

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**COLOMBIA**

**PROGRAM FOR THE CONSOLIDATION OF PRIVATE PARTICIPATION  
ARRANGEMENTS IN INFRASTRUCTURE**

**(CO-L1265)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Gibet Camos, Project Team Leader (TSP/CCO); Jaime Cardona, Alternate Project Team Leader (SPH/CCO); Paula Cruz and Fanny Bertossi (TSP/CCO); Ana María Pinto, Mauro Alem, Reinaldo Fioravanti, and Nathaly Noboa (INE/TSP); Natalia Ariza (CAN/CCO); Andrea Monje (SCL/GDI); Ancor Suárez, and Marcos Siqueira (PPP/VPC); Olga De Narváez (DPS/CCO); Juan Maragall (EDU/CCO); Eugenio Hillman and Ernesto Crausaz (VPC/FMP); Cesar Negret and Javier Jimenez (LEG/SGO); Denis Corrales (VPS/ESG); José Sandoval (CCS/CCO); Omar Villacorta (IFD/CMF); Edgar Orellana (INE/WSA); Juan Maragall (SCL/EDU); and Wilhelm Dalaison (INE/INE).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.



## CONTENTS

### PROJECT SUMMARY

I.	PROJECT DESCRIPTION AND RESULTS MONITORING .....	1
A.	Background, problems, and rationale .....	1
B.	Objectives, components, and cost .....	8
C.	Key results indicators .....	9
II.	FINANCING STRUCTURE AND MAIN RISKS .....	10
A.	Financing instruments .....	10
B.	Environmental and social risks .....	11
C.	Other key issues and risks .....	12
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	12
A.	Summary of implementation arrangements .....	12
B.	Summary of arrangements for monitoring results .....	13

## APPENDICES

Proposed resolution

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

LINKS
<b>REQUIRED</b> <ol style="list-style-type: none"> <li>1. <a href="#">Multiyear execution plan (MEP)/Annual work plan (AWP)</a></li> <li>2. <a href="#">Monitoring and evaluation plan</a></li> <li>3. <a href="#">Environmental and social management report (ESMR)</a></li> <li>4. <a href="#">Procurement plan</a></li> </ol> <b>OPTIONAL</b> <ol style="list-style-type: none"> <li>1. <a href="#">Economic analysis of the project</a></li> <li>2. <a href="#">Environmental and social annex</a></li> <li>3. <a href="#">Gender and diversity annex</a></li> <li>4. <a href="#">Draft program Operating Regulations</a></li> <li>7. <a href="#">Why invest in sustainable infrastructure and what to invest in?</a></li> <li>8. <a href="#">Strategic agenda of PPP program in Colombia. Deloitte – IDB</a></li> <li>9. <a href="#">Case studies in public-private partnerships in Latin America and the Caribbean</a></li> <li>10. <a href="#">Private infrastructure financing as an engine of economic growth</a></li> <li>11. <a href="#">RUAPP Report. First quarter 2020</a></li> <li>12. <a href="#">Country infrastructure notes: Andean region</a></li> <li>13. <a href="#">Private participation in infrastructure: Its development in Colombia and IDB Group support</a></li> <li>14. <a href="#">Context of private participation in infrastructure in Colombia</a></li> <li>15. <a href="#">Description of the health system in Colombia</a></li> </ol>

## **ABBREVIATIONS**

BIM	<i>Building Information Modeling</i>
DANE	National Administrative Department of Statistics
DNP	National Planning Department
GDP	Gross domestic product
OVE	IDB Office of Evaluation and Oversight
PPP	Public-private partnership
RUAPP	Single Registry of Public-private Partnerships



## PROJECT SUMMARY

### COLOMBIA PROGRAM FOR THE CONSOLIDATION OF PRIVATE PARTICIPATION ARRANGEMENTS IN INFRASTRUCTURE (CO-L1265)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of Colombia			Amortization period:	23 years
Executing agency:			Disbursement period:	5 years
National Planning Department (DNP)			Grace period:	6.5 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	15,000,000	100	Credit fee:	<sup>(c)</sup>
			Inspection and supervision fee:	<sup>(c)</sup>
			Weighted average life:	15 years
Total:	15,000,000	100	Approval currency:	U.S. dollars
Project at a Glance				
<b>Project objective/description:</b> The general objective is to support and promote private participation in the development of public infrastructure and the delivery of associated services in the country. The specific objectives are to: (i) strengthen the structuring and financing process for private participation projects in the areas of economic and social infrastructure; and (ii) strengthen the institutional framework for the consolidation of private participation mechanisms. These objectives will be achieved by consolidating private participation arrangements, improving the infrastructure financing context, and fostering conditions impacting economic recovery following the COVID-19 pandemic.				
<b>Special contractual conditions precedent to the first disbursement of the loan:</b> As conditions precedent to the first disbursement, the executing agency will submit evidence to the Bank's satisfaction of: (i) the formal appointment of the loan execution team by the National Planning Department (DNP), in accordance with the profiles established in the execution mechanism and the terms of reference previously approved by the Bank, including at a minimum: (a) a program director; (b) an operational coordinator; (c) a procurement specialist; and (d) a financial specialist; and (ii) approval of the <a href="#">program Operating Regulations</a> describing the detailed guidelines for operational and coordination considerations, under the terms and conditions previously agreed upon with the Bank. (paragraph 3.3).				
<b>Special contractual conditions for execution:</b> See the socioenvironmental contractual conditions in Annex B of the Environmental and Social Management Report (ESMR) ( <a href="#">required link 3</a> ).				
<b>Exceptions to Bank policies:</b> None.				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).





## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problems, and rationale

- 1.1 **Macroeconomic context of Colombia.** In recent years the country has had a track record of prudent macroeconomic and fiscal management. After slowing down to 1.4% in 2017, in 2019 it grew at a rate of 3.3%, driven by private consumption and increased public and private investment.<sup>1</sup> In 2020, growth was expected to remain above this range but the projections changed radically with the COVID-19 pandemic. Widely varying negative rates (-4% to -7%) are expected. In turn, the projected downward path of the fiscal deficit (initially -2.2% of GDP in 2020) has been interrupted, and a deficit of -8.2% of GDP is expected. Inflation is in the target range (2% to 4%), with a projected rate of 2% per year, and the current account remains vulnerable with an expected value of -3.9% of GDP for the full year.<sup>2</sup>
- 1.2 **Economic effects of COVID-19.** Colombia's economy is suffering the negative effects of the current pandemic. Lockdown measures and the external shock show a decline of 7.3% per annum as of the first half of 2020, while unemployment rates reached 20% in the month of July, twice the rate observed a year ago. In addition, recent developments in the external accounts indicate that the current account deficit fell, reaching -3% of GDP.<sup>3</sup> The Colombian government planned to continue on the path of fiscal belt tightening begun in 2017 to ensure it would reach the medium-term goals imposed by the fiscal rule. In addition, an expansionary monetary policy has turned around in order to mitigate the effects on the economy; thus, between March and September the Bank of the Republic reduced the interest rate by 250 basis points, while the inflation rate (1.9 per annum) reported up to August by the National Administrative Department of Statistics (DANE) has not increased.
- 1.3 **Infrastructure investment as an engine of recovery.** To address the current economic crisis, governments are forced to choose the most effective tools to respond to multiple economic policy objectives. The Bank's flagship report "From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean" notes that investing in infrastructure is an attractive alternative given that it attacks a variety of problems simultaneously: it boosts economic growth by driving demand, increases productivity, increases the competitiveness of economies, creates sustainable jobs, and improves income distribution<sup>4</sup> ([optional link 7](#)).
- 1.4 **The infrastructure investment gap and the role of private capital.** Closing the infrastructure gap will require an increase in both public and private investment. Although the country's overall investment in infrastructure improved considerably over the last decade, particularly in the transportation sector, the main international indicators still show a lag. Comparative data in 124 emerging countries indicate that the quality of Colombia's infrastructure is still deficient for

---

<sup>1</sup> [Colombia: panorama general](#) (World Bank, 2020).

<sup>2</sup> [DANE, 2020](#).

<sup>3</sup> [DANE, 2020](#).

<sup>4</sup> [DIA 2020](#) (IDB, 2020).

its current level of development;<sup>5</sup> and according to various studies,<sup>6</sup> it is estimated that investment should reach sustained figures in excess of 7.3% of GDP over the next 10 years. Between 1993 and 2018, public and private investment in infrastructure averaged 5.44% of GDP per year, equal to US\$299 billion.<sup>7</sup> Private investment alone between 2009 and 2018 was close to 3.5% of annual GDP, particularly concentrated in mines and energy (65.43%), telecommunications (16.22%), and transportation (15.75%),<sup>8</sup> which represented about 98% of private investment, indicating limited private capital participation in other sectors.

- 1.5 **Context of private participation in Colombia ([optional link 14](#)).** For several years, Colombia has been consolidating public-private partnership (PPP) arrangements for the development of public infrastructure, achieving significant results in sectors such as transportation, with the fourth generation of concessions (4G) and a new generation (5G) being structured. In other social sectors such as health and education, progress has been limited. Nonetheless, there is great potential given the infrastructure investment gap of an estimated US\$4.8 billion<sup>9</sup> for health and approximately 50,000 classrooms for education. This process of consolidation has been developed thanks to a regulatory and institutional transformation, in which one of the determining factors has been the enactment of [Law 1508-2012](#), which establishes the specific legal system for PPPs, supplemented by the efforts and leadership of the National Planning Department (DNP), which has played a significant role in supporting structuring processes and issuing concepts for project viability. Thus, to date the country has: (i) regulations and guidelines to incentivize PPPs; (ii) a regulatory framework that includes guidelines for risk allocation; (iii) technical capacities for administering projects in various national entities; and (iv) defined sources of funds in some sectors for the development of PPP arrangements.
- 1.6 **A limited number of structured PPP projects reach the bidding and award stage.** According to the Single PPP Registry (RUAPP)<sup>10</sup> with a cutoff date of the second quarter of 2020, since April 2013, 794<sup>11</sup> projects have been registered for development under PPPs. Of these, 443 (55.79%) have been rejected, withdrawn by the bidder, unsuccessful, or declared void. Of the remaining 351, 37 were awarded or contracted, 8 are in the approval process, 80 are in the feasibility phase, 9 were submitted in the last quarter, and 217 are beyond their maximum execution deadline, so that the probability of their advancing to the next phase is very low. This means that only 4.65% of the projects have reached the execution stage. Experience in Latin America has shown that these numbers can be improved by increasing the effectiveness of the resources used with the

---

<sup>5</sup> [Fedesarrollo](#), 2020.

<sup>6</sup> [ECLAC](#), 2017. [OECD](#), 2016. [UNAL](#), 2018.

<sup>7</sup> 52.1% corresponds to private resources (DNP, 2020).

<sup>8</sup> Colombia has a score of 65/100 in the Road Connectivity Index, below the average for Latin America (73) and the OECD (84) ([2019-2020 Competitiveness Report](#)).

<sup>9</sup> IDB, 2014-2015.

<sup>10</sup> A digital tool where each entity records and updates information on PPP initiatives.

<sup>11</sup> Of existing projects, 77.49% are private initiatives and 22.51% are public initiatives.

structuring of PPPs. For example, in a recent study,<sup>12</sup> the IDB identified that nearly 13% of PPP projects started in Brazil between 2008 and 2017 reached the implementation phase. In Colombia, the majority of projects that reached the construction stage were managed and contracted by the National Infrastructure Agency, reflecting the concentration of the PPP mechanism in the transportation sector<sup>13</sup> and the large amount of resources and efforts expended in the design and structuring stages without obtaining concrete results. To reduce the gap between structured projects and projects that reach execution, the need to develop robust preinvestment methodologies has been identified, to enable the generation of projects with supply and demand for services, so that preliminary investments can be reflected not so much in the number of projects to be structured but rather in their quality and potential.

- 1.7 **Implementation of private participation projects in different economic and social sectors.** Despite the solid regulatory framework that exists for PPP, the country has not been successful in extending its use to other priority sectors such as education and health, where there is a greater gap at the local level. According to the RUAPP, as of June 2020, 38 projects had been awarded or contracted under the PPP arrangement; 35 of them are in the transportation sector, one is in health, and two are in public buildings and urban renewal. This disparity also applies to projects being evaluated (304), where 45.73% are in the transportation sector, while the remaining 54.27% are primarily distributed under urban renewal (21.05%), basic sanitation (10.85%), and education (3.61%).<sup>14</sup> In this regard, the main challenge for effective implementation in more sectors is to adapt standards and regulatory frameworks to the needs and particular context of each sector, where there are specific limitations in terms of: (i) inadequate allocation of resources for investment; (ii) limited institutional capacity; (iii) poor selection of projects through the correct use of the Public Private Comparator (*Comparador Público Privado* - CPP); and (iv) risk allocation mechanisms and financial structures allowing diversification in the sources of capital. To address this final point, there is an identified need to supplement the comparison process with a robust prioritization strategy<sup>15</sup> that allows efficient targeting of available resources in such a way that prioritized projects have political backing and budgetary stability from their conception to the implementation stage.
- 1.8 In the case of the health sector, the public system relies on fragmented providers that do not optimize their supply in response to local demand.<sup>16</sup> In addition, high turnover of management teams in public entities gives rise to a lack of continuity of policies and thus uncertainty regarding the sources of payment for PPP investments, coupled with limited experience at the local level so that there are few entities with sufficient capacity to make future commitments. Even when

---

<sup>12</sup> [RADARPPP](#) database.

<sup>13</sup> These projects have an additional source of charges to users, facilitating their financing.

<sup>14</sup> [RUAPP](#), 2020.

<sup>15</sup> Current criteria: alignment with national and local policies, institutional commitment and sources of financing identified. Source: DNP.

<sup>16</sup> In Bogota, the District reorganized its supply of services into four subnetworks, integrating medication and input services, medical authorizations, and human talent management ([Agreement 641-2016](#)).

commitments can be made, it has been difficult to obtain authorization from the municipal council or departmental assembly. This occurred in Bogota (2016-2020) where a hospital network program structured under a PPP was considering the construction of five hospitals but could only contract for one because there was no approval for future periods.

- 1.9 Even with the DNP's support in training, sector studies, and structuring, few PPP projects in nontraditional and social productive infrastructure have been awarded, notably the El Campín covered stadium, the Bosa Hospital, and the New Salitre Mágico Park, all in Bogota. In this regard, there are still challenges for the development of PPPs in other sectors, primarily in the local context, related to: (i) the preparation of master investment plans with a network approach; (ii) ignorance of preinvestment processes; (iii) limited institutional capacity in terms of structuring; (iv) low quality of technical designs and project management; (v) lack of mechanisms that generate financial sustainability and guarantees against risks; and (vi) payment commitments from project developers, this last point being the most critical, requiring greater commitment on the part of the public sector. In its lead agency role, the DNP has been helping to overcome these challenges by updating regulations, tools, and guidelines for project structuring and management and is currently working on updating the CPP and risk assessment methodologies, along with the definition of regulations allowing nonreversion of infrastructure and the regulation of property rights so as to make use of under-utilized state lands as a source of payment for the PPPs.
- 1.10 **The COVID-19 crisis will deepen the challenges for proper implementation of PPPs.** In the short term, projects will have greater uncertainty regarding demand projections as a source of payment.<sup>17</sup> In the long term, the crisis may restrict resources for financing on the local market, making it necessary not only to identify development opportunities in terms of standards and regulations but also to modernize contractual instruments to allow for greater efficiency in capital structures. In this way, PPP arrangements introduce a comprehensive perspective in terms of the useful life of assets, optimizing the costs associated with construction, operation, and maintenance<sup>18</sup> over the long term. Thus, investment flows are not only optimized, but are also shielded against the budgetary cycles of government entities. In specific cases, PPP contracts that generate a proper alignment of incentives make it possible to maximize income generation ([land value capture](#)) based on infrastructure and the delivery of related services, resulting in lower fiscal exposure and less impact on users, or even a positive impact on State accounts.
- 1.11 **Private sector participation in the economic recovery and employment.** Private participation in the financing, construction, and operation of infrastructure assets is key to providing quality infrastructure services, thus contributing to economic growth,<sup>19</sup> employment,<sup>20</sup> and reduced inequality.<sup>21</sup> Under the

---

<sup>17</sup> Examples in urban transport in [Europe](#) or [Asia](#) with declines of 90% in demand.

<sup>18</sup> In Peru (1992-2005), up to seven times more was spent on rehabilitating roads due to inadequate maintenance through public works ([Pastor, 2020](#)).

<sup>19</sup> Investing 5% in improving infrastructure services may drive 3.5% growth in GDP over 10 years ([IDB, DIA2020](#)).

appropriate conditions with proper implementation, PPPs are an effective way to reduce the infrastructure gap through: (i) promotion of previously determined standards for the maintenance of assets throughout their life cycle, reducing the economic and social costs of their depreciation; (ii) better alignment of incentives between the public entity and the private entities involved; (iii) allocation of risks to the party with the greatest capacity to mitigate them; and (iv) mechanisms for control of project outcomes and impacts, through the regulation of processes and inputs, allowing the private sector to adopt permanent innovations.

- 1.12 **Innovation and technological modernization.** Public-private partnerships provide an opportunity to encourage collaboration between the public and private sectors to advance in the research, development, testing, and implementation of new technologies. In this regard, the need has been identified to use innovative project management tools to make planning and execution cycles more efficient, for example, the Five Case Model<sup>22</sup> and the Project Development Routemap,<sup>23</sup> in addition to the implementation of the *Building Information Modeling* (BIM)<sup>24</sup> methodology has been proposed, starting with the structuring phase. In addition, to improve the PPP digital traceability platform called RUAPP, evolutionary maintenance will be performed, including integration with the Electronic Public Procurement System.
- 1.13 **Climate Change (CC).** In Colombia, the planning of public and private investments in infrastructure will be increasingly subject to greater risks and uncertainties due to the impacts of climate change<sup>25</sup> and the increased recurrence of associated natural disasters. Taking maximum advantage of private participation in infrastructure requires the clear identification and management of climate risks in order to avoid possible cost overruns, delays, and other inefficiencies that may arise in the development, operation, and maintenance of infrastructure.
- 1.14 **Gender and diversity considerations.** Certain population groups such as women and persons with disabilities are being substantially impacted by the current crisis, particularly in terms of employability. In August 2019, the unemployment rate reached 13.4% for women and 8% for men; in August 2020, these rates are 24.2% and 15.3%, respectively.<sup>26</sup> Persons with disability are over-

---

<sup>20</sup> For every US\$1 billion invested in infrastructure, 30,000 jobs are created ([IDB, DIA2020](#)).

<sup>21</sup> For every 1% increase in the incomes of the wealthiest 40% (investment in infrastructure), the income of the poorest 40% increases by 1.3% ([IDB, DIA2020](#)).

<sup>22</sup> The Five Case Model (5CM) is used to formulate infrastructure projects by answering the questions: Is it strategically necessary? Can it be practically executed? Is it socioeconomically viable? Is it affordable? Is it commercially viable?

<sup>23</sup> Project Development Routemap (PDR) is a methodology that ensures that best practices and lessons learned from other major projects are considered in the initial stages in order to contribute to the project's success.

<sup>24</sup> Methodologies, technologies, and standards that allow the various stakeholders to collaboratively plan, design, construct, and operate a building or infrastructure in a virtual space.

<sup>25</sup> Estimated impact of climate change on productivity in the transportation sector: -1.8% and -3.1% ([IDB-DNP, 2015](#)).

<sup>26</sup> [DANE, 2020](#).

represented in poverty and have lower workforce participation rates,<sup>27</sup> which is why the effects of the crisis are worse for this group.<sup>28</sup> PPPs in infrastructure have the potential to contribute to economic recovery and job creation in the country in the post-pandemic period (paragraph 1.11). However, the infrastructure labor market has historically been characterized by the over-representation of men. Women represent only 15% and 8% of workers in the transportation and construction sectors, respectively,<sup>29</sup> primarily due to gender and diversity stereotypes and limited training opportunities.

- 1.15 **Rationale.** In response to the challenges and opportunities identified (paragraphs 1.6-1.14), based on lessons learned in the development of private participation arrangements in the country over the last 20 years and given the new scenario of budgetary and financing constraints for the expansion of private participation,<sup>30</sup> this operation seeks to consolidate the government's capacities to promote private participation arrangements given the gaps identified in economic and social infrastructure. The government has asked for the Bank's support to consolidate efforts that have been made in the country; thus, the purpose of the program is to make progress regarding the principal challenges in the development and financing of PPP projects, as well as to focus in particular on social infrastructure sectors.
- 1.16 **Bank experience and lessons learned in PPP in the region.** The IDB Group's Single Window created in 2017 to provide efficient and coordinated management and support in the area of PPPs in the region, following the recommendations from the evaluation of the Office of Evaluation and Oversight (OVE), is noteworthy. The Single Window has been used to finance approximately US\$15 million, focused on: (i) the development and strengthening of regulatory frameworks and institutional capacity; (ii) support for the identification, evaluation, and preparation of 42 infrastructure projects to be implemented via PPPs; and (iii) generation, systematization, and dissemination<sup>31</sup> of knowledge and best practices. This has made it possible to mobilize resources for potential investment amounting to US\$3.6 billion. The Bank's experience since the establishment of the Single Window points to a continued need for action to generate a portfolio of projects that generate a social return and are bankable, as well as varied mechanisms and facilities for project preparation and structuring that channel more and better financing toward infrastructure. These experiences have served as the basis for defining the scope of the program's components (paragraphs 1.24, 1.25, and 1.26), directing the available resources to key components that allow for the proper structuring of PPP projects.

---

<sup>27</sup> Only 12% of persons with disabilities are working (Fedesarrollo, [2018](#)).

<sup>28</sup> Key measures to address the impacts of COVID-19 on persons with disabilities (IDB, [2020](#)).

<sup>29</sup> [Labor markets and social security information system](#) (IDB, 2018).

<sup>30</sup> PPP Country Profile ([IDB-Deloitte, 2018](#)).

<sup>31</sup> [ATC/ME-16085-RG](#) and [ATN/OC-15597-RG](#).



- 1.17 **The Bank's support for private participation in Colombia.** Through the Private Participation and Infrastructure Concession Support Program (PPCI) in its three phases<sup>32</sup> (1996-2013), four technical cooperation operations<sup>33</sup> (TC), a policy-based loan (PBL) (3697/OC-CO),<sup>34</sup> and the Private Participation Support Program (PAPP) (3090/OC-CO),<sup>35</sup> the Bank has supported the government in the development of the private participation policy and has successfully incorporated lessons learned, as reflected in a regulatory and institutional framework that guarantees legal certainty for private investors ([optional link 14](#)). These lessons notably include: (i) continued strengthening of institutions and actors, particularly at the DNP; (ii) improved planning and coordination between national and subnational levels; and (iii) proposing and evaluating national cofinancing arrangements, for the correct allocation of risks. In addition, IDB Invest has been supporting the financing of three<sup>36</sup> 4G projects with a total investment of US\$2.5 billion, thus achieving additional value added for the Bank by supporting the development of projects from the determination of their regulatory framework, structuring, to the execution stage.
- 1.18 **Government strategy.** The different strategies of the National Development Plan (2018-2022), "Pact for Colombia, Pact for Equity," support private sector undertakings to increase investments in different sectors. To that end, it plans to conclude strategic infrastructure and transportation projects to achieve effective impacts on the country's competitiveness and strengthen sectors such as agroindustry, the orange economy, and tourism.<sup>37</sup> In addition, the "[Commitment to the Future of Colombia](#)," presents infrastructure as one of the pillars of job creation and health sector interventions as a crosscutting pillar for the country's recovery following the pandemic.
- 1.19 **The Bank's country strategy.** The operation is aligned with the IDB Group Country Strategy with Colombia (2019-2022) (document GN-2972) by: (i) strengthening health infrastructure in rural and remote areas; (ii) reducing the infrastructure deficit and territorial inequities in the education sector; and (iii) strengthening the provision and quality of road, port, and airport infrastructure. All of this is to be achieved through PPP mechanisms.
- 1.20 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (UIS) 2020-2024 (document AB-3190-2) and is aligned with the challenge of Productivity and Innovation by helping to establish suitable

---

<sup>32</sup> [927/OC-CO](#), [927A/OC-CO](#) (US\$12.5 million), [1594/OC-CO](#) (US\$5 million), and [2079/OC-CO](#) (US\$14.1 million). General objective: to facilitate and promote private participation in infrastructure by promoting the efficient delivery of quality services.

<sup>33</sup> [ATN/OC-10925-CO](#) (US\$800,000), [ATN/MT-9636-CO](#) (US\$400,000), [ATN/ME-10985-CO](#) (US\$500,000), and [ATN/OC-15667-CO](#) (US\$500,000).

<sup>34</sup> Signed in 2016, for US\$400 million and with the objective of helping to increase private investment in the provision and management of productive and social infrastructure.

<sup>35</sup> Committed to date: 82%. Final disbursement: June 2021. General objective: to strengthen technical and regulatory mechanisms that promote and optimize linkages with the private sector in the financing, delivery, and/or management of infrastructure and associated services in various economic and social sectors.

<sup>36</sup> Ruta del Cacao, Perimetral de Oriente and Autopista Mar 1.

<sup>37</sup> [National Development Plan 2018-2022](#).

institutional frameworks to encourage the development of PPPs. It also is also aligned with the crosscutting areas of: (i) Gender Equality and Diversity, by developing a guide, with guidelines for gender inclusion and diversity in PPPs, in order to identify employment opportunities for women and persons with disabilities, mainstreaming aspects of universal design and a gender approach; (ii) Climate Change and Environmental Sustainability, by strengthening technical and institutional capacity for managing climate risks in the development of policies and regulatory instruments and in the structuring of PPP projects; and (iii) Institutional Strengthening and Rule of Law, by helping to close gaps in terms of resilience, management, and productivity in project planning and execution. In addition, the program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) by improving fulfillment of the indicator related to the effective fostering of public-private synergies. The operation is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996) and aligned with the Strategic Selectivity Framework for the 2021-2022 Programming Cycle (document GN-3017) through macro-fiscal stability, incorporating expenditure efficiency principles throughout the investment cycle. Of the operation's resources, 32.23% will be invested in climate change mitigation and adaptation activities, following the [joint MDB methodology for estimating climate finance](#). These resources contribute to the IDB Group goal of increasing financing for climate change related projects to 30% of all approvals by the end of 2020.

- 1.21 The operation is consistent with the Transportation Sector Framework (document GN-2740-12) in strengthening and stimulating increased private sector participation in infrastructure, including considerations such as productivity and innovation, inclusion, and road safety. The operation is consistent with the Health and Nutrition Sector Framework (document GN-2735-7) by promoting PPPs with greater efficiency in the use of resources, improving the levels of satisfaction of users and professionals. The project is aligned with the priority thematic area of economic and productive opportunities for women under the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19) by promoting women's workforce participation in infrastructure sector jobs.
- 1.22 The project is consistent with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), particularly with regard to: (i) financing and technical assistance for infrastructure that contributes to economic growth; and (ii) planning, constructing, and maintaining infrastructure to provide quality services that promote sustainable and inclusive growth.

## **B. Objectives, components, and cost**

- 1.23 **Objectives.** The general objective of the operation is to support and promote private participation in the development of public infrastructure and the delivery of associated services in the country. The specific objectives are to: (i) strengthen the structuring and financing process for private participation projects in the areas of economic and social infrastructure; and (ii) strengthen the institutional framework for the consideration of private participation mechanisms. These objectives will be achieved by consolidating private participation arrangements,



improving the infrastructure financing context, and fostering conditions impacting economic recovery following the COVID-19 pandemic.

- 1.24 **Component I. Promoting private participation (US\$9.3 million).** This component will finance the activities necessary to incorporate aspects of financial, environmental, social, and institutional sustainability into regulatory frameworks and the private participation planning and structuring processes in the country, increasing their viability as well as their impact on the population's well-being (paragraph 1.18). In particular, it will finance: (i) studies on the formulation of policies, legal or regulatory frameworks, risk assessment (including environmental and climate change risks), and instruments designed to improve financing conditions; (ii) exercises for multisector prioritization of projects, making it possible to evaluate the projects' different levels of development, and the extent to which they respond to the established priorities and the objectives of sustainable recovery, thus optimizing the selection of projects in the country's infrastructure portfolio; and (iii) conceptualization, preinvestment, and structuring studies on private participation projects in infrastructure.
- 1.25 **Component II. Strengthening potential grantor public entities (US\$2.5 million).** This component will finance activities intended to provide technical assistance and transfer knowledge in order to promote private participation in infrastructure projects with the inclusion of crosscutting areas, by financing: (i) training, technical assistance, and knowledge transfer to national and local entities on private participation arrangements in infrastructure; (ii) evaluation and monitoring of experiences helping to promote private participation in different sectors; (iii) analysis and design of the institutional structure required to promote private participation in infrastructure projects; (iv) development of tools, good practice guides, structuring manuals, and other instruments, that include gender and diversity, climate change, environmental, social, and land considerations in the development of projects; and (v) dissemination strategies.
- 1.26 **Component III. Technical and institutional strengthening of the DNP (US\$2.1 million).** This component will finance activities to improve PPP promotion at the DNP, including: (i) strengthening the DNP's institutional capacity to promote private participation arrangements, both for Phase 1 structuring and Phase 2 approvals; and (ii) addressing requirements and regulatory obligations for completing selection, registration, analysis, evaluation, approval, and management processes for PPP projects.
- 1.27 **Other costs (US\$1.1 million).** These costs include the external audit of the loan, management activities, and evaluation in the execution of the loan.

### **C. Key results indicators**

- 1.28 The results expected from the actions considered in the program are indicated in the Results Matrix (Annex II). Results in the project completion report (PCR) will be evaluated according to the operational guidelines for reimbursable technical cooperation operations (document OP-1906-1). The outcomes included are: (i) the number of projects with private participation awarded for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors; (ii) the number of private participation projects open to the market for

prequalification, preliminary specifications, or third-party participation for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors; and (iii) the number of structured private participation projects that move on to Phase 2 for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors. The monitoring strategy is described in the Monitoring and Evaluation Plan ([required link 2](#)).

- 1.29 **Economic evaluation.** The economic evaluation was based on the project pipeline proposed by the DNP, where 10 of 23 interventions were compared, including higher individual value consulting assignments, with information from projects with similar objectives, size, and timing. The analysis found that the program will save procurement costs due to reduced risk to the bidders, reduced preparation costs, and increased competition in the competitive bidding processes. In Component I, projects with amounts below US\$200,000 will save 0.64% and projects with amounts greater than or equal to US\$200,000 will save 1.20%. In Component II, projects with amounts below US\$200,000 will save 0.10% and projects with amounts greater than or equal to US\$200,000 will save 0.66%. The total cost reduction in Components I and II will be US\$100,848 and US\$3,395, respectively, representing a total savings of US\$104,243, which is equal to an average of 1.1% of the reference budget ([optional link 1](#)).
- 1.30 **Beneficiaries.** The program's main beneficiaries will be the users of the infrastructure to be developed in the future.<sup>38</sup> In addition, the country will benefit in economic terms, through job creation, the development of essential infrastructure, and the recovery that may spur construction and operation phases in future projects. In terms of institutional strengthening, the beneficiaries will be the DNP and the national and local entities supported by the program, as reflected in the number of technical studies financed and the personnel trained.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Dimensions.** The total cost of the program is US\$15 million under the reimbursable technical cooperation modality, considering that the project will finance studies based on the transfer of technical knowledge to strengthen the technical capacity of entities on a reimbursable basis. The program has a disbursement period of five years. The amount was determined by the DNP based on the needs established by the government to provide continuity to its private participation policy. Funds will be disbursed according to the schedule indicated in Table 2, estimated based on the annual budgetary availability of the DNP.
- 2.2 The consolidated budget by components is shown in Table 1 and its breakdown is available in the Procurement Plan ([required link 4](#)), and in the Multiyear Execution Plan (MEP) ([required link 1](#)).

---

<sup>38</sup> Approximately 4.9 million people, based on the projects preliminarily identified by the government ([optional link 1](#)).

**Table 1. Estimated Program Costs (US\$ millions)**

Components	Total	%
Component I. Promoting private participation	9.30	62.00
Technical studies completed to promote private participation in infrastructure	2.13	14.20
Studies related to structuring projects with private participation	7.17	47.80
Component II. Strengthening potential grantor public entities	2.50	16.67
Entity staff trained on mechanisms for private participation in infrastructure	0.24	1.60
Studies completed related to institutional considerations for promoting private participation	0.80	5.33
Guides, manuals, tools, indicators, or studies on experiences undertaken to strengthen strategies for private participation projects, taking into account aspects of climate change, gender and diversity, and environmental and social considerations	0.89	5.93
PPP RUAPP information system operational and improved	0.57	3.80
Component III. Technical and institutional strengthening of the DNP	2.10	14.00
Technical unit contracted for management and coordination of activities related to private participation	1.71	11.40
Training sessions undertaken to technically strengthen the team contracted to support the program	0.39	2.60
Other costs	1.10	7.33
<b>Total</b>	<b>15.00</b>	<b>100.00</b>

**Table 2. Disbursement schedule**

Source/year	2021	2022	2023	2024	2025	2026	Total
IDB (US\$ millions)	0.45	3.19	3.73	4.02	2.49	1.12	15.00
%	3.01	21.24	24.84	26.81	16.62	7.48	100.00

## B. Environmental and social risks

- 2.3 Most of the studies and instruments to be developed in the program have no effect on environmental and social considerations, but some are linked to the structuring of specific infrastructure projects that, if developed, could present environmental and social impacts and risks in the energy, mining, transportation, health, and water and sanitation sectors. In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project was classified as Category “B.13” as an operation in which an ex ante evaluation of impacts and risks is not possible. An Environmental and Social Analysis or ESA ([optional link 2](#)) was prepared to evaluate the potential environmental and social impacts of the infrastructure projects identified on a preliminary basis by the government, and how to prevent and/or mitigate those impacts and risks, for which the Environmental, Health, and Safety (EHS) Guidelines will be applied and an Environmental and Social Management Plan (ESMP) will be developed for each specific project. The program will be executed in accordance with the conditions established in the ESMR ([required link 3](#)) including an exclusions list. The DNP will be responsible for the environmental and social management of the

program. A socioenvironmental consultant will be contracted to support and provide guidance on the preparation of terms of reference and supplemental studies, which should be done when the prefeasibility and feasibility studies are financed.

**C. Other key issues and risks**

- 2.4 **Macroeconomic and fiscal sustainability risks.** A risk of deepening fiscal and macroeconomic risk is identified and categorized as medium-high risk, related to a reduction in the program's budgetary allocation, which has been mitigated taking into account the pace of execution of operation 3090/OC-CO (average of US\$3.5 million/year).
- 2.5 **Project development.** A medium-high risk has been identified associated with a potential lack of commitment on the part of the beneficiary entities to continue with Phase 2 of the structuring and subsequent award. To mitigate this risk, the plan is to ask them for a commitment letter or to develop another analogous instrument with these entities.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

- 3.1 **Execution mechanism.** The borrower will be the Republic of Colombia. The DNP, will be the executing agency, assuming technical and fiduciary responsibility for the loan vis-à-vis the Bank and ensuring compliance with the operation's objectives. The DNP will strengthen the Program Execution Team (PET), which will consist of: (i) a program director; (ii) an operational coordinator; (iii) a procurement specialist; and (iv) a financial specialist.
- 3.2 The execution team will be responsible for matters including: (i) institutional organization and the execution mechanism; (ii) administrative procedures and flows for handling fiduciary matters; (iii) procedures for ensuring transparency in the development of activities; and (iv) considerations related to supervision, monitoring, and control through the technical monitoring committee. Notwithstanding the foregoing, the DNP will be responsible for submitting the program's semiannual progress reports and audited financial statements to the Bank. Details on the execution mechanism and its functions will be described in the program Operating Regulations. In turn, for coordination with subnational entities, the guidelines of the technical monitoring committees will be followed and commitment letters or another analogous instrument with those entities will be prepared.
- 3.3 **Special contractual conditions precedent to the first disbursement.** The executing agency will submit evidence to the Bank's satisfaction of: (i) the formal appointment of the program execution team by the DNP, in accordance with the profiles established in the execution mechanism and the terms of reference previously approved by the Bank, including at a minimum: (a) a program director; (b) an operational coordinator; (c) a procurement specialist; and (d) a financial specialist; and (ii) approval of the program Operating Regulations ([optional link 7](#)) describing the detailed guidelines for operational and coordination considerations, under the

**terms and conditions previously approved by the Bank.** These conditions are considered fundamental to ensure that the executing agency is prepared to begin project execution and has program Operating Regulations that describe the detailed guidelines on operational and coordination considerations.

- 3.4 **Program Operating Regulations.** These regulations will detail the execution mechanism for the operation, specific functions of the execution teams, and of the program's Steering and Operations Committees, in addition to Bank requirements necessary for execution of the loan. Any change to the program Operating Regulations will require the prior no objection of the Bank ([optional link 4](#)).
- 3.5 **Procurement.** The Policies for the procurement of goods and works financed by the Inter-American Development Bank (document GN-2349-15) or its updates will be followed, as will the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-15) or its updates. The procurement plan ([required link 4](#)) lists planned procurement processes.
- 3.6 **Disbursements.** The Bank will disburse the funds to a special bank account in United States dollars at the banking institution to be designated by the Ministry of Finance in the name of the project. The executing agency may operate a Colombian peso-denominated account, and the currency for managing the operation is the United States dollar. The exchange rate to be used in the operation will be the effective rate on the date the approval currency is converted to local currency. The Bank will make disbursements in the form of the advances of funds for the execution of activities and procurement planned for periods of up to six months.
- 3.7 **Audits.** The project audit will be performed by an external audit firm acceptable to the Bank and will be contracted using program funds in accordance with procedures, terms of reference, and a request for proposals subject to the no objection of the Bank. During execution, the audited financial statements will be submitted annually to the Bank within 120 days following the closing date of each fiscal year, or the date of the last effective disbursement.

## **B. Summary of arrangements for monitoring results**

- 3.8 **Monitoring.** Monitoring will be based on: (i) the multiyear execution plan ([required link 1](#)); (ii) the procurement plan ([required link 4](#)); (iii) the Results Matrix (Annex II); and (iv) the Monitoring and Evaluation Plan ([required link 2](#)). The executing team will submit semiannual progress reports in accordance with the Bank's Project Monitoring Report (PMR) methodology, so that it will be possible to document progress made in achieving the outputs and outcome indicators agreed upon in the Results Matrix.
- 3.9 **Evaluation of results.** The program will be evaluated: (i) based on completion of each of the interventions, with the same sources of monitoring information; and (ii) through a reflexive evaluation, considering results before and after the program. The specific objectives of the evaluations will be described in the program Operating Regulations. The terms of reference will be agreed upon with the Bank.

Development Effectiveness Matrix		
Summary		CO-L1265
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	Promoción de esquemas de APP como mecanismo para el desarrollo y financiación de proyectos; principalmente en los sectores: (i) transporte; (ii) educación; y (iii) salud.
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.0
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		8.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		0.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

**Evaluability Assessment Note:** Operation CO-L1265, for an amount of US\$15,000,000, has the general objective of supporting and promoting private participation in the development of public infrastructure and the provision of its associated services in the country. The specific objectives are (i) to reinforce the structuring and financing process of private participation projects in the areas of economic and social infrastructure; and (ii) strengthen the institutional framework around the consolidation of private participation mechanisms.

The loan proposal adequately presents the logic of the problems in the articulation of public-private partnerships. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcome and impact. Outcome indicators are appropriately defined to measure the achievements of the program and the fulfillment of its specific objectives. The impact indicator (increase in the number of private participation projects awarded for the provision of infrastructure and provision of services in the sectors of economic and social infrastructure) reflects the contribution to the final objective of the operation.

The economic evaluation features a minimum cost analysis that indicates the economic efficiency of the operation compared to similar interventions that serve as a comparative alternative.

The monitoring and evaluation plan proposes to carry out a reflective analysis of the result indicators included in the result matrix. Monitoring and evaluation activities will be carried out by the executing agencies, the National Planning Directorate, in coordination with the Bank.

**RESULTS MATRIX**

<b>Project objective:</b>	The general objective of the operation is to support and promote private participation in the development of public infrastructure and the delivery of associated services in the country. The specific objectives are to: (i) strengthen the structuring and financing process for private participation projects in the areas of economic and social infrastructure; and (ii) strengthen the institutional framework for the consolidation of private participation mechanisms.									
GENERAL DEVELOPMENT OBJECTIVE										
<b>Indicators</b>	<b>Unit of measure</b>	<b>Baseline</b>	<b>Expected year of achievement</b>	<b>Target</b>	<b>Means of verification</b>	<b>Comments</b>				
General objective: to support and promote private participation in the development of public infrastructure and the delivery of associated services in the country.										
Private participation projects awarded for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors	#	0	2026	2	Electronic Public Procurement System (SECOP)					
SPECIFIC DEVELOPMENT OBJECTIVES										
<b>Indicators</b>	<b>Unit of measure</b>	<b>Baseline</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>End of project</b>	<b>Means of verification</b>	<b>Comments</b>
Specific objective 1: to strengthen the structuring and financing process for private participation projects in the areas of economic and social infrastructure										
Private participation projects open to the market for prequalification, preliminary specifications, or third-party participation for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors	#	0	0	0	0	1	1	2	SECOP	

Indicators	Unit of measure	Baseline	2022	2023	2024	2025	2026	End of project	Means of verification	Comments
Specific objective 2: to strengthen the institutional framework for the consolidation of private participation mechanisms.										
Structured private participation projects that move on to Phase II for the provision of infrastructure and delivery of services in the economic and social infrastructure sectors	#	0	0	0	0	1	2	3	Will be measured with the approval letters received by the grantor entity	

### OUTPUTS

Indicators	Unit of measure	Baseline	2022	2023	2024	2025	2026	End of project	Means of verification	Comments
Component I: Promoting private participation										
Technical and regulatory studies for promoting private participation in infrastructure completed	#	0	1	1	2	2	0	6	Final outputs	
Studies related to preinvestment or investment in private participation projects completed	#	0	1	2	2	2	1	8	Final outputs	
Component II: Strengthening potential grantor public entities										
Staff trained in local entities on private participation arrangements in infrastructure	#	0	130	130	130	130	80	600	Certifications and attendance lists for DNP training sessions	
Staff trained in national entities on private participation arrangements in infrastructure	#	0	70	70	70	70	30	310	Certifications and attendance lists for DNP training sessions	



Indicators	Unit of measure	Baseline	2022	2023	2024	2025	2026	End of project	Means of verification	Comments
Studies related to institutional considerations for promoting private participation completed	#	0	0	0	0	1	0	1	Study completed	
Guidelines, manuals, tools, indicators, or studies on experiences developed for strengthening strategies with regard to private participation projects, taking into account climate change, gender and diversity, and environmental and social considerations	#	0	1	2	1	0	0	4	Documents developed	
RUAPP PPP information system operational and improved	System	1	1	1	1	1	1	1	RUAPP operating during the year	
Component III: Technical and institutional strengthening of the DNP										
Technical unit for the management and coordination of activities related to private participation	Technical unit	1	1	1	1	1	1	1	Technical unit contracted during the year	
Training sessions developed to technically strengthen the team contracted to support the program, based on identified needs	#	0	0	1	0	0	0	1	Training sessions developed	
Gender and diversity training	#	0	1	0	0	0	0	1	Agenda and list of participants	

Note: Results in the PCR will be evaluated according to the operational guidelines for reimbursable technical cooperation operations (document OP-1906-1).

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Country:** Colombia

**División:** TSP

**Operation number:** CO-L1265

**Year:** 2020

**Executing agency:** DNP

**Name of operation:** Consolidation of Private Participation Arrangements in Infrastructure

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of country system

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	
<input checked="" type="checkbox"/> Treasury		<input checked="" type="checkbox"/> Shopping	<input checked="" type="checkbox"/> National Competitive Bidding (NCB) - Advanced
<input checked="" type="checkbox"/> Accounting		<input checked="" type="checkbox"/> Individual consultants	

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Details on fiduciary execution	The Multilateral Bank Team (MBT) will assume responsibility for fiduciary management; it has a dedicated team for externally financed projects and ample experience with IDB projects. The team will be supplemented by a part-time financial specialist to absorb the additional work.
-------------------------------------	--------------------------------	---

#### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fiduciary capacity of the DNP is satisfactory. It has experience applying IDB fiduciary policies. However, it does not have sufficient staff to assume new responsibilities in the management of project procurement. In the last three years, there have been systemic bottlenecks in the negotiation and signing of contracts.
--	--

4. Fiduciary risks and mitigation actions

Area	Risk level	Mitigation and strengthening	Party responsible and deadline
1. Financial management and procurement.	1. Capacity and number of fiduciary personnel available to handle the new project. Low level.	1. Contract recommended supplemental personnel.	DNP. First quarter of execution.
2. Financial management.	2. Financial planning and budget processes. Recurring limitations in budgetary allocation for projects. Medium-low level.	2.a Simplification of procurement and financial management processes for project execution. 2.b Support cash flow and disbursement planning, and budgetary space requirement in operational and procurement planning; synchronize project planning with country's budget cycle.	DNP. First six months of execution. DNP. Annual, as of 30 April of the year prior to execution year.
3. Procurement.	3. Bottlenecks in negotiating and signing contracts. Medium-low level.	3. Design of terms of reference for key procurement processes in first half of year.	DNP. Annual, as of 15 December of the year prior to execution year.
4. Technical; financial; procurement.	4. Management instruments and software insufficient for monitoring the project. Medium-low level.	4.a Train DNP teams in Project Management for Results (PM4R) methodology, 4.b Strengthen project planning and monitoring process with implementation and use of MEP/AWP management tools with MS Project.	IDB. Starting with approval of the operation. IDB and DNP. First year of execution.

5. **Policies and guidelines applicable to the operation:**

Financial: Document GN-2811-1 (OP-273-12).

Procurement: Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). In both cases, later updates as applicable.

## II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Conditions precedent to the first disbursement: The executing agency will submit to the Bank's satisfaction evidence of: (i) the formal appointment of the program execution team by the DNP, in accordance with the profiles established in the execution mechanism and the terms of reference previously approved by the Bank, including, as a minimum: (a) a program director; (b) an operations coordinator; (c) a procurement specialist; and (d) a financial specialist; and (ii) approval of the program Operating Regulations describing detailed guidelines on operational and coordination considerations, under the terms and conditions previously agreed upon with the Bank.
For purposes of justifying expenditures, the exchange rate for converting funds disbursed in US dollars to Colombian pesos will be used.
The DNP will contract the external audit and will submit the project's audited financial statements each year.
The DNP will create the executing subunit and the budgetary categories for project resources in the Budget module of the SIIF Nación 2 Budget System, in accordance with the classification by components and/or categories of investment and distribution of funds defined in the "Cost and Financing" table of the loan contract in order to facilitate the automatic generation of the financial reports required by the Bank.

## III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	For the procurement of works, goods, and nonconsulting services executed in accordance with the procurement policies (document GN-2349-15), and subject to international competitive bidding (ICB), the standard bidding documents issued by the Bank will be used. Consulting services will be contracted in accordance with the policies for the selection of consultants (document GN-2350-15) and the standard request for proposals issued by the Bank will be used. The project's sector specialist will be responsible for reviewing the technical specifications.						
<input checked="" type="checkbox"/>	Use of country systems	Colombia's Public Procurement System ( <i>Sistema de Compra Contratación Pública de Colombia</i> - SCCPC) may be used for the procurement of: <ul style="list-style-type: none"> <li>Works, goods, and nonconsulting services contracts with amounts below the threshold established by the Bank for ICB.</li> <li>Consulting firm contracts with amounts below the threshold established for the selection of consulting firms using the international short list.</li> <li>Individual consulting assignments.</li> </ul>						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except in those cases where ex ante supervision is justified. Ex post reviews will occur every 12 months in accordance with the project's supervision plan, subject to changes during execution. The threshold amounts for ex post review are:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>US\$10,000,000</td><td>US\$1,000,000</td><td>US\$500,000</td></tr> </tbody> </table>	Works	Goods/services	Consulting services	US\$10,000,000	US\$1,000,000	US\$500,000
Works	Goods/services	Consulting services						
US\$10,000,000	US\$1,000,000	US\$500,000						
<input checked="" type="checkbox"/>	Records and files	The DNP maintains filing systems. Filing provisions require that documents be kept for some 20 years. DNP documentation is kept in the Central Archive (library and archive).						

Main procurement items

For access, [\[required link 4\]](#)

**IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT**

<input checked="" type="checkbox"/>	Programming and budget	To minimize the risk of execution delays, the MBT will use the AWP, the procurement plan, and cash flow programming for reporting and to support the request for budget space for the project. The MBT will coordinate the budgetary request through the focal point in the General Secretariat of the DNP, and it will be adapted to the national budget calendar. The loan proceeds will be included in the national budget under the DNP, and budgetary execution will be controlled through the SIIF Nación II.
<input checked="" type="checkbox"/>	Cash flow and disbursement management	Programming of the project's cash flow will be consistent with the AWP and the procurement plan that have received the Bank's no objection, and should cover a moving horizon of at least 12 months. The preferred method of disbursement will be the advance of funds. The operation will work with a six-month financial period for justifying advances and the standard of 80% of cumulative balances pending justification. A special bank account in dollars to be determined by the Ministry of Finance (MHCP) in the name of the project will be used exclusively to manage the loan proceeds. The executing agency may operate an account denominated in Colombian pesos to make payments to project contractors and suppliers. The exchange rate to be used in the operation will be the effective rate on the date the approval currency or disbursement currency (U.S. dollars) is converted to local currency.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The executing agency will use the SIIF Nación II accounting module for recording project accounting. Accounts will be maintained using the accrual method as provided by Colombian government accounting regulations. The special purpose financial statements required by the IDB (statement of cumulative investments and statement of cash received and disbursements made) will be prepared on a cash basis and generated automatically directly from the SIIF. The MBT will be responsible to the IDB for financial and accounting management of the program, but will rely on and work jointly and on a coordinated basis with the relevant institutional areas of the DNP in discharging this responsibility.
<input checked="" type="checkbox"/>	Internal control and internal audit	The executing agency has implemented an operational Standard Internal Control Model (MECI 1000:2014) for Colombian government institutions, based on the global COSO standard and the principles of self-regulation, self-management, self-control, and continuous improvement. It is suggested that the OCI-DNP provide advisory services and monitoring for the different project execution processes and include in its annual programming specific audits on execution of the operation.
<input checked="" type="checkbox"/>	External control: external financial audit and project reports	The DNP will select and contract external audit services in accordance with the terms of reference previously agreed upon with the Bank. Depending on the nature and risk of the operation, a special purpose financial audit by an eligible plus firm will be required. The type of audited financial report required to cover the financial reporting needs for the external audit of the operation will be an annual audited financial statement report with a cut-off date of 31 December of each year, to be submitted to the Bank no later than 120 days following the end of the year. If during the execution period the Office of the Comptroller General of the Republic (CGR) becomes eligible to audit IDB-financed projects, it may be considered for auditing this operation.

<input checked="" type="checkbox"/>	Financial supervision of the project	<p>The Bank's financial specialist will conduct a minimum of one "on site" review each year and "desk" reviews of the audited financial statements. The auditor will verify that funds are executed in accordance with the Bank's standards and policies on fiduciary matters and the conditions stipulated in the program Operating Regulations. The fiduciary supervision visits on financial management will include verification of the financial arrangements used for project administration, and follow-up on implementation of the recommendations issued by the independent audit firm as applicable.</p>
-------------------------------------	--------------------------------------	--

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_/\_

Colombia. Loan \_\_\_\_/OC-CO to the Republic of Colombia  
Program for the Consolidation of Private Participation  
Arrangements in Infrastructure

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 the Program for the Consolidation of Private Participation Arrangements in Infrastructure. Such financing will be for the amount of up to US\$15,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 20\_\_)