

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**COLOMBIA**

**SOCIO-URBAN INTEGRATION OF MIGRANTS IN COLOMBIAN CITIES  
PROGRAM**

**(CO-G1015)**

**NON-REIMBURSABLE INVESTMENT FINANCING**

**GRANT PROPOSAL**

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REL#3	<a href="#">Environmental and Social Management Report (ESMR)</a>
REL#4	<a href="#">Procurement Plan</a>

OPTIONAL ELECTRONIC LINKS (OEL)	
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OEL#2	<a href="#">Cities Profile: Medellín, Cúcuta, Villa del Rosario, Barranquilla, Medellín, Rionegro, Riohacha and Maicao</a>
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ABBREVIATIONS	
CCLIP	Conditional Credit Line for Investment Projects
CGR	General Comptroller of the Republic
CONPES	<i>Consejo Nacional de Política Económica y Social</i>
DANE	<i>Departamento Administrativo Nacional de Estadística</i>
DNP	<i>Departamento Nacional de Planeación</i>
ECA	European Court of Auditors
ENTerritorio	<i>Empresa Nacional Promotora del Desarrollo Territorial</i>
ESMF	Environmental and Social Management Framework
EA	Executing Agency
EU	European Union
FINDETER	<i>Financiera del Desarrollo Territorial S.A.</i>
FONADE	<i>Fondo Financiero de Proyectos de Desarrollo</i>
GDP	Gross Domestic Product
HELISA	Financial information system for budget, accounting and treasury control
IDB	Inter-American Development Bank
IGR	Investment Grant
KPK	Knowledge Partnership Korea Fund for Technology and Innovation
LAIF	Latin America Investment Facility
MAM	Migrant Assistance Model
NGOS	Non-governmental organizations
OECD	Organisation for Economic Co-operation and Development
PAGODA	Pillar Assessed Grant or Delegation Agreement
PBM	Performance-Based Management
PIM	Project Implementation Manual
PMT	Project Management Team
PEP	Pluriannual Execution Plan
PSG	Project Specific Grant
RSE	Recognized Seasonal Employer
SCA	Sociocultural Analysis
SEPA	Procurement Plans Management System
SENA	<i>Servicio Nacional de Aprendizaje</i>
SESA	Strategic Environmental and Social Assessment
SESMP	Strategic Environmental and Social Management Plan
SF	Financial Superintendency ( <i>Superintendencia Financiera</i> )
TC	Technical Cooperation
TOR	Terms of Reference
URBELAC	Urban European and Latin America and Caribbean Cities
RGF	Rental Guarantee Fund
WS	Workshop Schools

**PROJECT SUMMARY**  
**COLOMBIA**  
**SOCIO-URBAN INTEGRATION OF MIGRANTS IN COLOMBIAN CITIES PROGRAM**  
**(CO-G1015)**

Financial Terms and Conditions				
Beneficiary			Flexible Financing Facility	
Republic of Colombia			Amortization Period:	N/A
Executing Agency			Implementation Period:	3 Years
Empresa Nacional Promotora del Desarrollo Territorial (ENTerritorio)			Grace Period:	N/A
Source	Amount in Euros (€)	Amount in US (\$)	Interest rate:	N/A
IDB (EU-LAIF):	10,200,000 <sup>(a)</sup>	11,330,000 <sup>(b)</sup>	Credit Fee:	N/A
			Inspection and supervision fee:	N/A
Total:	10,200,000	11,330,000	Currency of Approval:	N/A
Project at a Glance				
<p><b>Project Objective/Description:</b> The general objective is to foster the urban integration process of migrants in at least five migrant-receiving Colombian cities and/or metropolitan areas. The specific objectives are: (i) strengthen the institutional capacity for migrant assistance in subnational entities through the implementation of Performance-Based Management (PBM) systems; (ii) increase opportunities for economic integration in migrant-receiving communities through new or improved Workshop Schools (WS); and (iii) facilitate access to affordable rental housing.</p> <p><b>Special Contractual Clauses prior to the First Disbursement:</b> (i) that ENTerritorio presents evidence that it has entered into effect a Project Implementation Manual (<a href="#">PIM</a>), previously agreed upon with the Bank; (ii) that ENTerritorio sets up a dedicated Project Management Team (PMT) composed of specialists responsible for: project management, technical coordination by component, financial management, procurement, social and environmental safeguards (including migration experience), planning and monitoring, territorial management for each region, legal aspects, and communications; and (iii) that ENTerritorio has signed a Cooperation Agreement with at least one of the beneficiary entities of the program (¶3.9).</p> <p><b>Special Contractual Clauses of execution:</b> For special conditions, see Annex B of the Environmental and Social Management Report (<a href="#">ESMR</a>).</p>				
<b>Exceptions to Bank Policies:</b> None.				
Strategic Alignment				
<b>Challenges<sup>(c)</sup>:</b>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
<b>Cross-Cutting Themes<sup>(d)</sup>:</b>	GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> Grant resources to be provided by the EU are subject to availability and approval by the EU. The funds will be administered by the Bank through a Project Specific Grant (PSG) according to Document SC-114 and under the terms of the 2015 "Framework Agreement between the Bank and the European Commission" (GN-2605-2). As contemplated therein, the commitment from the EU will be established through a separate contribution agreement (Delegation Agreement). EU resources will be available for disbursement once the Delegation Agreement has been signed between the EU and the Bank and the funds from the EU are received by the Bank. The Bank will charge an administrative fee (2% of the PSG amount) upon the Bank's receipt of the first payment instalment. All references in this document to the 2015 EU-IDB Framework Agreement shall be deemed to have been made, as applicable, to any amendment and/or reinstatement of such framework agreement that the EU and IDB may enter into, in force as of the date of signature of the Delegation Agreement.

<sup>(b)</sup> The exchange rate used on November 5, 2019 was €0.90 to one US Dollar. The EU PSG contribution payments will be made in Euros (€), and immediately converted to US Dollars when received by the Bank's Finance Department. The Finance Department will inform the Project Team of the exchange rate at which each contribution is converted.

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

<sup>(d)</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, Problem Addressed, and Justification

- 1.1 Colombia has made important advances in poverty reduction and social development in the past 15 years as a result of successfully narrowing several different socioeconomic gaps, particularly poverty, which fell from 49.7% to 27% between 2002 and 2018 (National Administrative Department of Statistics – DANE, 2019). The favorable social developments since 2002 were spurred by changes in employment and wage earnings and an increase in transfers to the low-income population. The middle class also received a significant boost: whereas this group accounted for close to 37% of the population in the early 2000s, now that same indicator is more than 50% of Colombian households. However, the process of consolidating economic stability and closing pre-existing social gaps has been challenged by sudden and large migration inflows from neighboring Venezuela, that according to the most recent household survey (2018) have contributed to a 1.5% increase in the monetary poverty and a 1.8% increase in the multidimensional poverty index relative to 2016,<sup>1</sup> an index that identifies deficiencies at the level of households and people in the fields of health, education and living standards.<sup>2</sup>
- 1.2 The complex economic, political, and humanitarian situation in Venezuela has forced at least 4.6 million people to flee the country, most of them since 2015. Colombia hosts many of these migrants, with over 1,630,903 people (35% of the total and approximately 3% of Colombia's population) having crossed the border to remain in the country by the end of 2019. *Migración Colombia*, the authority responsible for migration control, reports an increase in the migrant population of 3,500% with respect to 2015, and of 15% between June and October 2019.<sup>3</sup> Fewer than half of these arrivals (719,189 or 44%) have regularized status as holders of non-expired visas and work permits.<sup>4</sup> Irregular migrants reach 56% of the total (911,714), with nearly 66% of them having entered Colombia without a passport or registration, a reflection of the difficulties faced in acquiring identity documents in Venezuela.<sup>5</sup> Although Colombia has been an open-door country to recent migration, guaranteeing people with regular and irregular status access to emergency care and education, access to long-term services like housing and

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<sup>1</sup> In 2018, the percentage of people in multidimensional poverty in Colombia was 19.6%; while in 2016 the figure was 17.8%, DANE 2018.

<sup>2</sup> [\*Incidencias de pobreza en el país y la situación de los migrantes. Proyecto Migración Venezuela- Semana 2018.\*](#)

<sup>3</sup> *Ministerio de Relaciones Exteriores de Colombia (2019). Infographic “Venezolanos en Colombia”.*

<sup>4</sup> To date, there have been three waves of issuance of residence permits. The first one took place between August 3 and October 31, 2017 (Resolution 5797 of 2017 of Ministry of Foreign Affairs), the second one between February 6 and June 7, 2018 (Resolution 740 of 2018 of the Ministry of Foreign Affairs) and the third between August 2 and December 2 2018 (Decree 1288 of 2018). Beneficiaries of the last wave are the irregular migrants who are enrolled in the RAMV. CONPES 3950/2018. The Special Permanence Permit to Foster Formalization (*Permiso Especial de Permanencia para el Fomento de la Formalización - PEPFF*) visa has been in effect since February 2020 and is available to migrants with formal job offers.

<sup>5</sup> World Bank (2018). *Migración desde Venezuela a Colombia: Impactos y Estrategia de Respuesta en el Corto y Mediano Plazo.*

social security remains restricted due to legal and documentation requirements and/or pre-established eligibility criteria of existing national programs.

- 1.3 Most migrants are concentrating in metropolitan areas (76%) and border cities (24%)<sup>6</sup> as they seek to access those opportunities provided by urban economies that would allow them to exercise a greater degree of self-sufficiency, like earning a living or obtaining an education.<sup>7</sup> Yet, many face difficulties in accessing those opportunities and integrating into host communities due to: (i) a lack of information and institutional capacity around existing urban services; (ii) limited economic integration resulting from barriers to engaging in income generating activities; and (iii) an absence of references or steady income to secure housing that meets minimum habitability standards.
- 1.4 **Institutional capacity.** The challenge for local governments has been to respond with limited resources to a sudden increase in population and growing demands on infrastructure and urban services, which compound pressures to meet the needs of local populations. The government estimates that 0.26% to 0.41% of the Gross Domestic Product (GDP) will be needed to provide the basic services to migrants at the same level as the host population.<sup>8</sup> Further, subnational entities lack the adequate governance mechanisms to address the influx of newcomers: migrant -receiving cities like Cúcuta and Barranquilla do not have a formal municipal agency or institutional protocols to address challenges derived from migration and coordinate sectorial efforts.<sup>9</sup> Receiving cities' lack of experience in anticipating and integrating migrants hinders the economic development potential of migration and increases the risk of social tensions.<sup>10</sup>
- 1.5 Prior to the influx of migrants to Colombian cities, subnational entities already faced limitations in delivering services under their responsibility due to: (i) an absence of mechanisms and information systems for coordinating development plans with financial and investment programming, leading to inadequate planning and management strategies; (ii) dependence on central government transfers, which represent more than 37% of subnational entities' total revenues;<sup>11</sup> (iii) low revenue collection levels, with average effective tax rates that are below nominal rates; and (iv) low public investment effectiveness, due to limited capacity for project design, execution, and evaluation.<sup>12</sup> Many cities also suffer from deficits in infrastructure and utilities, which have a negative impact on citizens' quality of life and on local

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<sup>6</sup> *Ministerio de Relaciones Exteriores de Colombia (2019). Infographic "Venezolanos en Colombia".*

<sup>7</sup> Research on urban migrants in other regions, like Africa, show that urban areas present opportunities for economic self-sufficiency, yet despite this economic independence, living conditions are extremely difficult. See Campbell, E. 2006. Urban Refugees in Nairobi: Problems of Protection, Mechanisms of Survival, and Possibilities for Integration, *Journal of Refugee Studies*, Vol. 19, No.3 and [UNHCR Literature Review: Urban Refugees \(2009\)](#).

<sup>8</sup> *Migración desde Venezuela a Colombia: Impactos y Estrategia de Respuesta en el Corto y Mediano Plazo*, Grupo Banco Mundial, 2018.

<sup>9</sup> Idem.

<sup>10</sup> Betts, A. et al. 2017. *Refugee Economies: Forced Displacement and Development*. Oxford: Oxford University Press.

<sup>11</sup> [Fiscal Feasibility Report for Departments and Capital Cities](#). Colombia's Ministry of Finance and Public Credit 2018.

<sup>12</sup> In 2018, only 48% of total allocated royalty resources were executed according to [Colombia's General Comptroller's Office \(2019\)](#).

development potential.<sup>13</sup> These challenges have been further strained by the rapid increase in population derived from the migratory phenomenon in Colombia.

- 1.6 **Economic integration.** The rapid surge of migrants has also presented new challenges to Colombia's labor market given that the vast majority arrive in search of employment opportunities. Data from June 2019 indicated that 78% of migrants are of working age, ranging from 18 and 39 years old, with a slightly higher share of men (53%) than women (47%).<sup>14</sup> Among migrants 15 years or older who are searching for work, data from June 2019 shows that 14.18% were unemployed. International studies in large scale migration contexts evidence that immigrants are one of the most vulnerable groups within labor markets and that this group, which includes regular and irregular migrants, experience substantial difficulties in accessing formal employment.<sup>15</sup> Data from these contexts reveal a substantial gender gap given that the unemployment rate for migrant men was 8.96% while for migrant women it was 21.60%, consistent with evidence that foreign-born women tend to face greater challenges in securing a job than their male counterparts due to factors including lower levels of education, family obligations and cultural differences.<sup>16</sup> In the context of Colombia, a survey in Barranquilla reveals that migrant women present more obstacles than men in the labor market integration, with 7% of women interviewed exercising their profession, compared to 18% of men.<sup>17</sup> While detailed information is not yet available for Colombia at the national level, this situation is presumed to be more critical among those who do not have a visa or permit. Economic integration is especially challenging in border cities, which account for 83% of migrant crossings into Colombia. There, unemployment rates have continuously increased since 2015, reaching 15.8% in Cúcuta by 2019, substantially above the national average.<sup>18</sup>
- 1.7 The lack of formal employment among the migrant population severely limits the possibilities for social integration.<sup>19</sup> Further, the lack of stable sources of labor income among this population puts a major fiscal pressure on national and local governments to the extent that there is a greater need for humanitarian assistance and a lack of taxable income or contributions to social security. Among the most relevant barriers to employment opportunities for migrants is a lack of certified relevant skills required by the local labor market. Due to a shortage of funding, migrants also face restrictions in accessing training services. In some cases, migrants have relevant skills but cannot validate them in Colombia, due to

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<sup>13</sup> See Loan Proposal [3596/OC-CO](#) pg. 5 and the 16 action plans prepared by Colombian cities under the IDBs [Emerging and Sustainable Cities Initiative](#).

<sup>14</sup> The total number of migrants in Colombia as of June 2019 was 1,408,055 people. [Migración Colombia. Infografía.](#)

<sup>15</sup> Eurostat (2016) Unemployment rates for the population aged 20-64, by place of birth and by sex; Swedish Public Employment Agency, 2017; Burdikova, A. et al (2018) Underemployment of immigrant women in Iceland: a case study. *Nordicum Mediterraneum* 13:1.

<sup>16</sup> Karlsdottir, A. et al. (2017) [Policies and measures for speeding up labour market integration of refugees in the Nordic region: a knowledge Overview](#). Nordregio Working Paper 8.

<sup>17</sup> *Observatorio del Proyecto Migración Venezuela, November 2019, "Avances de la integración de los migrantes venezolanos en Barranquilla."*

<sup>18</sup> DANE (2019) Gran Encuesta Integrada de Hogares, [Boletín Técnico](#).

<sup>19</sup> For a review on the literature on the positive impact of jobs on social cohesion among diverse groups, see: *Jobs (2013)*, World Development Report, World Bank. Transmission mechanisms include the creation of social interactions, the reductions of stigmas, the management of social tensions and the creation of trust.



limitations in the skill accreditation process. There are also major information barriers to find vacancies.<sup>20</sup>

- 1.8 **Access to housing.** In a context of increased demand for housing in already tight housing markets, migrants are also facing barriers to accessing quality shelter due to their irregular status or unreliable incomes.<sup>21</sup> The rapid influx of new residents is generating informal settlements in high-risk areas, increasing the spontaneous occupation of public spaces, and generating overcrowded housing conditions with consequences for public health,<sup>22</sup> public safety (particularly for women and children who are exposed to risks due to a lack of privacy and protection),<sup>23</sup> and land and water contamination. The Great Integrated Household Survey (2017) estimates that 31% of migrant households suffer from qualitative housing deficits like overcrowding, lack of access to basic services, and inadequate materials. This rate increases to 37% when considering people who entered the country after 2017.<sup>24</sup> Among the most recent wave of migrants, 20% live in temporary rooms and other precarious structures. These figures are far above Medellín's qualitative housing deficit of 6% (2017), equivalent to 52,761 households, or that of Barranquilla, which was 12% in 2019, equivalent to 31,612 households.<sup>25</sup> A survey of Venezuelan migrants in five Colombian cities conducted in February 2019 reported that 64% of respondents in Medellín think it is difficult or very difficult to access housing and that 93.2% live in a shared rental. Further, 8 out of 10 of those surveyed live with two or more other people.<sup>26</sup> In Barranquilla, 72% of respondents found it difficult or very difficult to access housing, and over three-quarters of the women surveyed (76%) reported barriers to finding a place to live. These barriers include housing leases that require proof of income that duplicates the lease fee and co-signers with a property within the country, elements designed to give security to landlords but of difficult compliance for low-income people and those without formal employment or qualified co-signers. Yet, Medellín registers a robust rental housing market with 36% of total housing stock for rental, the fourth highest rate in Latin America.<sup>27</sup> Nearly half of that rental housing can be considered affordable, with monthly rents ranging between US\$122 and US\$214.<sup>28</sup>
- 1.9 **Colombian Government response.** In 2018, the Government of Colombia defined a migrant support strategy, [CONPES 3950](#), recognizing the impacts from

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<sup>20</sup> *Estrategia de Generación de Ingresos para la Población Migrante proveniente de Venezuela y las Comunidades de Acogida*. Gerencia de la Frontera de Venezuela de la Presidencia de la República. 2019

<sup>21</sup> *Migración desde Venezuela a Colombia: Impactos y Estrategia de Respuesta en el Corto y Mediano Plazo*, Grupo Banco Mundial, 2018.

<sup>22</sup> The government estimates that 73% of the Venezuelan migrants do not have access to health-care services (National Department of Planning - DNP, 2018).

<sup>23</sup> Among the migrant community, cases of gender-based violence increased by 313% in the period between 2017 and 2018, as reported by Colombia's National Institute of Health. *Migración desde Venezuela a Colombia: Impactos y Estrategia de Respuesta en el Corto y Mediano Plazo*, Grupo Banco Mundial, 2018 P. 87.

<sup>24</sup> CONPES 3950 (2018), DNP.

<sup>25</sup> [Informe de Calidad de Vida de Medellín, 2018](#). Medellín Como Vamos.

<sup>26</sup> *Observatorio del Proyecto Migración Venezuela*, November 2019, "[Avances de la integración de los migrantes venezolanos en Medellín](#)" and "[Avances de la integración de los migrantes venezolanos en Barranquilla](#)."

<sup>27</sup> Blanco, A; Fretes, V and A. Muñoz, eds (2016) [Rental Housing Wanted: Options for Expanding Housing Policy](#), Washington DC: IDB.

<sup>28</sup> *El Colombiano*, "[Lo que mueven los arrendamientos en Medellín](#)", July 5, 2019. Based on a report from La Lonja Propiedad Raíz.

Venezuelan migration on health, education, housing, water and sanitation, and labor markets, and prioritizing integrated interventions to address pre-existing development gaps exacerbated by migration flows. Since the approval of this public policy instrument, progress includes 3.9 million health care services provided; over 200,000 children and adolescents enrolled in the education system; and, more than 186,000 actions to protect vulnerable groups that include women, indigenous people and minors. Colombia's Border Management Unit<sup>29</sup> has organized 30 multi-sectoral roundtables to coordinate strategies and roadmaps with local authorities, addressing issues from humanitarian assistance to income generation for migrants and host communities. To date, Colombia has received US\$370 million of international cooperation in support of these actions.<sup>30</sup>

- 1.10 **Government request to the Bank to support a comprehensive operation.** As part of the CONPES implementation strategy, the government requested the support of the Bank and its donors. The Bank and the European Union (EU), accepted the government's request.<sup>31</sup> and identified the operation under execution: **Fiscal and Public Investment Expenditure Strengthening Program for Municipalities, its Decentralized Agencies, and Metropolitan Areas (3596/OC-CO)**, as an adequate operational framework to mobilize non reimbursable resources. On October 18th, 2019, the EU, through the Latin America Investment Facility (LAIF), internally approved a grant contribution of €10,200,000 (US\$11.3 million) that is being processed by the Bank as a Project Specific Grant (PSG). The investment program ([3596/OC-CO](#)), which aims to improve fiscal and urban sustainability in five municipalities through institutional strengthening and physical investment projects and its components, is aligned with the IGR proposal technical areas.
- 1.11 This operation is complemented by a Technical Cooperation (TC) to support migrant-receiving cities by financing baseline studies and proposed designs for management systems to assist the socio-urban integration of migrants at the subnational level, urban plans, pilots for incremental housing and housing improvement, and the design of infrastructure networks to enhance local capacity to accommodate new residents.<sup>32</sup> The link between the approved investment program ([3596/OC-CO](#)), this operation and the TC include a common geographical scope focused on migrant-receiving urban areas and an alignment of components that support multi-sectoral investments in urban development.<sup>33</sup> Together, these programs leverage the Bank's installed technical and governance capacity at the

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<sup>29</sup> An advisory unit within the Presidency that coordinates Colombia's response to the migratory crisis.

<sup>30</sup> The IDB has approved a Grant Facility and other resource mobilization instruments to support countries with large and sudden intraregional migration inflows (AB-3199) and is developing sectoral operations covering employment, housing, water and sanitation and health. In Colombia, the Program to Strengthen Employment Policies (4934/OC-CO; 4935/GF-CO; GRF/CF-17823-CO) includes activities intended to strengthen the certification of competencies to benefit migrants and host communities, complementing this operation.

<sup>31</sup> Expression of interest to obtain non-reimbursable resources to execute the project Strategies for the Socio-urban Integration of Migrants in Colombian Cities ([OEL#8](#)).

<sup>32</sup> The TC preparation is in process and the timeline of implementation is aligned with this PSG.

<sup>33</sup> The components of the investment program (3596/OC-CO) are: (i) Improvement of fiscal management, including the development and implementation of subnational performance monitoring systems; (ii) Urban development, to improve the provision of infrastructure and urban services through neighborhood improvement programs in low-income areas, including facilities and programs focused on the social integration of residents; and (iii) Improvement of utilities, to increase coverage of basic services.

subnational level, allowing the complementarity of resources to advance the development of integrated urban interventions with a strong focus on social inclusion.

- 1.12 **Bank experience and lessons learned.** Over the past fifteen years, urban programs in the region structured under Conditional Credit Lines for Investment Projects (CCLIP) have supported subnational entities in addressing complex challenges through integrated strategies that both strengthen management practices and finance investment projects across different sectors (housing, education, basic infrastructure, mobility, etc.). These programs are present in Colombia through the operation linked to this investment grant (IGR) ([CO-X1018](#)); in Mexico with the Subnational CCLIP for Infrastructure, Public Services, and Institution-Strengthening ([ME-X1002](#)); in Argentina with the Urban Integration and Social and Educational Inclusion Program in the Autonomous City of Buenos Aires ([AR-O0005](#)); and in Uruguay with the Neighborhood Improvement Programs ([UR-X1003](#)). To address the challenges related to access to shelter, the first individual operation under the CCLIP in Uruguay ([2052/OC-UR](#)) included financing to develop a rental housing policy with a rent subsidy and a Rental Guarantee Fund (RGF). The objective was to prevent the growth of informal settlements by making rental housing accessible to low income families and to generate incentives to return vacant housing units to the market in depressed urban areas. Over a decade later, the RGF is a critical aspect of housing policy in Uruguay, having played an important role in the revitalization of the Goes neighborhood in Montevideo through the provision of affordable housing. In the past two years, the RGF has become a mechanism for the integration of a growing migrant population in Uruguay: 40% of the 7,000 active rental guarantee contracts have been subscribed by migrant families.<sup>34</sup> As the Bank's extensive research on rental policies demonstrates,<sup>35</sup> rental housing provides younger and lower-income families with higher quality housing (materials, access to infrastructure) and in better locations, closer to jobs and educational services. It is also a gender-inclusive policy: the evaluation of a rental subsidy pilot program in Bogotá from 2010 shows that 70% of beneficiaries were female-headed, low-income households.<sup>36</sup> Further, rental subsidies have not generated distortions in local housing markets in Uruguay or Colombia because rental housing supply is distributed evenly across the city neighborhoods.<sup>37</sup>
- 1.13 Of further relevance to social integration in cities are studies produced by the Bank on the effectiveness of Performance-Based Management (PBM) systems in strengthening public sector planning capacity. Through the generation of reliable data and an integrated, collaborative approach to service delivery, local agencies are able to continuously measure performance and determine whether progress is being made on a stated objective, allowing them to move away from reactive actions and carry out complex, coordinated tasks to transform the living conditions of its

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<sup>34</sup> Interview with Sandra Rodriguez, Manager of Housing Solutions at National Housing Division, Uruguay.

<sup>35</sup> Blanco, A; Fretes, V and A. Muñoz, eds (2016) [Rental Housing Wanted: Options for Expanding Housing Policy](#), Washington DC: IDB.

<sup>36</sup> Torres Ramirez, J. (2010). *Evaluación Subsidio Condicionado de Arrendamiento, Piloto Bogotá*.

<sup>37</sup> Torres Ramirez, J. (2012). "[Estudio sobre el mercado de arrendamiento de vivienda en Colombia](#)". Technical Note No. IDB-TN-372. Pg.18.

constituents.<sup>38</sup> The PBM systems are relevant when considering the results attained by the ethnographic study commissioned by the Bank in Colombia and Mexico to understand the integration continuum of migrants.<sup>39</sup> The qualitative research demonstrates that in Bogotá, migrants' eventual access to labor markets and urban services largely depends on whether they can obtain assistance from institutional support networks such as local governments or civil society organizations. If a migrant cannot access institutionalized support upon arrival, their chances of settling in informal or precarious neighborhoods increases. These are important precedents to addressing the challenge of rapid migration in cities and the IGR will equip local entities with the technical and financial resources required to establish policies to facilitate migrants' access to services, quality shelter, employment training, and entrepreneurship opportunities, thus advancing their integration process and generating co-benefits for the host population.

- 1.14 **Evidence of interventions.** In response to previous waves of migration in Europe and North America, the Organisation for Economic Co-operation and Development (OECD) has identified effective,<sup>40</sup> coordinated policies to integrate migrant populations to ensure equal access to urban services and opportunities, consistent with the proposed actions in this program. For example, the German city of Altena created an integration center that accompanies migrants at arrival, for status recognition, to access shelter and education, and integration in the local society with the support of its host communities.<sup>41</sup> Canada has also created a multi-level funding mechanism to facilitate the arrival of newcomers. When considering a context of large-scale, rapid migration, an effectiveness evaluation commissioned by the United States Department of State of a shelter program for Iraqi and Syrian refugees in Jordan provides key lessons for this operation.<sup>42</sup> The program consisted of short-term rental assistance combined with financial support for Jordanian landlords to renovate units in exchange for hosting Syrian refugees.<sup>43</sup> The evaluation identified non-tangible, but positive impacts that included an increased sense of dignity, safety, and privacy among beneficiaries. It also proposed recommendations for future programs, which have been considered in this operation, including: (i) design programs for migrants and locals in receiving communities, recognizing pre-existing deficits prior to migratory flows; (ii) foresee effective dissemination and outreach activities, relying on local authorities, as a mechanism to reach the most vulnerable people, who tend to not visit organizations or public offices due to a lack of awareness; and (iii) understand that shelter is a major expense for which migrants need continued support, through access to

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<sup>38</sup> Lafuente, M and S. Gonzalez (2018) "[Do delivery units deliver?: Assessing Government Innovation](#)" Technical Note No. IDB-TN-1431.

<sup>39</sup> Ramirez, S. 2020: "*Asentamiento en Tiempos de Crisis. Patrones migratorios y urbanidad desde la perspectiva de la migración venezolana en Soacha, Colombia.*" IDB Report (July 2020).

<sup>40</sup> The city of Altena in Germany presents a good example of creating proximity between all population groups and ensuring civil society engagement; moreover, the case reinforces the importance of decentralized housing solutions to avoid segregation. In the case of Canada, the multilevel and multi-stakeholder dialogue mechanism proved to increase mutual knowledge of integration practices and objectives.

<sup>41</sup> OECD, 2016. [Working together for local integration of migrants and refugees](#).

<sup>42</sup> U.S. Department of State (2016) [Evaluating the Effectiveness of Shelter, Health, and Education Programs for Iraqi and Syrian Refugees in Jordan](#).

<sup>43</sup> The program is part of the Jordan Response Plan, a resilience-based comprehensive framework that bridges the divide between short-term refugee and longer-term developmental responses.

affordable housing, shelter programming, and the ability to work to support their livelihoods.

- 1.15 Although there are few impact evaluations of the developmental outcomes of interventions targeting migrants, and these tend to focus on developed countries, some studies have found positive results, primarily of labor market policies and a boost in economic activity. Joona et al. (2012) found significant treatment effects on employment probabilities as well as on participation in the labor market of new migrants from an intensive counseling and coaching program in Sweden.<sup>44</sup> In New Zealand, researchers found that the per capita income of migrants increased by about 35%, even after subtracting worker expenses due to the Recognized Seasonal Employer scheme.<sup>45</sup> Evidence from Europe also shows that the provision of country-specific skills is key to the labor market integration of migrants.<sup>46</sup> This economic integration is fundamental to ensuring positive economic effects on host communities. Empirical evidence shows that migration can be associated with: (i) increased labor force participation, higher wages and better employment for the local population through occupational mobility (Foged and Peri, 2016; Cortes and Tessada, 2011); (ii) the reduction of labor shortages which raises productivity (Clemens 2013; Peri, 2012); (iii) higher tax revenues and social security contributions (Liebig and Mo 2013; OECD/ILO 2018); (iv) increased foreign direct investment and exports (Javorcik et al., 2011; Bahar et al., 2018); and (vi) increased firm entry, entrepreneurship and innovation (Akgunduz et al., 2018; Andersson and Wadensjö, 2004; Schuetze and Antecol, 2006; Moser et al., 2014; Kerr and Lincoln, 2010). The combined contribution of these channels can be substantial: “increasing the immigrant share of the population in 1 percentage point raises income per capita, on average, by 6 percent in the long run” (Ortega and Peri, 2014).
- 1.16 **Donors additionality.** Donor experience will inform policies to address the unprecedented level of intraregional migration in Colombia. Prior EU initiatives ([OEL#5](#)) have developed socio-urban integration strategies for migrants such as the “Communities of Solidarity” program and Eurosocial in the thematic area of Cities and Migration.<sup>47</sup> In Colombia, EU-LAIF has financed 31 urban development studies through *Financiera del Desarrollo Territorial S.A* (FINDETER), constituting a precedent for this project. Knowledge transfer will benefit from platforms such as the Urban European and Latin America and Caribbean Cities (URBELAC) network, led by the Bank and the European Commission, where cities exchange

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<sup>44</sup> Andersson Joona, Pernilla and Lena Nekby (2012): “Intensive coaching of new immigrants: an evaluation based on random program assignment”. *Scandinavian Journal of Economics* 114(2), 575-600.

<sup>45</sup> The Recognized Seasonal Employer (RSE) was launched in 2007 and initially let up to 5,000 seasonal workers come to New Zealand for a maximum of seven months per 11-month period to work in horticulture and viticulture. Employers arrange accommodation, transportation, access to banking services, equipment and opportunities for recreation and religious observance. The program also shows positive effects on sending households in countries of origin: per capita income of participating households rises by over 30 percent relative to the comparison groups in both countries while per-capita expenditure and savings also rise. John Gibson & David McKenzie, 2014. “The Development Impact of a Best Practice Seasonal Worker Policy”, “The Review of Economics and Statistics, MIT Press, vol. 96(2), pages 229-243, May, 2014”.

<sup>46</sup> Ho, Giang and Rima Turk-Ariss (2018) *The Labor Market Integration of Migrants in Europe: New Evidence from Micro Data*. IMF Working Paper.

<sup>47</sup> The Communities of Solidarity program locates actions in the cities of Barranquilla, Cucuta, Villa del Rosario, Quito, Lima and Santo Domingo.



experiences, innovative policies, and programs for sustainable urban development. The 2020 edition of URBELAC presents an opportunity to articulate this project to the platform and share integration strategies among cities facing the pressures of sudden migration. Further, the complementary TC (¶1.11) will apply developments in smart city management tools and plans, utilizing advanced analytics to understand migrant dynamics and incorporating insights into spatial planning, economic development and urban management decision-making. Previous work on flexible housing solutions will enrich this program through urban design plans where subnational entities can incorporate notions of temporality and flux, considering urban growth scenarios where neighborhoods consolidate incrementally through strategic investments and residents' own resources.

- 1.17 **Alignment with Colombian government strategies.** This operation is aligned with the [CONPES 3950](#) objectives and contributes to: (i) improving information systems to clearly track the influx of migrants and their integration process by financing the implementation of PBM systems and a migrant assistance model (MAM) for access to urban services; and (ii) promoting labor inclusion and formalization and broader access to shelter, water and sanitation services, through investments in educational facilities for employment training - by expanding the Workshop Schools (WS) program - and access to affordable rental housing in migrant receiving communities. It also contributes to goals established in the National Development Plan for 2018-2022, which aims to support vulnerable populations by advancing access to affordable housing through rental and housing improvement policies, and bolster labor inclusion and gender equity. Further, the National Development Plan explicitly seeks to expand the WS program by adding four new facilities to the 10 existing schools which have already trained 24,000 apprentices in trades linked to the rehabilitation of the economic, social, natural and cultural fabric of their communities.<sup>48</sup> The WS are training facilities that have rehabilitated historic buildings and underutilized parks, providing community spaces where apprentices apply their skills, like restaurants and shops that sell their products, thereby improving neighborhood services. The WS are constituted through purpose-built foundations in each city that gather various funders, including the municipality (which tends to provide the land or structure for the WS), the regional department, the local chamber of commerce, civil society partners, and the Ministry of Culture. The WS foundations establish and operate each WS and constitute a network for knowledge exchange and learning, for instance, by coordinating programs with the national training agency (*Servicio Nacional de Aprendizaje*, SENA). By mid-2019, three new workshop schools had been constituted, including one in Villa del Rosario, on the border with Venezuela ([OEL#6](#)).
- 1.18 **IDB Strategy Alignment.** This operation is consistent with the second Update to the Institutional Strategy (AB-3190-2) that identifies migration as an emerging development challenge. Specifically, it is aligned with the development challenges of: (i) Social Inclusion and Equality, by facilitating access to basic services for migrants and their host communities; and (ii) Productivity and Innovation, by

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<sup>48</sup> The WS program ([OEL#6](#)) is established policy in Colombia, initially supported by the *Agencia Española de Cooperación Internacional para el Desarrollo (AECID)*. More information about the WS program and its evaluation please see the document "[Workshop Schools Programs. A conceptual approximation to service-learning educational model](#)".

supporting employment training and entrepreneurial opportunities for vulnerable young people through new WS in migrant-receiving communities. The IGR is aligned to the cross-cutting theme areas of: (i) Gender Equality and Diversity, as the WS training programs and access to housing strategies will target the needs of women, to be identified and prioritized through the PBM system and MAM (§1.21); (ii) Institutional Capacity and the Rule of Law, by providing PBM tools to territorial entities to track and prioritize interventions benefiting migrants and their host communities; and (iii) Climate Change and Sustainability as 21.86% of the operation's resources are invested in climate change mitigation through WS certified by the Excellence in Design For Greater Efficiencies (EDGE) program, according to the [joint methodology of the Multilateral Development Banks](#).<sup>49</sup> These resources contribute to the IDB Group's goal of increasing the financing of projects related to climate change to 30% of the approved volume of 2020. It also contributes to the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12) through the following Development Results Indicators: beneficiaries of initiatives that support migrants and their host communities; beneficiaries of employment support initiatives; and agencies with strengthened digital technology and managerial capacity. This operation is consistent with the [IDB Migration Initiative](#) objective to advance development projects that address issues faced by migrants and their host communities by expanding access to citizen, basic and social services, and economic opportunities ([OEL#1](#)).

- 1.19 The IGR contributes to the following dimensions of success established in the Urban Development and Housing Sector Framework Document (GN-2732-6): (i) subnational institutions acquire greater capacity for management of urban areas, including by promoting more equitable and productive societies and sustainable urbanization patterns; and (ii) housing allows the population to improve its access to basic social services, green spaces, and job markets, while reducing the quantitative and qualitative housing deficits. Additionally, it is consistent with the Decentralization and Subnational Governments Sector Framework Document (GN-2813-8) where subnational governments improve the efficiency and quality of expenditure and service delivery. The program is aligned with the Country Strategy with Colombia 2019-2022 (GN-2972) through the strategic objective of raising the quality of infrastructure and urban development, reducing transaction costs in the economy and improving the international positioning of goods produced in Colombia. It is also aligned with the Strategic Transversal Area of Immigration through the reduction of barriers to social integration.

## **B. Objective, Components, and Cost**

- 1.20 **Objectives.** The objective of this operation is to foster the urban integration process of migrants in at least five migrant-receiving Colombian cities and/or metropolitan areas.<sup>50</sup> The specific objectives are: (i) strengthen the institutional capacity for migrant assistance in subnational entities through the implementation of PBM systems;<sup>51</sup> (ii) increase opportunities for economic integration in migrant-receiving

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<sup>49</sup> <https://www.edgebuildings.com/>

<sup>50</sup> See §1.27 for eligibility criteria.

<sup>51</sup> "Performance Management Getting Started," [Johns Hopkins University Center for Government Excellence](#).

communities through new or improved Workshop Schools (WS); and (iii) facilitate access to affordable rental housing.

- 1.21 **Component 1. Subnational PBM Systems (€450,000 equivalent US\$500,000).**<sup>52</sup> The IGR will fund the implementation of a PBM system, which includes a Migrant Assistance Model (MAM), as a single window to assist migrants in accessing urban services and advance the integration and regularization process through streamlined procedures at the subnational government level.<sup>53</sup> The system will be designed to ensure that women have equal access to available opportunities and will employ technology and data to set goals, engage stakeholders, track resources and progress, generating an integrated approach for migrant assistance.<sup>54</sup> It will monitor performance indicators on a city's progress toward social and urban integration over time, with the potential of quantifying the local economic development benefits of migration. It will also contribute to subnational governments' budget prioritization capacity and will provide performance indicators to improve municipal fiscal performance. The funds will support the implementation of the system in beneficiary cities and the activities required to build capacity within the relevant subnational entities for its utilization.
- 1.22 **Component 2. Economic integration in Migrant-Receiving Neighborhoods (€5,450,000 equivalent US\$6,000,000).**<sup>55</sup> The IGR will fund the construction and/or expansion of WS and their operation aimed at the labor and economic insertion of young people (approximately ages 16-39)<sup>56</sup> through training and apprenticeship in trades with real employment possibilities and linked to the rehabilitation of the economic, social, natural and cultural fabric of migrant-receiving communities. Funds will support at least five WS, including the rehabilitation or construction of the training facilities, which will incorporate EDGE-certified green building standards, equipment for workshops (such as teaching kitchens, wood shops, garden nurseries), training materials and full scholarships for approximately 1,500 apprentices, and technical support for the design and start-up of the schools.<sup>57</sup> The apprenticeship programs are certified by the corresponding subnational education entities and last between 3 months and 1 year, allowing participants to work part-time, thus mitigating program desertion. The focus of each WS will be defined according to labor demand in the region where the school is located and will promote activities whose value can be protected and scaled through the application of entrepreneurial business models and intellectual property rights.

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<sup>52</sup> The exchange rate used on November 5, 2019 was €0.90 to one US Dollar.

<sup>53</sup> All migrants, independent of regularization status, will be eligible to access the MAM.

<sup>54</sup> The PBM system will be employed to improve service-delivery for all constituents (¶2.9).

<sup>55</sup> The exchange rate used on November 5, 2019 was €0.90 to one US Dollar.

<sup>56</sup> All migrants, independent of regularization status, will be eligible to participate in WS considering that the training provided will position them to obtain the PEPFF visa granted to Venezuelan migrants who have formal job offers.

<sup>57</sup> Part of the technical support for the start-up of the new WS includes developing psycho-social support programs that are adapted to the specific training needs of migrants and women, including strategies for job placement. Further, with regards to the WS contribution to climate mitigation actions, energy efficiency and climate-change related knowledge will be incorporated in curriculum design.



- 1.23 **Component 3. Access to Affordable Rental Housing (€3,500,000 equivalent US\$3,850,000).**<sup>58</sup> The IGR will fund the implementation of a housing rental assistance program in at least one beneficiary city or metropolitan area<sup>59</sup> to coincide with the initial stages of the migration continuum. In coordination with the PBM system, it will assist migrant families and individuals in accessing housing units that meet habitability standards, benefitting approximately 3,900 households (13,650 people) with subsidies to cover rent during six months.<sup>60</sup> It will also provide seed funding and technical assistance for establishing an RGF<sup>61</sup> to incentivize the supply of affordable rental housing, providing landlords with insurance in the event of a renter's non-payment, and supporting migrants and low-income people to meet rental guarantee requirements.<sup>62</sup> This operation will engage with real estate companies and property owners to identify affordable rental housing units and will support prospective tenants in achieving fair rental contracts and ensure measures for tenant rights and responsibilities.
- 1.24 **Technical Assistance (€600,000 equivalent US\$650,000).**<sup>63</sup> Includes funds to strengthen program implementation, communication and visibility, progress and monitoring results, and activities for political dialogue and peer-learning.
- 1.25 **Program beneficiaries.** Due to the significance of their migrant inflows, the following cities and/or metropolitan areas<sup>64</sup> have been prioritized by the Border Management Unit: (i) Medellín and Rionegro; (ii) Cúcuta and Villa del Rosario; (iii) Riohacha and Maicao; and (iv) Barranquilla. Other cities with at least 2% of its total population composed of migrants could also be included as migration dynamics evolve in Colombia. All the activities will assess beneficiaries' vulnerability levels and promote gender equality.

### C. Key Results Indicators

- 1.26 The expected outcomes at the end of this operation are the following: for Component 1, among migrants arriving in beneficiary cities, at least 9% will be registered through the PBM systems. Of those registered migrants, the program aims to assist 90% with access to available urban services. For Component 2, the expected outcomes are that approximately 60% of apprentices who received scholarships through the program will be certified in a trade and that 62% of apprentices supported through the program will be engaged in salaried employment

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<sup>58</sup> The exchange rate used on November 5, 2019 was €0.90 to one US Dollar.

<sup>59</sup> Medellín or Barranquilla have the institutional capacity to implement this component. Beneficiaries represent less than 0.1% of households in those cities, avoiding distortions in the housing market.

<sup>60</sup> The calculation is based on World Bank study "Migration from Venezuela to Colombia" (2018) where estimated need for rental assistance per household during the first six months upon arrival is €650. Since the subsidy is applied through a rental contract, eligibility will be circumscribed to regularized migrants.

<sup>61</sup> Uruguay's RGF serves as a reference for this pilot in Colombia (¶1.12). The RGF is a mechanism that provides payment insurance for low-income tenants, determined according to limits on the level of income and rental value. The RGF is paid through an initial fee of approximately 24% of the lease fee and 3% monthly instalments. In case non-payment for three months, the RGF pays the rent of the tenant (Blanco et al, 2014).

<sup>62</sup> The RGF will allow migrants and locals to establish a track record within the formal rental market that serves as a reference for future leases. Over the long term, the fund will help to promote the integration of both migrant and local low-income populations into the formal housing market.

<sup>63</sup> The exchange rate used on November 5, 2019 was €0.90 to one US Dollar.

<sup>64</sup> These coincide with Beneficiary Entities of ([3392/OC-CO](#)) and ([3596/OC-CO](#)) or are located on the border with Venezuela. Cities Profile can be found in [OEL#2](#).

or entrepreneurship activities six months after completion of WS training<sup>65</sup>. The outcomes for Component 3 include a reduction of the qualitative housing deficit of households in the beneficiary cities (Medellín and/or Barranquilla) and that 100% of migrant households that receive the rental subsidy will be living under improved housing conditions. Indicators will be disaggregated by gender and will distinguish between migrant and local beneficiaries.

- 1.27 **Economic viability (OEL#3)**. A benefit-cost analysis (CBA) of Components 1 and 2, representing 60% of total project cost, confirms that the interventions create economic value and generate positive net benefits and internal rates of return in excess of 12%.<sup>66</sup> The CBA also evaluated the fiscal impact from this IGR based on the Social Opportunity Cost of grant resources.<sup>67</sup> Accordingly, Colombia is saving the direct value of the total operation and the shadow price of its collection through distorting taxes in an approximate amount of US\$3.4 million.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 This is an IGR with funds to be provided by the EU-LAIF. The budget for the program is €10,200,000.00 or the equivalent to US\$11,330,000.00 using the exchange rate at €0.90/per US\$1.00 as of November 5<sup>th</sup>, 2019. The Bank will charge an administrative fee of 2% of the IGR amount upon the Bank's receipt of the first installment payment by the EU.<sup>68</sup> The implementation period will be three years (36 months)<sup>69</sup>, a timeframe that encompasses all activities considered in the Pluriannual Execution Plan (PEP) applying estimated parameters for procurement and implementation processes (Table 2).

**Table 1. Program Budget (million)**

Components	CO-G1015		%
	EUR (€)	US\$ <sup>70</sup>	
Component I. Subnational Performance-Based Management Systems	0.45	0.50	4.5
Component II. Economic Integration in Migrant-Receiving Neighborhoods	5.45	6.00	54.5
Component III. Access to Affordable Rental Housing	3.50	3.85	35.0
Technical Assistance	0.60	0.65	6.0
<b>Total for the project</b>	<b>10.00</b>	<b>11.00</b>	<b>100</b>
Administrative Fee <sup>71</sup>	00.20	00.33	
<b>Total + Fee</b>	<b>10.20</b>	<b>11.33</b>	

<sup>65</sup> The target indicator for Component 1 is based on existing data for the proportion of Colombians that access social safety-net programs (World Bank, 2018). For Component 2, the targets are based on current data from the Ministry of Culture of apprentices in existing WS who obtain certification and employment.

<sup>66</sup> The third component was not evaluated due to a difficulty establishing parities in Colombia with existing precedents. The benefits will be at least equivalent to the subsidies granted.

<sup>67</sup> Spackman, M. (2018). [Social discounting; social opportunity cost, social time preference and risk](#). Grantham Research Institute on Climate Change and the Environment.

<sup>68</sup> The administrative fee will be distributed among the departments supporting the operation to cover implementation costs in line with 2015 EU-IDB Framework Agreement (GN-2605-2).

<sup>69</sup> The start date of the implementation period will be defined in the Delegation Agreement.

<sup>70</sup> Equivalent amount. The exchange rate used on November 5, 2019 was €0.90 to one US Dollar.

<sup>71</sup> The EU-LAIF administrative fee represents 2% of requested IGR amount with a minimum cap of €200,000, as agreed in the 2015 EU-IDB Framework Agreement (GN-2605-2).

**Table 2. Project Disbursements\***

Disbursements		Year 1	Year 2	Year 3	Total
EU-LAIF Total	EUR	2,860,000	5,210,000	2,130,000	10,000,000
	USD	2,922,700	5,724,800	2,352,500	11,000,000
	%	27	52	21	100

\*Refers to disbursements from the Bank to the EA.

## **B. Environmental and Social Safeguard Risks**

- 2.2 In accordance with the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as Category “B” due to the potential impacts and risks on vulnerable populations associated with access to rental housing and construction/expansion of WS. For rental housing, high risks were identified due to (i) the reception of migrants by host communities in the areas of intervention that exhibit higher levels of vulnerability and poverty, and (ii) the potential for social tension that could affect both the migrant and host communities. The rental subsidy presents a potential risk that beneficiaries could experience housing insecurity in case they do not identify sources of income after the allocated period of assistance. These risks could generate direct, indirect and cumulative impacts such as increased demand on urban services and rental housing prices that have been mitigated through the Strategic Environmental and Social Assessment’s ([SESA](#))’s defined activities and the program’s design elements such as the support of beneficiaries through the MAM and the co-benefits of interventions with host communities through the RGF. Potential social impacts for the WS may be related to (i) apprentices not achieving expected job placement outcomes, to be mitigated by WS alliances with the private sector and employment service agencies to ensure program alignment with local economies; and (ii) the discrimination of vulnerable populations, that may include indigenous people in the Guajira region of Colombia, to be mitigated through culturally appropriate consultations in the applicable areas to ensure access to the program’s benefits.
- 2.3 Key environmental impacts are mainly due to the construction/rehabilitation and operation of the WS, including those related to building construction (traffic, air and noise emissions, waste generation, hazardous material, potential environmental liabilities in existing buildings), occupational health and safety and natural disaster risks. Environmental and social impacts and risks are addressed in the SESA ([EEO#10](#)), through the identification of specific requirements for program design and mitigation measures, and by the Strategic Environmental and Social Management Plan ([SESMP](#)), which provides environmental and social management guidelines for the development of specific plans and procedures.
- 2.4 During program preparation, a meaningful consultation event took place in Medellín on 23 January 2020.<sup>72</sup> Attendance included twenty-eight participants representing

<sup>72</sup> The consultation took place in Medellín as a pre-selected city for program implementation since all components will be implemented there, including rental housing assistance activities. The SESA, as a strategic document with a framework approach, includes the pertinent requirements for the development of complementary, meaningful consultations in each of the other program locations prior to project implementation.

public and private entities from non-governmental organizations (NGOs), academia, and national, departmental and municipal governments. Their key comments and recommendation were: (i) to integrate information from multiple sources and unify the existing databases for management of services; (ii) to articulate the rental housing component with other programs from the municipality of Medellín to improve complementarity; (iii) to define a prioritization criterion for beneficiaries' selection ensuring equal access to program opportunities; and (iv) to define approaches for migrant access to community health programs. To guarantee compliance to these recommendations the Executing Agency will designate, as part of the Program Management Team (PMT), a social and environmental specialist and regional supervisors to work in the field coordinating potential stakeholders and supervising participatory processes to guarantee that all parties are informed and consulted. In addition, the program will define the details on the project design, according to the particularities of the specific neighborhood areas of intervention, to undertake the required specific studies and manage potential impacts on host communities. The EA will also prepare an operative manual with the selection and prioritization criteria of the beneficiaries from the WS and the Housing Rental Program; the criteria will be agreed with the Bank, considering environmental and social objectives in line with the SESA guidelines.

### **C. Fiduciary Risk**

- 2.5 The institutional capacity analysis performed for ENTerritorio, the project's Executing Agency (EA), indicates a satisfactory capacity for the financial management of the funds and of procurement processes. The overall fiduciary risk is assessed as low. While ENTerritorio demonstrates experience in managing programs financed by international donors, it has limited experience applying the Bank's procurement policies, indicating possible initial delays in execution. This risk will be mitigated by: (i) incorporating an experienced procurement specialist to the Project Management Team (PMT) to be assembled by the EA; (ii) providing specific fiduciary training to the members of the PMT and the EA personnel to be involved in project procurement; and (iii) providing advice and close fiduciary support during the first year of execution.

### **D. Other Risks and Key Issues**

- 2.6 The overall risk analysis for the program identified two other risks: (i) coordination challenges during implementation between this IGR operation and the complementary TC, whose EA is also ENTerritorio, and the 3596/OC-CO program, whose EA is FINDETER; and (ii) difficulty identifying suitable local counterparts for implementation due to governance gaps for migrant support in different municipalities. Mitigation measures include: (i) implementation of a high level Steering Committee that promotes coordinated dialogue between stakeholders to identify interventions to be funded through the IGR and the TC, also seeking complementarity with the portfolio of 3596/OC-CO; and (ii) institutional capacity assessments to identify appropriate local counterparts and areas of reinforcement through technical assistance.
- 2.7 The Bank will manage this operation according to the dispositions of the Document SC-114 (Report on COFABs, Ad Hoc and CLFGs and a proposal to unify them as

PSGs) and Operative Guidelines (GN-2605-4). The EU contribution will be available through a delegation agreement signed by the Bank and the EU according to the terms and conditions stipulated in the Framework Agreement.<sup>73</sup> EU contribution payments will be made in Euros (€), and immediately converted into US Dollars (US\$) when received by the Bank's Finance Department. The Finance Department will inform the Project Team of the exchange rate at which each contribution is converted.

- 2.8 Final resources in US Dollars will be dependent on the exchange rate of the date when the resources are received by the Bank and converted into US Dollars. If a significant adverse fluctuation in the exchange rate reduces the amount in the US Dollar denominated budget, the program activities will be decreased appropriately, and the budget will be adjusted accordingly by the project team in consultation with the EU authorities. If at the end of the program there is a positive uncommitted and unspent balance related to the EU-LAIF resources, such amounts shall be returned by the EA to the Bank, so the Bank transfers such amounts back to the European Commission.
- 2.9 **Project sustainability.** To ensure sustainability, the PBM and MAM will be designed in accordance with local institutional capacity and will include technical training for its utilization, including data analysis. The PBM constitutes a decision-making tool for local governments to advance quality of life in the long term, even once migratory pressures decrease. As for the WS, the IGR will leverage the existing multi-stakeholder, networked approach to foster alliances with the private sector to strengthen the apprenticeship programs and job placement. Finally, the housing rental assistance component is a pilot to address migrants' challenges to accessing adequate shelter and operationalizes various proposals that have advocated for this type of strategy.<sup>74</sup> The six months of support coincide with the first stage of the integration continuum where migrants are concurrently seeking employment, education and other basic needs, to be supported by the MAM. That beneficiaries are identified and supported through the PBM system and MAM helps assure their self-sufficiency in continuing to pay rent after the six-month subsidy period ends. The RGF reinforces the goals of the access to rental housing component since it promotes the supply of affordable rental housing and enables compliance with lease requirements.

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<sup>73</sup> By means of a project specific grant, EU-LAIF will transfer the funds to the Bank, as administrator subject to the Framework Administrative Agreement between the EU and the IDB dated June 10, 2015 (the "EU-IDB Framework Agreement"). This Agreement amends, supplements and interprets the EU standard contractual conditions, known as the Pillar Assessed Grant or Delegation Agreement (PAGODA), to adapt them to the specificities of the IDB. Approved by document GN-2605-2, it determines the applicability of certain procurement rules as well as additional rules on eligibility of expenses, budget modification, reporting and the integration of a communications and visibility plan, among others. The Bank will then transfer them to the Beneficiary by means of a non-reimbursable financing agreement.

<sup>74</sup> World Bank (2018), UN Response for Venezuelans (2019).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of Implementation Arrangements

- 3.1 **Beneficiary and Executing Agency (EA).** The Beneficiary of this IGR operation will be the Republic of Colombia and the EA will be ENTerritorio. A complete institutional capacity evaluation of ENTerritorio, formerly FONADE was performed for the 'Program for the Adoption and Implementation of a Rural-Urban Multipurpose Cadastre' ([4856/OC-CO](#)) and concluded that it has the capacities and resources to manage IDB-financed investment projects. The institutional capacity analysis was updated in early January 2020 by the project team and ratified this conclusion. ENTerritorio is the technical agency of the National Planning Department (*Departamento Nacional de Planeación* - DNP) created through [Decree 495/2019](#) to support municipalities and departments in the construction of strategic projects with high social impact. ENTerritorio has previous experience with similar programs, having successfully co-executed the Citizen Service Efficiency Project (3154/OC-CO-1) and the World Bank-financed Program to Strengthen Territorial Entities ([P123879/8320-CO](#)).
- 3.2 ENTerritorio will have overall fiduciary responsibility for program implementation. It will sign Collaboration Agreements with beneficiary municipalities and other subnational entities to enable implementation of planned activities and infrastructure in their territories, including terms related to ensuring participation from local entities on technical inputs, required permitting, and maintenance and operation of investments.
- 3.3 ENTerritorio will: (i) assemble and implement a dedicated Program Management Team (PMT) within its Project Development Management Unit (*Subgerencia de Desarrollo de Proyectos*), that will include a project manager, specialists responsible for the technical and operational coordination of activities of each of the three components, a financial management and procurement specialist, planning and monitoring expert, regional field monitors, a social and environmental specialist (including migration experience), and an administrative assistant; and (ii) ensure that the PMT receives the necessary support and collaboration from all other functional areas to achieve project goals efficiently and effectively. The structure, functions and responsibilities of the PMT will be further developed in the Project Implementation Manual (PIM).
- 3.4 Program execution and resources from the PSG and TC will be overseen by a high-level Steering Committee,<sup>75</sup> that will provide strategic direction and support to the EA, and guide program goals with the beneficiary agencies. ENTerritorio will present approved annual project implementation plans and goals to be achieved to the Steering Committee and provide quarterly updates on the achievement of those execution plans. These functions will be further detailed in the PIM.
- 3.5 Linking this operation to [3596/OC-CO](#) leverages the Bank's experience with subnational entities established through implementation of the CCLIP. The IGR and

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<sup>75</sup> To be comprised of at least one member of the European Commission delegation in Colombia, at least one delegate of the KPK, a representative from the Bank and a representative of the Presidency of the Republic.

TC will complement loan activities and act as incentives for subnational entities to proactively address their migration challenges.<sup>76</sup> Both instruments support cities receiving migration, including those that cannot assume investment debts, like Villa del Rosario and Maicao on the border.

- 3.6 **Procurement.** The EA of this operation will procure goods, works, services, and consulting services pursuant to the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), the Guide for the Acceptance of the Use of Country Procurement Systems (document GN-2538-13), other internal Bank procedures, and the Framework Agreement between the European Union and the Bank (see paragraphs 4.13 and 4.14 of document GN-2605-2). These documents stipulate that: (i) all procurement processes under the Program are open to suppliers, consultants, contractors, and service providers of the Bank's member countries and countries that the EU recognizes as eligible (those included on the list published as an annex to the document "Practical Guide to Contract Procedures for European Union External Actions"); and (ii) the borrower or the beneficiary will maintain the relevant documentation during the execution of the Program for a period of no less than five years from the date of the last disbursement.
- 3.7 **Financial management.** Program financial management will be carried out in accordance with Bank Guide OP-273-12 and complementary operational guides, using the EA's processes and systems.
- 3.8 **Auditing.** The EA will submit to the Bank within 90 days of the end of each fiscal year: (i) annual audited financial statements of the program, beginning with the fiscal year in which the first expenditures are incurred; and (ii) an internal controls assurance report, describing whether the control systems were executed correctly, and transactions were managed in compliance with the provisions set forth in the non-reimbursable financing agreement. Additionally, within 90 days of program completion, the EA will submit to the Bank: (i) the final report and balance sheet; and, (ii) the final audited financial statements report. The audit firm will be hired by the EA in accordance with Bank's procedures and approved terms of reference for the duration of the implementation period. At its discretion and own cost, the European Court of Auditors (ECA) may conduct independent reviews of Program's financial records; the EA shall provide complete and prompt cooperation to the ECA team of auditors.
- 3.9 **Special Contractual Conditions prior to the first disbursement of this non-reimbursable IGR operation are: (i) that ENTerritorio presents evidence that it has entered into effect a Project Implementation Manual (PIM), previously agreed upon with the Bank to detail the executing and governance arrangements for the program; (ii) that ENTerritorio sets up a dedicated Project Management Team (PMT) composed of specialists responsible for: project management, technical coordination by component, financial management,**

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<sup>76</sup> Activities complementary to the loan will be promoted through the IDB Project Team and in coordination with the Steering Committee.



**procurement, social and environmental safeguards (including migration experience), planning and monitoring, territorial management for each region, legal aspects, and communications** to ensure the timely execution of the program; and (iii) that ENTerritorio has signed a **Cooperation Agreement with at least one of the beneficiary entities of the program** to verify support of the program by local authorities.

- 3.10 During the implementation of the program, the PMT will present an Annual Work Plan (AWP) to the Bank for its no-objection. The AWP will detail the program's progress and execution of activities including goals, results, budget and implementation schedule for the year ahead. The Pluriannual Execution Plan (PEP) details the program's progress and implementation schedule for the outstanding years of the grant. An initial AWP and PEP ([REL#1](#)) were prepared for the first year of program execution.
- 3.11 **Communication and visibility.** The program's budget includes funding for the implementation of the Communication and Visibility Plan, which will be coordinated in detail with the EU Commission, the EA and beneficiary entities, in order to establish a consistent delivery of key messages to target audiences. The actions were defined according to the Communication and Visibility Manual in EU-funded external actions (2018) and the project's EA will be responsible for implementing it, ensuring that the visibility of EU contribution is highlighted during all project stages and related events ([OEL#9](#)).

## **B. Summary of Arrangements for Monitoring Results**

- 3.13 The EA will be responsible for monitoring execution and reporting program results related to activities funded by this operation, based on the program's Monitoring and Evaluation Plan ([REL#2](#)). The EA will produce an annual progress report following EU requirements for its narrative and financial sections. The narrative section will include information on: (i) actual results (with an updated table on the program's results matrix); (ii) activities carried out; (iii) activities implemented by the Visibility and Implementation Plan; (iv) work plan for the following period. The financial section requires tracking and reporting of expenses at the activity level, based on approved detailed budget structure. The reporting of expenses will be in US Dollars. The annual progress report will be submitted to the Bank within 30 days of the end of each corresponding fiscal year. In addition, the EA will prepare and submit semi-annual reports to the Bank for supervision and monitoring purposes, including the program's environmental and social performance with respect to the Bank's policies and directives.
- 3.14 The IDB, through the Project Team, will be responsible for coordinating and ensuring that the monitoring plan is met with the technical quality and time established. To this end, it will carry out monitoring missions and periodic meetings in which the following matters will be analyzed: (i) project structure; (ii) disbursement progress; and (iii) progress towards meeting output indicators. The IDB will inform the Steering Committee in advance of these missions and will share all monitoring reports. The EU may accompany the monitoring missions at its discretion and at its own cost.



- 3.15 **Program evaluation.** A mid-term and final evaluation will be carried out for the program. The final evaluation will employ a reflexive methodology for the results indicators associated to the three components, comparing the baseline and end of project targets, and an ex-post cost-benefit analysis. The baseline survey will be carried out during the first semester of the program implementation or at the start of the program in a specific city.

Development Effectiveness Matrix		
Summary		CO-G1015
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change and Environmental Sustainability</div> <div>-Institutional Capacity and the Rule of Law</div>	
Country Development Results Indicators	<div>-Households benefitting from housing solutions (#)*</div> <div>-Beneficiaries of on-the-job training programs (#)*</div> <div>-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*</div> <div>-Subnational governments benefited by decentralization, fiscal management and institutional capacity projects (#)*</div> <div>-Beneficiaries of improved management and sustainable use of cultural capital (#)*</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	Reduce barriers to social integration (immigration)
Country Program Results Matrix		The intervention is not included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		CONPES 3950 (¶1.19)
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		5.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		0.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting.  Procurement: Information System.
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	Yes	IDB provides technical support to the Border Management Unit

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The general objective is to foster the urban integration process of migrants in at least five migrant-receiving Colombian cities and/or metropolitan areas. The specific objectives are: (i) strengthen the institutional capacity for migrant assistance in subnational entities through the implementation of Performance-Based Management systems; (ii) increase opportunities for economic integration in migrant-receiving communities through new or improved Workshop Schools; and (iii) facilitate access to affordable rental housing.

The project presents a complete diagnosis; with a precise description of the challenges related to migrant assistance in receiving cities, employment of young migrants, and the housing conditions for migrants in Medellín and Barranquilla. The results indicators included in the results matrix are SMART and have means of verification.

The economic analysis of two components of the project was carried out through separate cost-benefit analyses. The first one focuses on the provision of services to migrants and it is supported by the evidence of the Inspiring Families program in the United Kingdom, the second one focuses on the expected benefits that the skills acquired in the workshop schools would impact the migrant's earnings. The later analysis concludes that the Workshop schools' intervention is economically feasible (IRR of 12%). Not all of the project costs are included in the analysis and the assumptions are not fully justified.

The project includes a monitoring and evaluation plan that is consistent with Bank standards. The effectiveness of the proposed intervention will be measured following a before and after analysis.

**RESULTS MATRIX**

<b>Objective:</b>	The general objective is to foster the urban integration process of migrants in at least five migrant-receiving Colombian cities and/or metropolitan areas. The specific objectives are: (i) strengthen the institutional capacity for migrant assistance in subnational entities through the implementation of a Performance-Based Monitoring (PBM) systems; (ii) increase opportunities for economic inclusion in migrant-receiving communities through new or improved Workshop Schools (WS); and (iii) facilitate access to affordable rental housing.
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**EXPECTED OUTCOMES**

Indicator	Unit of measure	Baseline	Baseline year	End of Period (EOP)	Means of verification	Observations
<b>Specific Objective 1: Strengthen the institutional capacity for migrant assistance in subnational entities through the implementation of a Performance-Based-Monitoring (PBM) System and a Migrant Assistance Model (MAM)</b>						
Number of migrants registered under the PBM over the total migrant population in beneficiary cities or metropolitan areas	%	0	2020	9	Monitoring and Evaluation Reports of each subnational entity that implements a PMB system	This indicator will be disaggregated by beneficiary city
Number of migrants assisted under the PBM system over the migrant population registered in the PMB system in beneficiary cities or metropolitan areas	%	0	2020	90	Monitoring and Evaluation Reports of subnational entity that implements PMB system	The PMB system is a mechanism that can generate the required data for this indicator.
<b>Specific Objective 2: Increase opportunities for economic inclusion in migrant-receiving communities through new or improved workshop schools (WS)</b>						
Number of certified WS apprentices by the relevant education authority over the total number of scholarships granted	% of Certified Apprentices	0	2019	60	Certificate of conclusion issued by a relevant education authority	Each city or metro area has their own education authority. This indicator will be disaggregated by gender and whether apprentices are migrant or locals
Number of WS apprentices employed	% of employed apprentices	0	2020	62	Final project evaluation that	This indicator will be disaggregated by

Indicator	Unit of measure	Baseline	Baseline year	End of Period (EOP)	Means of verification	Observations
6 months after training completion over total number of scholarships granted					includes a representative survey of apprentices in the 5 WS	type of employment (salaried employment or entrepreneurship), gender, and whether apprentices are migrants or locals
<b>Specific Objective 3: Facilitate Access to Affordable Rental Housing</b>						
Percent of households with qualitative housing deficits in Medellín and/or Barranquilla	Percentage	12.3 (Barranquilla) 6 (Medellín)	2019	11.3 (Barranquilla) 5.5 (Medellín)	Final project evaluation that analyzes data collected by the municipalities for their 2020-2024 Development Plans and/or from civil society monitoring group Como Vamos. <sup>1</sup>	Disaggregated by migrant households and locals Source of baseline data are projections for 2020 from 2005 DANE census data. <sup>2</sup>
Households receiving rental subsidies with improved housing conditions in Medellín and/or Barranquilla.	Percentage	0	2019	100%	City monitoring and evaluation reports	Tracking through PBM system: migrant households with improved housing conditions, disaggregated by gender.

<sup>1</sup> *Como Vamos* is network of civil society organizations in Colombia that monitor quality of life in cities, including Medellín and Barranquilla. They publish an annual Quality of Life Report that includes the qualitative housing deficit for that municipality. For example, see [Informe de Calidad de Vida de Medellín, 2018](#).

<sup>2</sup> The 2018 census did not include data on qualitative housing deficits.

### OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Year 1 2020	Year 2 2021	Year 3 2022	EOP 2023	Means of verification	Observations
PBM system and MAM implemented	MAM	0	2020	0	2	2	4	Program's supervision document	Responsible: ENTerritorio
EDGE-certified Workshop Schools (WS) built and in operation	Workshop Schools	0	2020	0	5	0	5	Program's supervision document	Responsible: ENTerritorio EDGE certification will be obtained for design and construction of the WS. <sup>3</sup>
Number of scholarships granted to WS apprentices	Scholarships	0	2020	500	500	500	1500	Program's supervision document	Responsible: ENTerritorio Disaggregated by gender and migrant or local population
Rental Guarantee Fund designed and in operation	Rental Guarantee Fund	0	2020	0	1	0	1	Program's supervision document	Responsible: ENTerritorio
Rental Subsidies Granted	Rental Subsidies	0	2020	0	1300	2600	3900	Program's supervision document	Responsible: ENTerritorio Disaggregated by gender

<sup>3</sup> [Excellence in Design for Greater Efficiencies \(EDGE\)](#) is an International Finance Corporation program that certifies building projects that involve a minimum of 20% savings in energy, water and embodied energy in materials.

## AGREEMENTS AND FIDUCIARY REQUIREMENTS

**Country:** Colombia  
**Project No.:** CO-G1015  
**Name:** Socio-Urban Integration of Migrants in Colombian Cities  
**Executing Agency:** Empresa Nacional Promotora del Desarrollo Territorial - ENTerritorio (former FONADE)  
**Prepared by:** Patricio Crausaz, Senior Fiduciary Financial Management Specialist (FMP/CCO); and Eugenio Hillman, Lead Fiduciary Procurement Specialists (FMP/CCO)

### I. EXECUTIVE SUMMARY

- 1.1 The Government of Colombia has designated ENTerritorio as the Executing Agency for Grant CO-G1015. Pursuant to the fulfillment of the objectives of the Territorial Strengthening and Administrative Decentralization Strategy contained in the National Development Plan 2018-2022, the *Fondo Financiero de Proyectos de Desarrollo (FONADE)* underwent an organizational transformation to strengthen its corporate governance and to incorporate a new line of business, the development projects structuring line, in order to solidify its capabilities to become the main partner to the subnational governments willing to structure bankable investment projects. Decree 495 of 20 March 2019, officialized the organizational restructuring and renamed the entity *Empresa Nacional Promotora del Desarrollo Territorial (ENTerritorio)*.
- 1.2 An analysis of the institutional capacity of FONADE was conducted in June 2017 using the Institutional Capacity Evaluation System (SECI). The evaluation concluded that the entity had sufficient institutional capacity to manage IDB funded investment projects. In early January 2020, CCO fiduciary team updated the analysis and endorsed the original conclusion. Overall fiduciary risk, financial management and procurement, is assessed as low, and will be mitigated by incorporating experienced and knowledgeable personnel to the dedicated Project Management Team (PMT) to be assembled by ENTerritorio within its *Subgerencia de Desarrollo de Proyectos* to implement the Investment Grant (IGR).
- 1.3 ENTerritorio's procurement activity is governed by the legal and regulatory provisions applicable to the state's industrial and commercial enterprises; moreover, it is exempted from application of the General Statute on Procurement for the Public Administration [*Estatuto General de Contratación de la Administración Pública*] without prejudice to compliance with the principles of administrative functions and fiscal management.<sup>1</sup> ENTerritorio is not subject to the national level public financial management systems and uses its own financial

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<sup>1</sup> The procurement regime applicable to ENTerritorio is understood in accordance with the provisions of Article 85 of Law 489 of 1998, Article 13, 15 and 20 of Law 1150 of 2017 and Acuerdo No. 116 of 28 September 2012. The financial management is defined in the context of Article 86 of Law 489 of 1998, Law 1314 de 2009, Resolution 743 of 2103, and internal manuals MAP002 (budget), MAP050 (Accounting and financial reporting),

information system for budget, accounting and treasury control (HELISA). Procedures for financial administration are updated as needed by the EA's management and approved by the board of directors, and are consistently applied by the different dependencies of the EA.

## **II. FIDUCIARY CONTEXT OF EXECUTING AGENCY**

- 2.1 ENTerritorio is a state-owned industrial and commercial enterprise created with the objective of promoting regional development through strategic projects aimed at transforming lives for the benefit of Colombia's subnational governments and regions. Its strategic objectives, organizational structure, mission and operations are regulated by Law 489 of 1998, articles 85 to 90, Decree 2168 of 1992, Decree 2723 of 2008 and Decree 495 of 2019.
- 2.2 Its organizational structure has a Board of Directors, General Manager, Legal Counsel Office, technical divisions specialized in structuring and implementing investment projects, and management functions for financial, procurement, and administrative matters. The financial and administrative functions gather the set of regulations and processes oriented to plan, organize, direct, supervise and control the accounting, treasury and budget operations of investment projects execution, which include among other activities, the control of the bank accounts and their balances, the registration and budgetary control of expenses, the processing and control of payments, the accounting of the projects operations and the general and financial reporting specific to projects financed with international donor resources.
- 2.3 ENTerritorio will keep the project accounts on its information system HELISA, which supports all the budget, accounting and treasury activities. It is also subject to audit by the General Comptroller of the Republic (CGR) [*Contraloría General de la República*], and the Financial Superintendency (SF) [*Superintendencia Financiera*].
- 2.4 With respect to procurement, ENTerritorio has adequately assigned functions to administer the procurement processes at the pre-contractual, contractual and post-contractual stages. There is stability in the positions of officers involved in handling procurements. The handling of procurements involves the Legal Counsel Office. The procedures and compliance applied by ENTerritorio in administering the project procurement cycle are generally good and provide adequate monitoring of compliance with the Procurement Plan.
- 2.5 Both financial and procurement processes are regulated by local laws and internal manuals, and those concerning projects financed by multilateral development entities, are carried out according in observance of the contractual conditions, policies and / or regulations established by the multilateral development entities. The IT system that supports the contracting processes records all the aspects related with the contracting activities through a document management process that is formally established in the EA.

### **III. EVALUATION OF FIDUCIARY RISK AND MITIGATION ACTIONS**

- 3.1 Project financial and procurement management risks are assessed as low given the solid organizational structure, pool of professionals and internal regulations and systems. Nevertheless, lack of recent experience in managing IDB financed projects, calls for the incorporation of seasoned financial and procurement specialists knowledgeable in IDB requirements and policies to the project management team (PMT).

### **IV. ASPECTS TO BE CONSIDERED IN SPECIAL STIPULATIONS**

#### **A. Financial Management**

- 4.1 ENTerritorio must account and report project expenditures using the exchange rate for conversion of resources disbursed in United States dollars into Colombian pesos (conversion rate).
- 4.2 Project audited financial statements must be submitted to the Bank on an annual basis, within 90 days of the end of the fiscal year. The project's fiscal year is January 1 and December 31. In addition, an internal control assurance report should be submitted within thirty (30) days after the close of each calendar year and during the original disbursement period or its extensions.
- 4.3 For the purpose of carrying out the budgetary control and accounting of the Project, and for HELISA to generate the required financial reports automatically, the EA shall create the chart of accounts in such a way as to be parameterized according to the component classification and distribution of resources defined in the "Cost and Financing" table of the Single Annex to the grant agreement.

#### **B. Procurement**

- 4.4 ENTerritorio must implement a training plan for the procurement personnel assigned to the Project and use the Procurement Plans Management System (SEPA) tool for project procurement planning.

### **V. AGREEMENTS AND REQUIREMENTS FOR IMPLEMENTATION OF PROCUREMENT**

- 5.1 **Agreements with the EU.** Pursuant to the 2015 Framework Agreement between the European Commission and the IDB (document GN-2605-2), the acquisition of goods or contracting of works and consultancy services for activities with EU funds will be carried out in accordance with the Policies for the Acquisition of Goods and Works (GN-2349-15), the Consultant Selection Policies (GN-2350-15) and the Guide to the Acceptance and Use of National Procurement Systems in Bank-financed operations (GN-2538-13). The processes of procurement and procurement of works, goods, services and consultancies will allow the participation of firms and individuals from non-IDB countries, which the EU recognizes as "eligible" under the list of eligible countries published as an annex



to the "EU Practical Guide to Contractual Procedures" (PRAG). The Bank will be governed by the latest version published on the internet by the EU.

- 5.2 The procurement of goods and works and of the services of program consultants will be performed in accordance with the Policies of the Bank (documents GN-2349-15 and GN-2350-15). Public International Tender will be obligatory for works whose estimated cost exceeds the equivalent of US\$10 million per contract, and for goods whose estimated cost exceeds the equivalent of US\$1 million per contract. Shortlists of consultants for work whose estimated cost is below the equivalent of US\$500,000 per contract may consist exclusively of local consultants. Awards will be reviewed within the framework of the program audit activities.
- 5.3 **Implementation of procurement.** Before starting procurement, the EA must draw up a Procurement Plan for the first 18 months, to be published in accordance with Bank's policies. The relevance of the expenditure is the responsibility of the Project Manager/Sectoral Specialist of the project and always requires prior non-objection with respect to start of the actual procurement, and according to the operating criteria of the Project Manager.
- 5.4 **Procurement of works, goods and non-consultancy services.** Contracts generated and subject to Public International Tender will be implemented using the harmonized SBD (Standard Bidding Document) for Colombia and agreed with the Bank; while those for contracts generated and subject to Public National Tender will use local applicable legislation.
- 5.5 **Selection and appointment of consultants.** (i) Consultancy firms. For amounts greater than US\$500,000, these will be selected and appointed using the harmonized SEP for Colombia and agreed with the Bank; for amounts equal to or below US\$500,000, these will be selected using local applicable legislation, and eligibility in accordance with Bank rules. For amounts greater than US\$200,000 publication in UNDBOnline is mandatory; and (ii) in the case of Single-Source Selection these must be identified in the Procurement Plan and duly documented.
- 5.6 **Selection of individual consultants.** The EA will use local applicable legislation and eligibility in accordance with Bank rules.

**Table 1. Upper limits for the procurement of goods, works and consultancy services**

Works*		Goods*		Consultancy	
International Public Tender	Local Public Tender	International Public Tender	Local Public Tender	International Publicity	100% local shortlist
≥ US\$10 million	US\$350,000 - US\$10 million	≥ US\$1 million	US\$50,000 - US\$1 million	≥ US\$200,000	≤US\$500,000

\* In the case of simple works and basic goods whose value is below the amount for International Public Tender, these may be purchased using the Price Comparison method.

- 5.7 **Principal procurements.** Procurements for the first 18 months are included in the annexed Procurement Plan and do not entail technical complexity or procedures requiring special mention.

- 5.8 **Recurring costs.** The costs of all project staff can be included under this heading. These will be hired according to the internal regulations of the EA and national legal standards that do not contradict the standards of the IDB.
- 5.9 **Supervision of procurement.** The review method is ex-ante for the Public National Tender and Public International Tender processes of works, goods and non-consultancy services performed by the EA using applicable legislation. Awards will be reviewed within the framework of the program audit activities. Ex-post review reports will not provide for physical inspection visits.

## **VI. RECORDS AND ARCHIVES**

- 6.1 The EA shall keep original program documents on file five years after the last disbursement, or a longer period if the Bank is notified of any claims initiated before the expiry date (document GN-2602-2, paragraph 4.14).

## **VII. FINANCIAL MANAGEMENT**

### **A. Planning and Budget**

- 7.1 Grant proceeds will be treated as an independent project specific budget and will not be included in the national budget given the nature the EA. Annual project budgets will be set in accordance with the requirements of approved annual operating and procurement plans. Budget transfers between components above of 25% of allotted original amount will require EU approval and any budget modifications below 25% of the original amount (which do not require previous EU approval) will need to be described in the annual report.

### **B. Accounting and Information Systems**

- 7.2 ENTerritorio will use its own financial management system, HELISA, for budgetary, account and treasury control of the project. The accounting and reporting system generate detailed expense reports. Transactions will be recorded on the accrual basis; however, the project financial statements will be drawn up on the cash basis. Audited financial statements must be issued annually in accordance with NIAs and in accordance with OP-273-12 and PAGODA.

### **C. Disbursements and Cash Flow**

- 7.3 For the purposes of handling the project funds, ENTerritorio will open designated exclusive bank accounts in United States Dollar (USD) and Colombian Pesos (COP). The disbursement method will be advances on funds, based on liquidity requirements for a maximum period of three (3) months. Disbursements shall be justified by at least 80% to qualify for a new disbursement. Justification of expenditures will be performed using the conversion rate.

**D. Internal Control and Internal Auditing**

- 7.4 ENTerritorio has solid internal control policies and procedures. Internal and external audit reports have determined that the internal control system is adequate.

**E. External Control**

- 7.5 The financial statements will be audited by an IAF acceptable to the Bank to be hired in accordance with previously agreed procedures and TOR. The audit services will be funded with resources from the grant. The audited project financial statements will be annual and must be submitted to the Bank no later than three (3) months following the end of each financial year. The required reports will be those established in the TOR, which will include an internal control assurance report to be submitted within thirty (30) days of the close of each calendar year and during the original disbursement period or its extensions. A private independent audit firm is required to audit this operation, in order to ensure the regularity and contents of findings, in accordance with the provisions of document OP-273-12.
- 7.6 There is no national policy on the public release of audit reports, however, according to the current policy on the access to and publication of information, the audited project reports must be published on the Bank systems.

**F. Financial Supervision Plan**

- 7.7 Based on the results of the institutional capacity assessment and the program risk evaluation, the financial specialist will conduct two on-site reviews per year and desk reviews of the audited financial statements.

**G. Implementation Mechanism**

- 7.8 ENTerritorio will receive funds from the EU contribution through the IDB. For the execution of the grant, ENTerritorio will: (i) assemble and appoint a dedicated project management team to be headed by a professional project management expert and composed by specialists for the technical and operational coordination of each component, financial and procurement specialists, a social and environmental safeguards expert (including migration experience), a planning and monitoring specialist, and field operations supervisors in each beneficiary region; and (ii) draft an implement a detail project management manual to ensure proper adherence to Bank's policies, EU special requirements and project management quality procedures.

**H. Other Financial Management Agreements and Requirements**

- 7.9 There are no other agreements additional to those mentioned above; however, the fiduciary agreements and requirements included in this annex may be adjusted in accordance with the project dynamic, based on updates to the risk analysis and evaluation of institutional capacity conducted during implementation of the project.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_\_/20

Colombia. Nonreimbursable Investment Financing GRT/\_\_\_\_-\_\_\_\_-CO  
Socio-Urban Integration of Migrants in Colombian Cities Program

The Board of Executive Directors

RESOLVES:

1. 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 agreement or agreements as may be necessary with the Republic of Colombia, for the purpose of granting it a nonreimbursable investment financing for a sum of up to €10,200,000 chargeable to the resources to be granted by the European Union through the Latin America Investment Facility (EU-LAIF), pursuant to the agreement or agreements specified in paragraph 2 below, and to adopt any other measures as may be pertinent for the execution of the project proposal contained in document PR-\_\_\_\_\_.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements with the European Union as may be necessary to receive and administer resources for the purposes described in the project proposal specified in paragraph 1 above, and to adopt any other measures as may be pertinent for the execution of said agreement or agreements.

(Adopted on \_\_\_\_ 2020)

**SOCIO-URBAN INTEGRATION OF MIGRANTS IN COLOMBIAN CITIES PROGRAM**

**CO-G1015**

**CERTIFICATION**

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the operation received the letter of commitment for financing by the **European Commission (ECR)** for up to **€10,200,000 (equivalent to US\$11,330,000)** confirmed by Kai Hertz (ORP/GCM) on February 6, 2020.

Donor's commitment does not have validity until the PSG administration agreement between the IDB and the donor is agreed upon and signed for this operation. Therefore, this certification will remain conditional until the corresponding PSG administration agreement or agreements are signed and effective.

Certified by:

*Original Signed*

Feb-9-2020

\_\_\_\_\_  
Sonia M. Rivera  
Chief

\_\_\_\_\_  
Date

Grants and Co-Financing Management Unit  
ORP/GCM