth and development.

¹⁹ The Employment and Youth Worker Training subprograms will be executed primarily in the seven largest cities, where an average of 26% of the population is of Afro-Colombian origin.

²⁰ A careful evaluation of the PROGRESA program in Mexico showed, among other benefits: a) an increase of 17% in secondary school enrollment; b) a 25% drop in child labor; c) a 30% increase in child health controls; d) a 16% increase in prenatal care; and e) a 22% increase in the purchase of foods with a high content of protein and micronutrients.

C. Risks

1. Employment Subprogram

- 4.25 There is a risk that, given the current economic situation prevailing in the country, some municipalities will have fiscal problems that will prevent them from contributing resources to the program. This risk was mitigated by analyzing the real cofinancing capacity of each of the eligible municipalities, and on this basis variable percentages have been set for cofinancing, depending on the fiscal capacity of the municipality and the impact that the economic crisis has had on it. As with any program of this type, there is a risk that municipalities will not have the capacity to carry out the projects. This risk is mitigated by the participation of NGOs and Workers' Cooperative Enterprises (EAT) as resource administrators. The country has had positive experience with this mechanism, as demonstrated by the success of FOREC.

2. Youth Worker Training Subprogram.

- 4.26 Despite recent successful experiences on a reduced scale, such as that executed in the city of Medellín last year, because this is a relatively new program there is a risk of slippage in the pace of project execution as originally scheduled. This risk has been mitigated by adopting a gradual approach to implementation, whereby the subprogram will begin in Bogota during the first year, and will then be extended to Medellín and Cali, and later to the rest of the seven participating cities. Moreover, in order to guarantee an adequate institutional capacity to execute the subprogram, the Colombian government has committed itself to take measures to ensure that highly qualified, dedicated and competent staff are available at all times, with flexible and transparent procedures and information processing systems designed to cope with the projected volume of operations.
- 4.27 Another risk to this subprogram relates to the response capacity of the various participating players, since in a very real sense this subprogram is demand-driven, and its executability will depend on the willingness of the target population, the training institutes and the potential short-term employers to participate in it. This risk was minimized during the preparatory stage by undertaking a series of studies to examine the capacity to provide training and the willingness of potential beneficiaries, training entities and industries to participate in the subprogram. These studies demonstrated that there is an adequate response capacity in terms of private supply and a positive expectation for the program on the part of the major stakeholders involved. They also identified a number of elements that will have to be included in the communication and promotion strategies for the subprogram.

3. Family Support Subprogram

a. Supply capacity

- 4.28 A key assumption for the success of this program is the existence of an adequate supply of services that can respond promptly to the growth in demand generated by the subsidy grant. For this reason, adequate supply is a precondition of municipal participation in the subprogram. As part of the preparatory work, the current status of supply in education and health was exhaustively examined in the selected municipalities, in terms of the capacity to absorb the growth in demand that will be generated by the grants. The analysis of municipalities participating in the initial stage shows a clear capacity to increase the offer of education and health services, as measured by the teacher/trainee, doctor/patient and infrastructure/trainee or patient ratios. To ensure adequate supply, the subprogram would use two approaches: (a) in the case of supply shortfalls, the agreements between the municipality and the NCU will require, as a condition prior to the first activities, that contractual conditions (governing teachers, working hours etc.), and physical arrangements (desks, class spaces) be adequate to the level of supply demanded, and (b) technical assistance to prepare action plans for continuously adapting supply to meet the required level. In other countries, it has been found that the demand generated by such programs creates improvements in supply, and also provides an incentive for the municipal authorities to keep close watch over this supply.

b. Quality of education offered

- 4.29 Among the many factors that affect school attendance and dropout rates, the quality of the school and economic barriers are the most important. The conditional subsidy grants intended to break the economic barrier: household surveys show that roughly 79% of children in the first quintile of income distribution do not attend school for reasons of cost.²¹ Yet the issue of educational quality is key: a study by the World Bank estimates that the impact of the scholastic variable (supply side) on performance in Colombia is about 30%. According to studies on educational quality in Colombia, children at the primary level are learning less than half of what they should learn, under the current curriculum. At the secondary level, a quarter of students in public high schools do not progress beyond the minimum testing level in language and mathematics. To address this issue, the Colombian government launched a program in early 2000 to improve the quality and coverage of education in rural areas,²² with financing from the World Bank. The Family Support Subprogram will work in coordination with this project to ensure that educational quality is strengthened in areas where this will encourage attendance. Despite these

²¹ Vergara, Carmen Helena and Mary Simpson. Analysis of educational service- (1993-1997). Social Mission, DNP, September 1998

²² Urban areas have much higher coverage than their rural counterparts.

quality limitations, and whatever efforts may be made to improve supply through other, parallel instruments, there is an intrinsic social value to school attendance, regardless of the quality of the participating schools. With the severe problems of delinquency facing Colombian youth, the simple fact of going to school every day can yield a high social return.

c. Political misuse

- 4.30 The notion of distributing subsidy grants may arouse concerns over the potential for political misuse of resources by local governments. The program will ensure transparency and will mitigate the risk of corruption in the handling of funds through the following measures: (a) all beneficiaries will be individually identified in accordance with criteria and objectives defined with the use of SISBEN, an instrument for individual targeting that has shown itself to be highly effective, both vertically and horizontally;²³ (b) transfers will be administered and supervised by an independent trustee selected in accordance with Bank rules; (c) transfers will be delivered to beneficiaries by a private bank under strict accountability procedures; (d) all beneficiaries will receive information about benefits and co-responsibilities under the program; (e) community sponsors will ensure that beneficiaries are informed about their responsibilities and rights, and that attendance reports are provided by local schools and clinics; (f) the program execution unit will supervise the program using regular information supplied by the education and health system, and will be responsible for day-to-day management; (g) a system of financial review and internal and external audits will be included and financed by the program; and (h) the program will be subjected to an external evaluation.

d. Inadequate incentives to change behavior

- 4.31 The Family Support Subprogram relies on the assumption that the amount of the transfer will be sufficient to bring about desired changes in family behavior. This risk is mitigated by the conceptual basis used to calculate the amount of the grants: the amount paid will be the minimum necessary to close the food consumption gap and to cover the direct costs of school attendance. As well, a comparative analysis of the opportunity cost of school attendance and the amount of the grant shows that the latter is sufficiently attractive to encourage families to send their younger children to school instead of putting them to work.

e. Excessive or negative incentives for labor market participation by adults

- 4.32 The objective of the program is to provide help for families living in extreme poverty and at the same time to maintain incentives for people over 18 years to enter the labor market. If the transfers are excessive, they might have the effect of

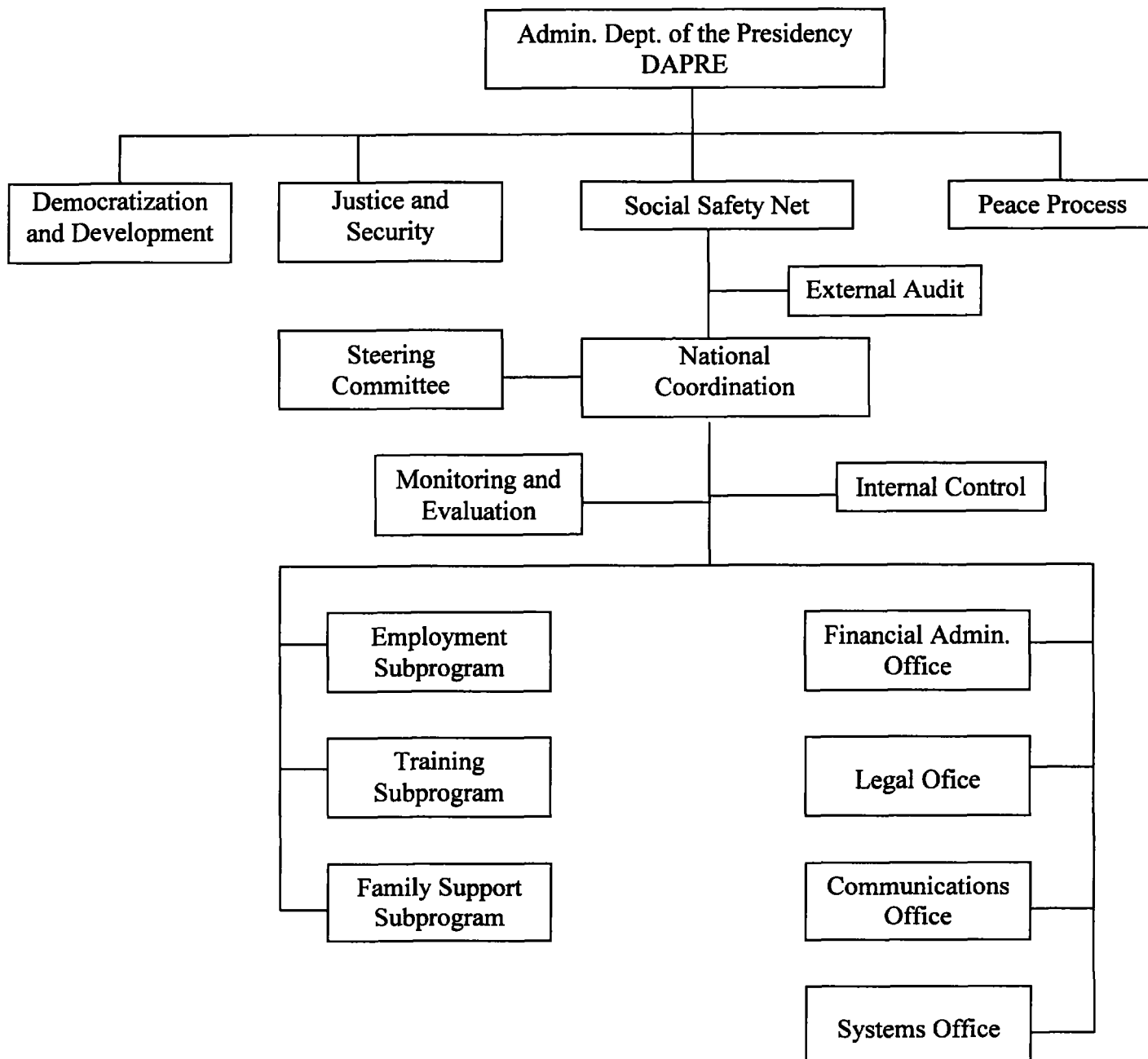
²³ DNP 2000. SISBEN vertical and horizontal efficiency evaluation.

inflating the reserve or "hold-out" wage and thereby reducing the supply of labor. Nonetheless, the income support contemplated here (around 20% of the monthly income of an average family in the first quintile) is sufficiently small to avoid market distortions, but large enough to cover a portion of the food budget gap for extremely poor families. Given the low monetary value of the conditional grant, the benefit will not be seen as a replacement for significant sources of household income, but merely as a supplement to existing incomes.

f. Sustainability

- 4.33 The program includes financing responsibilities that will have to be assumed by the national budget, once the Banks end their participation. The estimate of funding required for the program at its maximum coverage level will represent 8% of central government social spending in 1998, 3.6% of total central government spending, and 0.4% of GDP, levels that should be manageable even without the savings that could be made redirecting or consolidating existing social programs. Since the program represents a direct investment in human capital, its related costs should not be viewed as recurring costs in the conventional sense. Nevertheless, given the government's intention is to transform it into a permanent program, the funding of grants will be a recurrent expense and will be assumed by the government over time. For this reason, the program will finance decreasing portions of the grants. The Colombian authorities have expressed their intention to redirect resources from existing, less effective programs, and to eliminate those that are not fulfilling the purposes for which they were established.

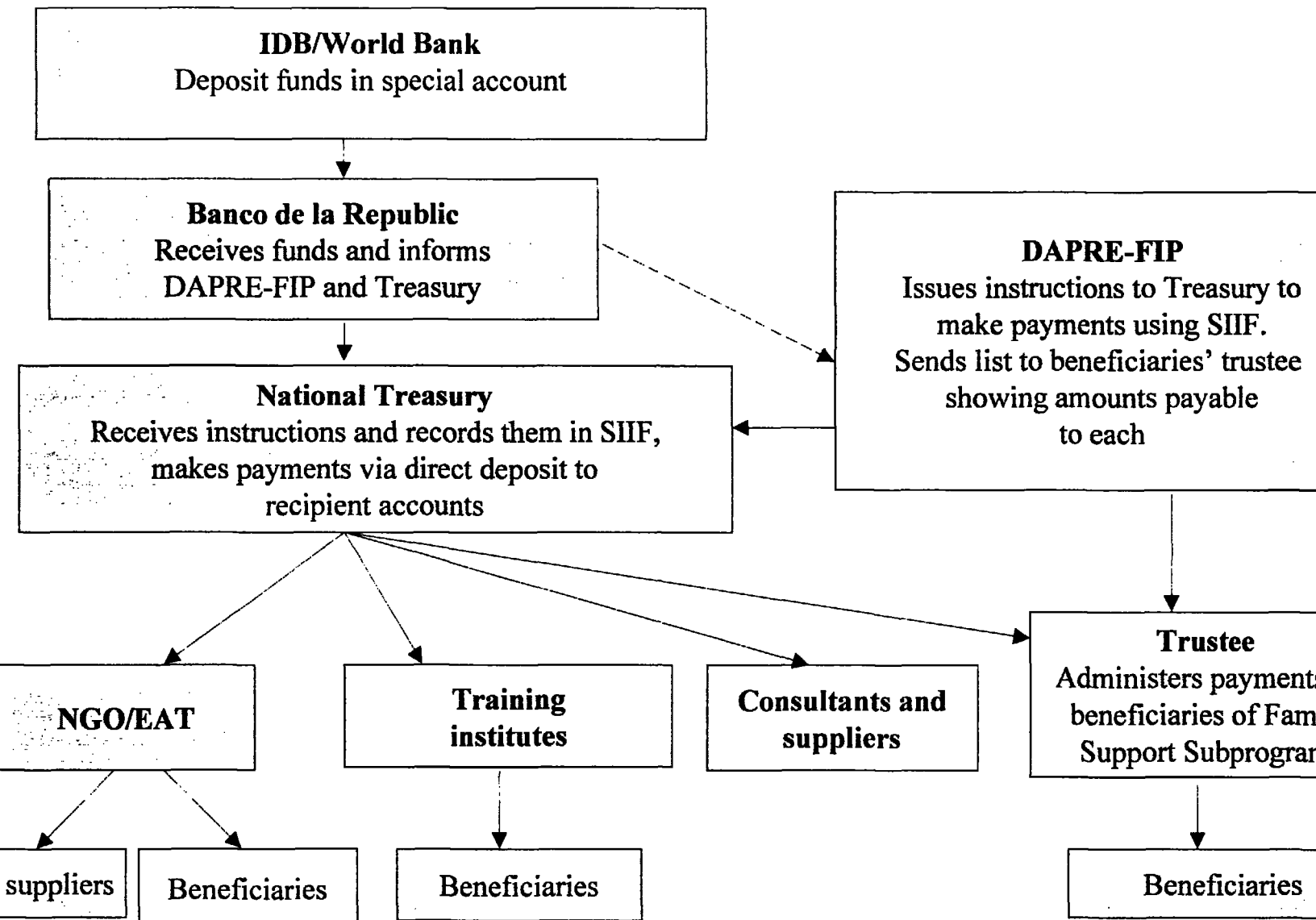
**SOCIAL SAFETY NET PROGRAM
CO-0247
ORGANIZATION CHART**



SOCIAL SAFETY NET PROGRAM CO0247 TENTATIVE PROCUREMENT PLAN				
Principal items of procurement	Financing	Method	Prequalif.	Dates
<u>CIVIL WORKS</u> <u>Project financing:</u> For a total of US\$162 million (the projects will not exceed US\$150,000) <ul style="list-style-type: none"> Projects Year 1: US\$32 millions Projects Year 2: US\$55 million Projects Year 3: US\$75 million 	70% IDB 70% IDB 70% IDB	CP CP CP	NO NO NO	I HALF 2001 II HALF 2001 I HALF 2002 II HALF 2002 I HALF 2003 II HALF 2003
<u>CONSULTING SERVICES</u> <u>Training courses</u> Total US\$37.4 million <u>Supply enhancement</u> US\$1.1 million <u>Trustee services</u> US\$2.6 million <u>Information System Administration:</u> US\$300,000 <u>Monitoring and evaluation</u> Contract for US\$730,000 Contract for US\$680,000 <u>Promotion and publicity firm</u> US\$3 million	100% IDB 100% IDB 100% IDB 100% IDB 100% IDB 100% IDB 100% IDB	ICB ICB ICB ICB ICB ICB ICB	YES YES YES YES YES YES YES	Two courses per year I HALF 2001 II HALF 2000 II HALF 2000 II HALF 2000 II HALF 2000 II HALF 2000
<u>GENERAL PROCUREMENT</u> <u>Office furnishings and equipment:</u> Various packages for a total of US\$1.6 million. Each package is less than US\$350,000 <ul style="list-style-type: none"> Various packages up to US\$430,000 Various packages up to US\$534,000 Various packages up to US\$398,000 Various packages up to US\$190,000 	74 % IDB–26 %GOC idem idem idem	LCB LCB LCB LCB	NO NO NO NO	II HALF 2000 I HALF 2001 II HALF 2001 I HALF 2002

CP = Comparison of at least three prices
ICB = International Competitive Bidding
LCB = Local Competitive Bidding
Date = 1st half, 2nd half of year

FLOW OF FUNDS



**SOCIAL SAFETY NET PROGRAM
LOGICAL FRAMEWORK**

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
Promote poverty reduction and social development, the program will help establish a social safety net in Colombia to protect poor and vulnerable sectors from worst effects of the economic crisis			An efficient social safety net will help alleviate poverty in the short run and at the same time facilitate human capital formation and institutional reforms needed to reduce inequality in social support services
EMPLOYMENT SUBPROGRAM			
GOAL			
Support establishment of a social safety net by financing employment-generating community projects for the unemployed and thereby to increase family incomes to alleviate declining living standards	<ul style="list-style-type: none"> At the end of the subprogram, beneficiaries' incomes will have increased 40% over the control group. 	<ul style="list-style-type: none"> External evaluation survey. 	An efficient social safety net will alleviate the effects of the economic crisis and help reduce structural poverty
	<ul style="list-style-type: none"> Percentage of poor workers (first quintile) placed in jobs by the program. 	<ul style="list-style-type: none"> External evaluation survey. 	
	<ul style="list-style-type: none"> Community making use of infrastructure rehabilitated or constructed by the project. 	<ul style="list-style-type: none"> Monthly user survey. 	
RESULTS			
Community projects and temporary jobs for poor workers	<ul style="list-style-type: none"> Number of poor workers contracted by the program, total and by gender. 	<ul style="list-style-type: none"> Program records and external evaluation. 	Program design results in self-targeting poor workers, and projects financed focus on poor communities that value and make use of these works
	<ul style="list-style-type: none"> Proportion of project costs financed with counterpart funds. Goal: 30%. 	<ul style="list-style-type: none"> Program records. 	
	<ul style="list-style-type: none"> Unskilled labor intensity of projects as percentage of total labor employed. Goal: 80% 	<ul style="list-style-type: none"> Program records. 	
	<ul style="list-style-type: none"> Percentage of projects located in poor areas. Goal: 90% 	<ul style="list-style-type: none"> External evaluation. 	
	<ul style="list-style-type: none"> Percentage of users of project works who are poor. Goal: 90% 	<ul style="list-style-type: none"> External evaluation. 	
	<ul style="list-style-type: none"> Percentage of projects, and of total, delivered to community. 	<ul style="list-style-type: none"> External evaluation. 	

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
ACTIVITIES Project financing	<ul style="list-style-type: none"> Financing: US\$162 million. Year 1: US\$32 million 592 works 23,600 jobs Year 2: US\$55 million 1,020 works 40,800 jobs Year 3: US\$75 million 1,380 works 55,200 jobs 	<ul style="list-style-type: none"> Program financial reports. 	
Program administration	<ul style="list-style-type: none"> Total expenditure: US\$5.6 million Expenditure in Year 1: US\$1.5 million Expenditure in Year 2: US\$2 million Expenditure in Year 3: US\$2.1 million 	<ul style="list-style-type: none"> Program financial reports 	
HEALTH OCCUPATIONAL TRAINING PROGRAM GOALS Young beneficiaries leave program with the technical and social skills needed to pursue a vocation. Young beneficiaries leave program with a positive attitude to work and employment. Young beneficiaries leaving the program continue their formal education or occupational training. Offer of quality training relevant to the needs of the economy and sensitive to the characteristics of the target population.	<ul style="list-style-type: none"> Unemployment rate among program beneficiaries 20% lower after 6 months, 25% lower after 12 months, and 30% lower after 18 months, in comparison with control group. Employment rate among program beneficiaries 15% higher after six months, 20% higher after 12 months and 25% higher after 18 months, in comparison with control group. Employment rates: 10% higher for women than for men among beneficiaries leaving program, at various measurement points. Employment rate of beneficiaries 12 months after leaving the program is 25% higher than that for the control group. 6, 12 and 18 months after leaving the program, beneficiaries who are employed have incomes that are 5%, 8% and 10% higher than those of control group. 	<ul style="list-style-type: none"> DANE National Household Survey Evaluation of impact against control group. Program monitoring surveys. Training quality studies. Specific surveys and case studies of beneficiaries, firms and training Institutes. 	<ul style="list-style-type: none"> Social and political situation conducive to investment and economic growth. Economic stability that will foster investment and economic growth. Generation of jobs requiring semiskilled labor. Demand for semiskilled female labor. Young people are interested in finding stable employment. Expanded and improved systems information and labor market intermediation. Institutional and business climate positive for the supply of training in an open, deconcentrated and competitive system.

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
	<ul style="list-style-type: none"> - Income differential between men and women leaving the program is less than for control group. - 6, 12 and 18 months after leaving the program, unemployed beneficiaries require 10%, 15% and 20% less time to find a job than do the control group. - 20% of women leaving the program who find a job do so in traditional male occupations. - Beneficiaries leaving the program have better attitudes and clearer expectations about entering the workforce than do the control group. 		
ULTS g people belonging to the target lation acquire training and work rience in areas for which there is omic demand.	<ul style="list-style-type: none"> - Results of training courses: <ul style="list-style-type: none"> - Number of beneficiaries completing the classroom phase compared to total beneficiaries enrolled. - Number of beneficiaries completing the practical work phase compared to total beneficiaries leaving the classroom phase. - Number of beneficiaries completing the practical work phase compared to total enrollment. - Number of beneficiaries hired on contract during the practical work phase compared to total enrollment in that phase. - Number of beneficiaries hired upon leaving the practical work phase compared to number of beneficiaries leaving. 	<ul style="list-style-type: none"> - Execution reports. - Supervisory instruments. - Surveys of beneficiaries and firms taking students. - Process evaluations. 	<ul style="list-style-type: none"> - Young people, training institutes and firms offering temporary placements believe in the program and are willing to participate in it. - Training institutes willing to participate in the program can be strengthened in their administration and organization and the quality and labor market relevance of their courses can be improved. - The country makes progress in implementing the National Vocational Training System.

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
ing institutions strengthened and able er services of a quality and quantity will meet the real needs of the omy and of the target population	<ul style="list-style-type: none"> - Training institutions strengthened: <ul style="list-style-type: none"> - Quality of infrastructure: <ul style="list-style-type: none"> (a) sufficient, upgraded physical installations and (b) equipment is of sufficient quality for conducting courses - Quality of teaching resources: <ul style="list-style-type: none"> (a) quality of curriculum design and (b) quality of teaching staff. - Quality of classroom phase: <ul style="list-style-type: none"> (a) performance of instructors; (b) degree of consistency between contents offered in the proposal and contents delivered in class and (c) adequacy of methodology used in the teaching-learning process. - Quality of working experience phase: <ul style="list-style-type: none"> (a) effective links between training Institute and firm; (b) time elapsed between end of classroom phase and beginning of practical work phase; (c) effective links between training Institute and beneficiary during the practical work phase and d) training role assumed by the firm. - Correspondence between vocation studied and practical work assignment. - Increase in the number of training institutes offering program-eligible courses each year. - Proportion of training institutes offering eligible courses in more than two tenders, compared to total offers in each tender (measured as of the third round of tenders) 		

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
	<ul style="list-style-type: none"> - "Eligible" proportion of total course proposals. - Proportion of training entities making eligible proposals. - Proportion of training entities selling their training services direct to businesses at 6, 12 and 18 months after participating in the program 		
	<ul style="list-style-type: none"> - Consistency between letters of intent and actual practice. - Quality of administration: <ul style="list-style-type: none"> - Independence and security in preparing offers - Accurate and adequate cost analysis and budgeting. - Accuracy and clarity in programming activities. - Accurate and sufficient information delivered. 		
ACTIVITIES			
Financing of courses	<ul style="list-style-type: none"> - Amount financed in Year 1: US\$4.4 million. Number of courses: 300 Number of students: 6,000 - Amount financed in Year 2: US\$28.7 million Number of courses: 1,960 number of students: 48,000 - Amount financed in Year 3: US\$29.4 million number of courses: 1,930 number of students: 46,000 	Program records	
Strengthening the supply of training	<ul style="list-style-type: none"> - Amount disbursed in Year 1: US\$84,000 - Amount disbursed in Year 2: US\$482,000 - Amount disbursed in Year 3: US\$485,000 	Program records	

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
LY SUPPORT SUBPROGRAM			
POSE			
Protect and increase investment in the human capital of children under 17 years in extremely poor families	<ul style="list-style-type: none"> At the end of the program the dropout rate between grades 5-6 and 9-10 for the beneficiary population declines by 10% compared to the control group. At the end of the program the chronic malnutrition rate among children under 3 has declined by 5%. 	<ul style="list-style-type: none"> SISBEN municipal database. Household survey to evaluate program impact. Results of qualitative evaluations. Management information system for the subprogram. 	<ul style="list-style-type: none"> Beneficiary families commit themselves to the program and respond to the incentives provided. The program can be executed as planned in an atmosphere of political stability and violence.
ULTS			
Children under 7 years among the target population enjoy better nutrition and health	<ul style="list-style-type: none"> Number of beneficiary children between 12 and 23 months with up-to-date vaccination program increased by 30% compared to control group. Number of beneficiary children under three years attending at least 80% of child growth and development sessions increased by 30% over the control group. Percentage of families with increased total food consumption is 50% higher among the beneficiary group than among the control group. 	<ul style="list-style-type: none"> SISBEN municipal database. Household survey to evaluate program impact. Results of qualitative evaluations. Management information system for the subprogram. 	<ul style="list-style-type: none"> The supply of health services is sufficient to meet the increase in demand resulting from the program. Educational efforts are effective in transmitting sound child-rearing practices to beneficiary families. SISBEN can maintain its current level of efficiency and respond to new demand.
Children between 7 and 17 years among target population have higher school attendance rates and lower dropout rates in initial grades	<ul style="list-style-type: none"> Number of school days of attendance among beneficiary children is 30% higher than for the control group. Percentage of beneficiary children remaining in school between grades 5-6 and 9-10 is 10% greater than for the control group. Percentage of gross enrollment in grades 1-11 among beneficiary children is 10% higher than for control group. 		<ul style="list-style-type: none"> The education system can meet the increase in demand at the second level. SISBEN can maintain its current level of efficiency and respond to new demand.
Beneficiary families are more strongly committed to practices that will improve well-being at home	<ul style="list-style-type: none"> Percentage of mothers familiar with practices to improve home well-being is 50% higher than for the control group. 30% of programmed training activities have been completed in year 1. Year 2: 60%. Year 3: 100%. 		

SOCIAL SAFETY NET PROGRAM LOGICAL FRAMEWORK			
OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
Disbursement of cash transfers to eligible families	<ul style="list-style-type: none"> Year 1: US\$15.5 million. 54,883 children between 7 and 17 years and 23,630 new families are included. Year 2: US\$36.3 million. 137,207 children between 7 and 17 years and 59,076 new families are included. Year 3: US\$41 million. 137,207 children between 7 and 17 years and 59,076 new families are included. 		<ul style="list-style-type: none"> The selected mechanism can make correct and timely payments. ICBF and the municipalities have the capacity to conduct the programmed activities. The management information system works properly.
Monitoring activities	<ul style="list-style-type: none"> Year 1: US\$523,017 Year 2: US\$191,443 Year 3: US\$127,056 		
Program administration	<ul style="list-style-type: none"> Year 1: US\$1,547,721 Year 2: US\$2,850,458 Year 3: US\$3,402,083 		
Monitoring and evaluation of activities and impact	<ul style="list-style-type: none"> Year 1: US\$152,492 Year 2: US\$331,764 Year 3: US\$421,436 		
Communication and publicity	<ul style="list-style-type: none"> Year 1: US\$320,995 		

PROPOSED RESOLUTION

COLOMBIA. LOAN ____/OC-CO TO THE REPUBLIC OF COLOMBIA

(Social Safety Net Program)

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 Social Safety Net Program. Such financing will be for the amount of up to two hundred seventy million dollars of the United States of America (US\$270,000,000), from the Single Currency Facility resources of the Ordinary Capital of the Bank, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" set forth in the Executive Summary of the Loan Proposal.