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COLOMBIA

WATER AND SANITATION PROGRAM FOR THE DEPARTMENT OF LA GUAJIRA

(CO-L1242, CO-J0009, CO-G1017)

LOAN AND NONREIMBURSABLE FINANCING PROPOSAL

This document was prepared by the project team consisting of: Edgar Orellana, Project Team Leader (INE/WSA); Alfred Grünwaldt (CSD/CCS), Javier García (INE/WSA), and Isabel Granada (VPS/001), Alternate Project Team Leaders; Alejandra Perroni, Maria Julia Bocco, Maria del Rosario Navia, and Liliana López (INE/WSA); Maria Cecilia Ramírez and Sisi Larrea (INE/INE); Juan Carlos Vásquez and Julia Miguez (VPS/ESG); Louis-Francois Chretien (LEG/SGO) and Javier Jiménez; Patricio Crausaz and Eugenio F. Hillman (VPC/FMP); Joaquín Tres (VPS/001); Jose Luis Alba (CAN/CCO); David Alejandro Isabel Williamson (ORP/GCM); and Victoria Florez Toro and Heleno Barbosa Taves de Gouvea (ORP/REM).

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REQUIRED LINKS	
1.	Multiyear execution plan and annual work plan
2.	Monitoring and evaluation plan
3.	Environmental and social management report
4.	Procurement plan

OPTIONAL LINKS	
1.	Compliance with eligibility criteria for the use of IDB migration grant facility funds
2.	Technical analysis
3.	Socioeconomic analysis
4.	Financial and institutional analysis*
5.	Program Operating Regulations
6.	Compliance with the Bank's Public Utilities Policy
7.	Itemized table of costs
8.	Colombia Water and Basic Sanitation Master Plan 2018-2030
9.	Progress monitoring report
10.	Climate change
11.	Environmental and social management framework
12.	Environmental and social management plan

(*) At the request of the borrowing country, the information contained in this electronic link will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

ABBREVIATIONS

AGUAUR	Cooperativa Aguas de Urumita LTDA E.S.P
ASAA	Avanzadas Soluciones de Acueducto y Alcantarillado S. A. E. S. P.
CONPES	Consejo Nacional de Política Económica y Social [National Council on Economic and Social Policy]
CPMU	Comprehensive project management unit
EBITDA	Earnings before interest, tax, depreciation, and amortization
EIRR	Economic internal rate of return
GRF	IDB Grant Facility
ICB	International competitive bidding
IPUF	Rate of losses per billed user
MHCP	Ministry of the Treasury and Public Credit
MVCT	Ministry of Housing, Cities, and Territory
NCB	National competitive bidding
OECD	Organisation for Economic Co-operation and Development
PCU	Program coordination unit
PSG	Project-specific grant
SCCPC	Sistema de Compra y Contratación Pública de Colombia [Colombian Public Procurement and Contracting System]
SDC	Swiss Agency for Development and Cooperation
SIIF	Sistema Integrado de Información Financiera [Integrated Financial Information System]
UNHCR	United Nations High Commissioner for Refugees
VASB	Office of the Deputy Minister of Water and Basic Sanitation

PROJECT SUMMARY

COLOMBIA WATER AND SANITATION PROGRAM FOR THE DEPARTMENT OF LA GUAJIRA (CO-L1242, CO-J0009, and CO-G1017)

Financial Terms and Conditions						
Borrower:			Item	Flexible Financing Facility ^(a)	GRF	SDC PSG
Republic of Colombia			Amortization period:	14.75 years	N/A	N/A
Executing agency:			Disbursement period:	5 years	5 years	5 years
Ministry of Housing, Cities, and Territory (MVCT)			Grace period:	14.75 years ^(b)	N/A	N/A
Source	Amount		Interest rate:	IBR-based		
IDB (Ordinary Capital) (CO-L1242):	Col\$181,759,500,000		Credit fee:	(c)		
IDB (GRF) (CO-J0009):	US\$7,750,000		Inspection and supervision fee:	(c)		
PSG (Government of Switzerland, Swiss Agency for Development and Cooperation (SDC)) (CO-G1017): ^{(d)(e)}	US\$5,000,000		Weighted average life:	14.75 years		
Administration fee: ^(f)		US\$250,000	Approval currency:	Colombian pesos for the loan component and U.S. dollars for the nonreimbursable financing component		
Project at a Glance						
Project objective. The general objective is to contribute to the objectives of the national government’s Guajira Azul program of increasing the population that receives access to safe drinking water, with continuity and proper sanitation. The specific objectives are: (i) to expand access and enhance the quality of water and sanitation services in urban communities in the department of La Guajira, especially those most affected by the recent migration flows; and (ii) to build the management capacity of local service operators and support their regionalization processes.						
Special contractual conditions precedent to the first disbursement of the financing. The executing agency will present evidence, to the Bank’s satisfaction, of the following: (i) the program Operating Regulations (optional link 5) have been approved and have entered into force under the terms previously agreed upon with the Bank; and (ii) key program coordination unit (PCU) personnel have been selected for program execution, including the program coordinator, procurement/legal specialist, administrative/financial specialist, technical specialist, and monitoring and evaluation specialist (paragraph 3.10).						
Special contractual conditions of execution. The executing agency will present evidence, to the Bank’s satisfaction, of the following: (i) it has retained a comprehensive project management unit within no more than 180 days after the effective date of the loan contract, in accordance with the terms of reference previously agreed upon with the Bank; (ii) prior to the bidding process for each of the program works, an interadministrative cooperation agreement between the executing agency and the respective municipio is needed, in order to establish the municipio’s obligations regarding its responsibilities before, during, and after execution of the works, as well as the obligation to receive infrastructure with the respective transfer to the respective operators or provider companies, who will perform maintenance and operation in compliance with generally accepted technical standards; (iii) before the contract for the Fonseca water works is awarded, the construction contract for the Pasoancho-Fonseca pipeline has entered into force and a water and sanitation services operator has been retained; (iv) before the contract for the Fonseca sewer works is awarded, the contract to expand and upgrade the wastewater treatment plant and its discharge outlet (final interceptor) has entered into force; and (v) within 24 months after the date of the first disbursement of program resources, an operator has been retained to provide water and sanitation services in Riohacha (paragraph 3.11).						
See other socioenvironmental contractual conditions in Annex B to the environmental and social management report (required link 3).						
Exceptions to Bank policies: None.						
Strategic Alignment						
Challenges: ^(g)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>	EI	<input type="checkbox"/>
Crosscutting themes: ^(h)	GD	<input checked="" type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC	<input checked="" type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (d) PSG refers to IDB project-specific grants. For this program, the financing will be provided by the Swiss Agency for Development and Cooperation (SDC) and subject to the approval thereof. The funds will be available once the SDC and the Bank have signed the administration agreement and the Bank has received them from the SDC.
- (e) Project-specific grant (PSG) from the Swiss Agency for Development and Cooperation (SDC).
- (f) This amount is the administration fee (5%) and will be deducted from the SDC funds, which means that US\$4,750,000 will be available for the program. The Board of Executive Directors is asked to ensure the funds corresponding to the administration fee are distributed among the relevant departments supporting the operation to cover the costs of preparation and execution (paragraph 2.5).
- (g) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (h) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Context.** The department of La Guajira is located in northern Colombia, on the border with Venezuela. It has 15 municipios in 3 subregions: Alta, Media, and Baja Guajira. With a population of nearly 900,000 inhabitants (47.7% urban), La Guajira has, along with the department of Chocó, the worst social indicators in the country, with 52.6% of inhabitants living in poverty and 32.2% in vulnerable situations.¹ According to the 2005 General Census, 42.4% of the population is indigenous. Furthermore, only 20% of the department's urban population is estimated to have safe drinking water.² The coverage and quality deficits in water and sanitation services are an indicator of exposure to health hazards, exacerbated in poorer areas. This is significant due to the positive correlation between health and access to water and sanitation.³ Indeed, the under-five mortality rate due to acute diarrheal disease is approximately 20 per 100,000 children, higher than the national rate of 2.64.⁴ Moreover, the gaps are widening due to sudden, large migration flows, mainly from Venezuela, which have further stressed the already inadequate services, placing the host and migrant communities at even greater risk of gastrointestinal illnesses.⁵ Among the country's departments, La Guajira is receiving the fourth largest number of migrants, with over 70% of them congregated in Riohacha and Maicao.
- 1.2 Given the health and economic crisis caused by COVID-19, most countries, including Colombia, consider water and sanitation service continuity as essential in helping to manage and control the health emergency. The measures adopted by the country in the water and sanitation sector to alleviate the effects of the crisis include reconnecting users whose service has been disconnected due to payment arrears, authorizing deferred payments of bills for the most vulnerable groups, and offering lines of liquidity for service operators.⁶
- 1.3 **Status of water and sanitation services and associated challenges in La Guajira.** La Guajira is one of the regions with the largest water shortages in the country.⁷ Water is chronically scarce there due to the lack of surface sources in Alta Guajira, while in some of the rest of the department demand exceeds

¹ Colombia National Administrative Department of Statistics.

² Pursuant to the Sustainable Development Goals definition, this statistic refers to residential access to water apt for human consumption with a minimum continuity of eight hours a day and quality that meets national standards.

³ Brenneman, et al. "Infrastructure & Poverty Linkages, A Literature Review." World Bank, 2002. Other studies include: Annette Prüss-Ustün et al. "Burden of disease from inadequate water, sanitation and hygiene in low-and middle-income settings: a retrospective analysis of data from 145 countries." Tropical Medicine & International Health, 2014; Kremer, et al. "What Works in Fighting Diarrheal Diseases in Developing Countries? A Critical Review," Center for International Development at Harvard University Working Paper No. 140, 2007.

⁴ National Institute of Health. Weekly Epidemiological Bulletin #48, 2018.

⁵ CONPES 3950, 2018.

⁶ [Link](#).

⁷ Institute of Hydrology, Meteorology, and Environmental Studies.

- supply every year during the dry season.⁸ This critical situation puts the inhabitants of La Guajira in a vulnerable position that will be worsened by the expected impacts of climate change on the availability of water resources in the northern Colombia Caribbean region, and by fluctuations in demand resulting from human migration processes. And even before the recent migration phenomenon, the amount of distributed water was insufficient to meet the local population's needs, despite an urban coverage rate of 90%.
- 1.4 The continuity of the water supply in the region is limited to nine hours per day on average.⁹ Factors contributing to this situation include insufficient intake, treatment, piping, storage, and/or distribution; management weaknesses (technical, maintenance, commercial, and financial); unmetered use; and high loss levels. These factors are compounded by unauthorized removal of water for artisanal agricultural irrigation and by consumption through irregular connections to the main system.
 - 1.5 Although sewer system coverage is near 86% in urban areas, the growth of cities calls for more targeted investment to adapt and expand the systems. Only 24% of wastewater is treated, and in some cases urban sprawl, aggravated by migration and other factors,¹⁰ limits expansion of the existing systems.
 - 1.6 **Impact of the migrant population on water and sanitation services.** Colombia has received an unanticipated number of migrants due to the breakdown of the situation in Venezuela. From 2017 to 2019, these migration flows constituted 3.6% of the population, and the arrival of Venezuelan migrants escalated, rising from 40,000 in 2016 to over 1,100,000 in 2018. In August 2020, around 1.7 million people were registered; of those, 150,257 ended up in La Guajira,¹¹ complicating the delivery of water and sanitation services due to the increase in demand and the quality of service.¹²
 - 1.7 The results of a study conducted by the Danish Refugee Council with 68 communities in Riohacha¹³ reveal that in at least ten neighborhoods, access to water and sanitation is among the primary basic needs to be met. In addition, a 2019 [UNHCR](#) assessment interviewed more than 3,000 migrants in Maicao and found that only 21%¹⁴ had daily access to safe drinking water.
 - 1.8 Big data analyses¹⁵ of aggregated, anonymous cell phone records (call detail records, [CDRs](#)) (2018-2019) reflecting the geographic concentration of the migrant population show that in Riohacha, Maicao, and Fonseca, foreigners make up an average of 26% of the municipal population. Although no official data exist, some estimates suggest that in the absence of effective interventions, this

⁸ In July 2014, reduced rainfall and higher temperatures led the departmental government to declare a public disaster on account of drought.

⁹ In Maicao, the continuity is two hours/day. CONPES 3950, 2018.

¹⁰ Riohacha (La Guajira), Situación de Frontera: Asentamientos humanos informales: Villa del Sur, Brisas del Norte. Humanitarian Response, 2018.

¹¹ Migración Colombia, [August 2020](#).

¹² [Infografía Agua y Migración. Caso Colombia](#).

¹³ January-May 2019.

¹⁴ <https://reliefweb.int/sites/reliefweb.int/files/resources/69117.pdf>.

¹⁵ CDRs are used due to the lack of highly granular census or household survey data on the migrant population. See [Telefónica report](#).

additional demand could mean a 15% reduction of per capita water consumption in the principal host cities.¹⁶ These fluctuations in service levels will guide the prioritization of interventions and their scope, as a way of mitigating barriers to social integration with the receiving communities.

- 1.9 **Management of urban water and sanitation services in La Guajira.** Among the technical challenges of water and sanitation services is the fact that they are provided by multiple municipal public, private, and public-private operators,¹⁷ many of them small-scale. These operators face management challenges like increasing individual metering¹⁸ and collection,¹⁹ covering operating costs with operating income (paragraph 1.36), performing water quality controls, and building the capacities of their technical and management staff.²⁰ These challenges have intensified due to the recent migration phenomenon and its rapid growth.²¹
- 1.10 **The Government of Colombia's response to the water and sanitation challenges in La Guajira.** Due to the limited execution capacity and lack of effective actions guaranteeing minimum standards in the provision of water and sanitation services, and to ensure that service continuity, coverage, and quality targets are met, the Ministry of Housing, Cities, and Territory (MVCT) has assumed responsibility for providing water and sanitation services in the department until 20 February 2022.²² In 2018 the Government of Colombia launched the Guajira Azul Program²³ with the objective of improving water and sanitation coverage and quality in urban and rural zones of the department. Specifically, this program seeks to improve the continuity of water services in urban areas and coverage in rural areas, as well as to expand wastewater treatment. From 2018 to 2022, interventions totaling approximately US\$136 million will be carried out, with financing from the Government of Colombia, multilateral banks, the private sector, and international donor agencies. This operation will finance the projects in urban areas, and the MVCT will use funds from other sources for the rural areas.
- 1.11 In recent years, the MVCT has been regionalizing water and sanitation service operators in La Guajira, grouping them to create synergies and pursue economies of scale. In 2018, Colombia founded the public utilities company Sur Azul S. A. E. S. P. to supervise the provision of water and sanitation services throughout southern La Guajira.²⁴ In December 2019, Sur Azul S. A. E. S. P.

¹⁶ A [World Bank](#) analysis on Syrian migration to Lebanon identified that the migrant population (30% of the local population) caused the estimated consumption to drop from 926 m³/capita/year to less than 700 m³/capita/year. Water, migration and how they are interlinked, Stockholm International Water Institute, SIWI, 2016.

¹⁷ Nine private, three public-private partnerships, and three municipal public.

¹⁸ Sample operators: Aguas del Sur-Fonseca (2018): 6%; ASAA (2018): 69%; and AGUAUR (2018): <5%.

¹⁹ Sample operators: Aguas del Sur-Fonseca (2018): 24%; ASAA (2018): 60%; and AGUAUR (2018): 75%.

²⁰ The companies do not hold continuing training for their employees on management and operation.

²¹ An SDC report on [Water and sanitation, migration and the 2030 Agenda for Sustainable Development](#) warns that problems for service providers are heightened in areas where large movements of persons cause rapid fluctuations in the demand for services. Jobbins, Langdown, and Bernard, 2019.

²² CONPES 3984 of February 2020.

²³ See [link](#).

²⁴ Municipalities of Hatonuevo, Barrancas, Fonseca, Distracción, San Juan del Cesar, Villanueva, and El Molino.

contracted a private operator²⁵ for 17 years to provide water and sanitation services and implement part of the investment plan in southern La Guajira. In the north,²⁶ the regionalization process is expected to begin next year, and a departmental water and sanitation company will be set up to develop planning and institutional coordination strategies for the comprehensive standardization of water resources and to provide technical assistance to the department's water and sanitation service operators (optional link 4).

- 1.12 **Institutional framework of the sector.** The water and sanitation sector in Colombia has a stable regulatory framework, with separation of duties promoting efficiency and transparency. Law 142 of 1994 establishes the guiding principles for the provision of public services and the distribution of these duties. The MVCT is responsible for establishing public policy and technical regulation and is supported by the National Planning Department in those functions. The Water and Basic Sanitation Regulatory Commission handles economic regulation in terms of rates, quality, and measurement of operator efficiency and performance. The municipios are responsible for service delivery through public, private, or public-private companies. Control and oversight of the operators is handled by the Residential Public Utilities Superintendency (optional link 4).
- 1.13 **Gender.** In areas with limited or no access to water resources, women bear primary responsibility for procuring water for their households (64% versus 24% men, 8% girls, and 4% boys),²⁷ which increases the burden of work that they perform in their traditional roles. According to OECD studies in Latin America,²⁸ women dedicate an average of 5.5 hours to domestic chores and caretaking work in the household, and men only 2 hours. Women are known to be underrepresented in the water sector, making up only 19.7% of its labor force.²⁹ Therefore, they must be included in consultation, training, and decision-making processes concerning water and sanitation services, to ensure sustainability. Furthermore, a recent study³⁰ indicates that in migrant populations, women are more vulnerable to gender violence, and their lack of access to health services puts them at risk, due to the lack of privacy and protection.³¹
- 1.14 **Climate change.** La Guajira's high levels of poverty and hydroclimate characteristics make the department highly vulnerable to the impacts of climate change. According to Colombia's Third National Communication to the United Nations Framework Convention on Climate Change, climate models show an unequivocal warming of around 2.5 degrees Celsius towards the end of the century, as well as a gradual decrease in precipitation of 20-40% compared with the period 1976-2005. These changes will affect the local hydrology, decreasing

²⁵ Águas Total, S. A. S., E. S. P.

²⁶ Riohacha and other municipalities in northern La Guajira.

²⁷ World Health Organization and United Nations Children's Fund (2010) at www.blogs.iadb.org/agua/en/.

²⁸ Unpaid care work: The missing link in the analysis of gender gaps in labour outcomes, OECD development center, 2014.

²⁹ IDB-Household surveys-recent data for 17 countries at <https://blogs.iadb.org/agua/en/>.

³⁰ World Bank: Migración desde Venezuela a Colombia: impactos y estrategia de respuesta en el corto y mediano plazo. <https://openknowledge.worldbank.org/handle/10986/30651>, July 2018.

³¹ In Riohacha, 33% of persons in settlements do not have access to baths, showers, or restrooms, and the population defecates openly, in plastic bags, or using septic tanks that they have built on their own. Gastrointestinal diseases and skin rashes are on the rise, particularly among the child population.

the availability of water resources, a problem that will be exacerbated during the dry season. The 2014 National Water Study identifies La Guajira as a region that is threatened by droughts, which will intensify with climate change, particularly in the north (the key indicators are the water shortage vulnerability index, which shows the capacity to retain and regulate water, and the scarcity index, which is derived from analyzing the relationship between the available water supply and the demand for water from socioeconomic activities).

- 1.15 **Innovation.** The program uses innovative tools to amplify the impact of its interventions, including: (i) the mobile application “Tling,”³² developed by MasterCard, to rate the migrant population’s access to water and sanitation in the program beneficiary zones; (ii) mobile telephone connections, to map the Venezuelan migrant population at the neighborhood level and its movements; (iii) the AquaRating³³ tool, to establish a baseline of operational performance for the Riohacha water and sanitation company; and (iv) a mobile technical assistance unit, to provide operational support, control, and monitoring of service quality. This unit, which is the first of its kind in the country, is a service vehicle with space for transporting equipment, towing capacity, tools, specialized staff, and the capacity to measure certain water quality parameters on site.
- 1.16 **Proposed interventions.** Given the scarcity of water resources in the region (exacerbated during certain periods of the year), the actions proposed are designed to reduce uncontrolled consumption and water losses in the systems (demand management). These interventions will be carried out in Riohacha, Fonseca, Urumita, and other cities to be selected as indicated in paragraph 2.8. The program will finance the replacement of damaged piping and connections, the sectorization of distribution systems, and the incorporation of master and individual metering, online flow control equipment, and warning systems for unauthorized connections. Together with the reinforcement of pipelines and systems, and the rehabilitation or construction of new reserves, these activities will help improve water distribution, reducing surges, balancing operating pressures, and improving continuity.^{34 35} The program will also finance catchment and water treatment plant optimization works, incorporating automated quality measurement mechanisms as needed, as well as expanding the systems for new users. These interventions will be accompanied by activities to improve the operators’ management and to provide support for the regionalization process, which the MVCT has initiated. The CDRs-based analysis has served to confirm that the prioritized works coincide geographically with areas where the density of the migrant population is higher.
- 1.17 In similar migration contexts, improving water and sanitation systems has shown to be a pillar of integrating the foreign population as well as of improving

³² In the context of the pandemic, the Tling! platform was used to send messages to the general public, including migrants (in targeted neighborhoods in the cities of Riohacha and Fonseca), on hygiene practices in response to COVID-19 ([link](#)).

³³ [Link](#).

³⁴ E. Arniella. Evaluation of Smart Water Infrastructure Technologies (SWIT). IDB 2017, [Link](#).

³⁵ Similar actions performed in Sector 1 of Riohacha and in Maicao improved continuity to 24 hours a day, 7 days a week (see [link](#) World Bank Implementation Completion and Results Report).

resilience to climate change.³⁶ In Jordan, performing maintenance on existing infrastructure and increasing operator capacity has improved safe access to services and reduced unquantified losses.³⁷

- 1.18 To support productive development, the program will finance ancillary works for the replacement of a pipeline to the city of Fonseca,³⁸ so that the irrigation taps connected to the existing pipeline will receive raw water for irrigation, benefiting palm and rice farmers. The program will support the expansion and improvement of the sanitary sewer services, as well as drainage works that will prevent the intrusion of storm water runoff and the resulting spillovers in the wastewater collectors in Fonseca and other towns in the department. The improvement of the drinking water systems, rehabilitation of the sewer systems, recovery of the wastewater treatment system, and increased sanitary sewer service coverage in urban zones are fundamental for promoting adequate health conditions in the population, as well as for preventing negative externalities on the safety of water sources for human consumption, production, and the environment.³⁹
- 1.19 **Bank knowledge in the sector.** The Bank has extensive knowledge of the water and sanitation sector in Colombia. Its activities include financing for safe drinking water, sewer systems, and wastewater treatment in urban and rural areas, as well as institutional strengthening of companies in the sector. In 2018, execution was successfully completed of the “Medellín River Sanitation Program – Phase II” (2120/OC-CO) and the “Water and Sanitation Program for the Municipio of Pasto” (2183/OC-CO). The following operations are in execution: “Adaptation to Climate Impacts in Water Regulation and Supply for the Area of Chingaza-Sumapaz-Guerrero” (GRT/CX-14525-CO); “Comprehensive Development of Urban Water and Sewerage Companies in Colombia” (ATN/CF-16250-CO); “Rural Water Supply and Wastewater Management Program” (2732/OC-CO); “Water, Basic Sanitation, and Electrification Program for the Colombian Pacific Region” (3610/OC-CO); and “Project for the Implementation of the Mocoa Sewer Master Plan (Stage I)” (4446/OC-CO).
- 1.20 **Lessons learned.** The following lessons learned from water and sanitation operations in Colombia and the region were taken into account: (i) use leadership from the top level of the institutional framework to ensure that execution is successful and the programs are sustainable; (ii) select an executing agency that specializes in projects financed by international organizations; (iii) define the obligations of the local governments and support their management, to ensure proper execution and ownership of the interventions; (iv) support the review and supplementation of the engineering designs; and (v) incorporate into the Operating Regulations of the proposed program the biosafety protocols for preventing the transmission and spread of COVID-19, which are being

³⁶ Water (in)security, migration, and regional integration: Is there a nexus? Migration and Adaptation in Jordan's Water Sector. N. Westheimer, University of Oxford.

³⁷ [Jordan Response Plan for the Syria Crisis 2018-2020](#).

³⁸ The MCVT will finance a new pipeline from the Pasoancho water treatment plant to Fonseca.

³⁹ The sanitation service's scant coverage and poor quality have effects on health and nutrition, and potentially on child development, education, the environment, and activities like tourism. The also increase the probability that girls will drop out of school or be assaulted when seeking privacy (World Bank, 2005. *World Development Report 2004: Making Services Work for Poor People*.)

successfully implemented in three programs in execution in the water sector in Colombia.

- 1.21 **Government of Colombia strategy for the sector.** The program is aligned with the Government of Colombia's National Development Plan 2018-2022⁴⁰ and will help achieve the objectives of the Guajira Azul Program, led by the MVCT, of improving water and sanitation coverage and quality in La Guajira. It is also aligned with the MVCT's Water and Basic Sanitation Master Plan 2018-2030.⁴¹ Moreover, it aligns with the public policy on migration from Venezuela, reflected in the Strategy for Addressing Migration from Venezuela,⁴² of designing basic infrastructure projects that will have a bearing on the local receiving population.
- 1.22 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy 2020-2024 (document AB-3190-2), as it aligns with the development challenges of social inclusion and equality, by increasing access to water and sanitation services in regions with poverty rates that are higher than the national average and considering the level of demand for services from the local and migrant populations. It also aligns with: (i) climate change and environmental sustainability, since it helps reduce the communities' vulnerability to the impacts of climate change on water availability and temperature through the construction of infrastructure for the reliable delivery of water services; (ii) gender equality, by including technical training on masonry and plumbing for women, to help them get jobs on the project, and after it, in the private sector; and through women's participation in hygiene and sanitation campaigns; (iii) institutional capacity and the rule of law, since it will provide support for improving sector institutions' management capacities. It will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the output "Households with improved access to water and sanitation." The operation is consistent with the IDB Country Strategy with Colombia 2019-2022 (document GN-2972), aligning with the following strategic objectives: "Increase equitable access to quality basic services"; "Raise the quality of expenditure and public investment management capacity at all levels of government;" and "Reduce barriers to social integration." It is included in the Update of the Annex III of the 2020 Operational Program Report (GN-2991-3).
- 1.23 To strengthen the gender approach, based on the diagnostic assessment presented in paragraph 1.13, the following actions have been identified: (i) creation of jobs for women in plumbing and masonry through training courses in partnership with the operators participating in the program, which have indicated an interest in hiring women. These courses will create local capacity and job opportunities for the local and migrant populations by equipping them with technical knowledge that will translate into greater economic independence and job opportunities for them during and after program execution. This will address the gap that has been identified by creating job opportunities for women and reducing the employment gap in the water sector; and (ii) outreach and training campaigns on hygiene, handwashing, water conservation, and payment for services, with leadership from the participating women. This line of action will

⁴⁰ See [link](#).

⁴¹ See [link](#).

⁴² CONPES document 3950 of 2018.

raise the prestige and increase the visibility of women as stakeholders, by virtue of their active participation in the project.

- 1.24 The proposed investments to optimize water systems will help make the local and migrant populations less vulnerable to the impacts of climate on water availability ([optional link 10](#)). All told, 86.11% of operation resources will be invested in climate change activities, according to [the joint methodology of the multilateral development banks for tracking climate change adaptation finance](#).⁴³ These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of approvals by the end of 2020.
- 1.25 The program is aligned with the Strategy of Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), through the priority area for action “Support the construction and maintenance of an environmentally and socially sustainable infrastructure, thus enhancing quality of life.” The works to be financed were designed in compliance with IDB Sustainable Infrastructure Framework⁴⁴ criteria, in particular regarding social sustainability, given the effort to identify, socially integrate, and benefit the department’s migrant communities and women especially (paragraphs 1.6 and 1.23); financial and institutional sustainability, given its support for strengthening the management of the participating institutions (paragraph 1.29); and environmental sustainability (paragraph 2.9). The operation is consistent with the dimensions of success and lines of action set out in the Water and Sanitation Sector Framework Document (document GN-2781-8) for achieving universal access and improving the quality of the services and environmental and social sustainability.
- 1.26 **Compliance with the Public Utilities Policy (document GN-2716-6).** The program and the national objectives for the sector are consistent with the principles of the Public Utilities Policy (document GN-2716-6) and fulfill the financial sustainability and economic evaluation conditions, insofar as (i) the works to be financed are socioeconomically viable (paragraph 1.34); and (ii) the water and sanitation service operators in the sample have been covering their operation and maintenance costs with operating revenues, as shown on their income statements (paragraph 1.36). Furthermore, the country’s water and sanitation sector has an advanced regulatory framework with separation of roles to promote the efficiency and transparency of the services (paragraph 1.12) ([optional link 6](#)).

B. Objectives, components, and cost

- 1.27 The general objective is to contribute to the objectives of the national government’s Guajira Azul program of increasing the population that receives access to safe drinking water, with continuity and proper sanitation. The specific objectives are: (i) to expand access and enhance the quality of water and sanitation services in urban communities in the department of La Guajira, especially those most affected by the recent migration flows; and (ii) to build the management capacity of local service operators and support their regionalization

⁴³ 2017 Joint Report on Multilateral Development Banks’ Climate Finance. 2018 ([link](#)).

⁴⁴ What is Sustainable Infrastructure? A Framework to Guide Sustainability Across the Project Cycle. IDB 2018 ([link](#)).

processes. To achieve these objectives, the program has the following components:

- 1.28 **Component 1: Expansion and improvement of urban water and sanitation systems.** Among other activities, this component will finance: works and equipment for catchments, pipelines, treatment, storage, and distribution of safe drinking water, residential connections, and master and individual metering. The interventions are aimed at optimizing operation of the systems and include rehabilitation, replacement, reinforcement, reconfiguration, upgrades, and expansion works for the water and sanitation infrastructure. The component also includes interventions to improve service-delivery management, like incorporating equipment for metering, quality and flow control, and demand management. In sanitation, the component will finance: expansion and optimization of the sanitary sewer systems, stormwater management, and residential connections, etc.
- 1.29 **Component 2: Support for improving institutional management.** This component will finance activities to improve the operators' management and to support their regionalization.⁴⁵
- 1.30 Furthermore, financing will be provided for the executing agency's administrative and operational needs, the external audit, and the program evaluation costs.
- 1.31 By program completion, the interventions are expected to directly benefit approximately 26,500 households with improved access to safe drinking water and 2,300 households with sanitary sewer services.

C. Key results indicators

- 1.32 The program results will be associated with improved access to water and sanitation through comprehensive interventions. The key indicators are shown below:

Table 1 - Key indicators

Outcome indicator	Unit of measurement	Target
Households with new or upgraded access to the water system	Households	26,500
Households with new or upgraded access to sewer services	Households	2,300

- 1.33 **Technical viability.** Three projects to improve water services in the municipal seats of Riohacha, Urumita, and Fonseca, and the project to expand the sanitary and storm systems in Fonseca, were analyzed. Specialized consultants performed the feasibility and prefeasibility analyses. The proposals follow good engineering and management practices to optimize the systems and improve the service. The works will be carried out once the final designs have been prepared, to include review of and adjustments to the demand projections based on the

⁴⁵ It will finance: improvement of the operators' business systems (hardware, software, and updating of the user registry), support for the La Guajira departmental (regional) water and sanitation company's operational launch, the program communications plan, and workshops on payment culture and efficient water usage.

results of the 2018 census. These designs will be financed by the program or with technical-cooperation funding. Furthermore, complementary interventions to be financed with other resources have been coordinated with the MVCT. Implementation thereof has been established through specific execution conditions ([optional link 2](#)).

- 1.34 **Economic viability.** A cost-benefit analysis was performed for a sample of projects (paragraph 2.7). They were all found to be economically viable with economic internal rates of return (EIRR) of between 12.9% and 21.7%. A cost-benefit analysis of the projects that were not assessed will also be performed, and the program will only finance the ones with an EIRR of greater than 12%. In addition, the beneficiary population's ability to pay was analyzed. According to information from the operators, water service payments represent less than 3% of the average monthly family income; this is acceptable according to international standards ([optional link 3](#)).
- 1.35 **Institutional viability.** The MVCT has experience in several water and sanitation programs financed by the Bank (paragraph 1.19) and other multilateral⁴⁶ and bilateral⁴⁷ organizations. The MVCT's institutional capacity was evaluated using the Bank's Institutional Capacity Assessment System methodology, which found a medium level of development and risk. Based on the ICAS report, a program coordination unit (PCU) (paragraph 3.4) will be established within the MVCT to coordinate and administer execution.⁴⁸ The MVCT will hire a specialized consulting firm to serve as the comprehensive project management unit (CPMU), following a process analogous to the one used in the program corresponding to loan 4446/OC-CO.
- 1.36 **Sustainability of the investments.** The financial analysis of the water and sanitation operators in Fonseca (Aguas del Sur de La Guajira S. A. E. S. P.⁴⁹), Riohacha (Avanzadas Soluciones de Acueducto y Alcantarillado S. A. E. S. P.⁵⁰ (ASAA)) and Urumita (Cooperativa Aguas de Urumita LTDA E.S.P.⁵¹ (AGUAUR)) was performed based on operational and financial information from those entities. These operators cover their operation and maintenance costs with operating income, with average EBITDA margins for the past two closed fiscal periods of 19.5%, 3.7%, and 18.6%, respectively. They are expected to continue along the same line in the future. However, these operators do face operational and financial management challenges (paragraph 1.9), for which reason the program includes actions to help them improve and to support the work started by the Government of Colombia to regionalize the La Guajira operators (paragraph 1.11) ([optional link 4](#)). The loan contract will include clauses about having established the applicable system operators (paragraph 3.11) and

⁴⁶ World Bank.

⁴⁷ Spanish Agency for International Development Cooperation.

⁴⁸ Resources from technical cooperation ATN/OC-17692-CO will be used to hire core PCU staff to get execution underway.

⁴⁹ Private operator with concession agreement until December 2019. As from that date, Águas Total S. A. S. E. S. P. (private operator) has been contracted to provide water and sanitation services in southern La Guajira for 17 years (paragraph 1.11).

⁵⁰ Private operator with contract until December 2020 (paragraph 1.11).

⁵¹ Socially responsible company with the legal status of a government cooperative (*administración pública cooperativa*).

appropriate operations and maintenance (paragraph 2.14). The program Operating Regulations will establish that the operators must have sufficient operating income to cover, at minimum, their operation and maintenance costs.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality.** This program has been conceived as an investment loan under the multiple-works modality, since it will finance water and sanitation works that are physically similar but independent of each other, adhering to eligibility criteria, and include a representative sample for evaluation and execution. The program will respond to the requests prioritized by the Government of Colombia and will be governed by Operating Regulations. The works will be physically started within two years after the effective date of the loan contract.
- 2.2 **Additionality of nonreimbursable funds:** The unprecedented influx of migrants represents a new challenge for the countries of Latin America and the Caribbean that could have harmful effects on the receiving communities if it is not addressed effectively and expeditiously. To contend with these extraordinary circumstances, the IDB's Board of Governors has approved the use of up to US\$100 million in Ordinary Capital resources available through the IDB Grant Facility to Support Countries with Large and Sudden Intraregional Migrations Inflows (documents GN-2947-6 and AB-3199). The use of the Facility and the grant funds will help expand the scope of the program and allow it to reach more beneficiaries in a targeted way in the municipios where recent influxes of migrants are exacerbating demand for water and sanitation services. Complementarily, the resources contributed through the SDC will help establish synergies with operations financed by Switzerland, such as the Comprehensive Development of Urban Water and Sanitation Services in Colombia and the Swiss Global Programme Water.
- 2.3 **Use of the GRF resources:** The operation fulfills the five eligibility criteria for the use of resources from the IDB Grant Facility to Support Countries with Large and Sudden Intraregional Migration Inflows (documents AB-3199 and GN-2947-6), summarized below: (i) between 2017 and 2019, Colombia received a total of 1,771,232 Venezuelan migrants, or 3.6% of its population. This value surpasses the threshold of 0.5% set as the eligibility criterion (paragraph 1.6); (ii) this is an accelerated, massive flow (paragraphs 1.6 to 1.10) that: (a) is highly concentrated in the department of La Guajira, which has received about 9% of all Venezuelans arriving in Colombia. The number of migrants has increased by over 50% compared with the 107,000 Venezuelans who entered the department in 2018;⁵² (b) is taking place in one of the zones with the scarcest water resources and with clear economic underdevelopment and preexisting development gaps, and thus challenges the department's financial, infrastructural, and institutional capacity to provide continuous, quality basic services to its entire population; and (c) has an uncertain future because it is rooted in political events that are difficult to predict; (iii) this operation is in line with one of the thematic areas of intervention that the GRF seeks to prioritize, namely, access to basic services; (iv) in the results matrix, the operation sets

⁵² Migración Colombia, 2018.

targets for serving migrants and the host population and defines targeting criteria to ensure that they are met (paragraphs 1.6 to 1.8 and 3.5); and (v) the operation is considered in the country's programming (paragraph 1.22). See [optional link 1](#) for further details.

- 2.4 **Cost and financing.** The total program cost is Col\$181,759,500,000, which will be financed from the Ordinary Capital, with US\$7,750,000 to come from the GRF, and US\$5,000,000 to be contributed by the Swiss government through the Swiss Agency for Development and Cooperation (SDC), as a project-specific grant (PSG). The consolidated budget is shown in Table 2. (See [optional link 7.](#))

Table 2. Program cost			
Component	Ordinary Capital (Col\$)	GRF (US\$)	SDC (US\$)
Component 1. Expansion and improvement of urban water and sanitation systems	173,253,160,000	6,850,000	4,750,000
- Drinking water systems	128,758,430,000	5,170,000	4,750,000
- Urban sanitation systems	25,955,260,000	890,000	
- Integrated program management	18,539,470,000	800,000	
Component 2. Support for improving institutional management	1,890,300,000	480,000	
Administration, evaluations, and audits	6,616,050,000	420,000	
Total available for the project:	181,759,500,000	7,750,000	4,750,000
PSG administration fee (CO-G1017)		0	250,000
Total	181,759,500,000	7,750,000	5,000,000

- 2.5 The SDC resources will finance program activities and will be provided through a PSG, in accordance with the "Report on COFABs, Ad-Hocs and CLFGs and a Proposal to Unify Them as Project Specific Grants (PSGs)" (SC-114). A management agreement will be established, to the effect that the Bank will administer the donor contribution and charge a nonreimbursable administration fee equal to 5% of the contribution. The Board of Executive Directors is asked to: (i) ensure the administration fee funds are distributed among the relevant departments supporting the operation, to cover the costs of preparation and execution; and (ii) authorize the President, or his appointed representative, to enter into the necessary agreements with the SDC and the beneficiary to receive and administer the SDC funds.
- 2.6 The disbursement schedule is shown in Table 3. The execution and disbursement periods are five years. The GRF resources and loan proceeds will be disbursed pari passu.

Table 3 - Disbursement schedule (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (Col\$)	4,794,816,000	29,590,447,000	63,146,885,000	48,355,297,000	35,872,055,000	181,759,500,000
GRF (US\$)	204,000	1,262,000	2,693,000	2,062,000	1,529,000	7,750,000
SDC (US\$)	51,000	524,000	1,213,000	2,159,000	803,000	4,750,000
%	3	16	34	27	20	100

- 2.7 **Representative sample.** A sample of projects representative of the type of works to be executed (for 42% of the total program amount) was analyzed. These projects are as follows: (i) expansion and optimization of the Fonseca water system; (ii) optimization of the Urumita water system; (iii) optimization of the Riohacha water system; and (iv) expansion of the Fonseca sewer system. The sample includes the types of interventions indicated in the Component 1 description and fulfills the eligibility criteria established for the operation.
- 2.8 **Eligibility criteria and prioritization.** Eligible projects under Component 1: (i) are designed to expand coverage or improve the continuity and/or quality of water and/or sanitation services in urban areas of the department of La Guajira and to improve service management efficiency; (ii) due to their characteristics, are not classified as category “A” operations according to the Bank’s environmental and social safeguards policies; and (iii) are viable from an economic perspective (they have economic internal rates of return of over 12%), a technical perspective (they meet design criteria that follow good engineering practices and incorporate demand management, as applicable), a socioenvironmental perspective (they meet the requirements of the environmental and social management framework), a financial perspective (operators have sufficient resources for operation and maintenance of the works), a legal perspective (the properties where the works will be constructed are unencumbered), and an institutional perspective (they have an established operator). Projects in areas hosting migrant populations will be prioritized.

B. Environmental and social risks

- 2.9 The program has been classified as a category “B” operation inasmuch as the works to be executed are expected to cause short-term and localized negative socioenvironmental impacts that can be managed with standard mitigation measures for this type of infrastructure. An environmental and social analysis has been prepared with its respective environmental and social management plan ([optional link 12](#)) for the four sample projects, as has an environmental and social management framework ([optional link 11](#)) for the future projects. These documents were published on the Bank’s website ahead of the analysis mission.
- 2.10 The environmental and social analysis identified potential negative impacts associated with the generation of solid and liquid waste, temporarily restricted access to residences and businesses, accidents, temporary interferences in the water service during the works to optimize existing systems, and discontent over the implementation of individual metering systems. These impacts will be managed through the measures defined in the environmental and social management plan, which will include a service continuity plan, community participation plan, and complaint and grievances mechanism. None of the representative sample projects will impact indigenous peoples or require the physical or economic displacement of the population. Pursuant to the Disaster Risk Management Policy (Operational Policy OP-704), the program has been classified as a moderate type 1 operation, since it will be executed in areas vulnerable to flooding.
- 2.11 Meaningful consultations with interested parties (referred to locally as *socializaciones*, or outreach events) were held on 17, 18, and 19 September 2019 in Urumita, Fonseca, and Riohacha, respectively. The participants’ main concerns were over whether the project would lead to higher water service rates,

if they would be charged for the individual meters, and how they would be charged with individual metering. The dissatisfaction with existing water and sanitation services and the risk that the population would reject individual metering, in particular if service quality did not improve significantly, were evident at the consultations (report published on 29 October 2019).

C. Fiduciary risks

- 2.12 Delays in implementing the procurement plan were identified as a medium-level risk that can be mitigated with training for the MVCT staff members who will be involved in program execution; with periodic updating of procurement management reports; and with support for the launch of execution by hiring a consultant to prepare, using resources from technical cooperation ATN/OC-17692-CO, the terms of reference for contracting the CPMU and the fiduciary agency.

D. Other risks

- 2.13 The following medium-level risks were identified: (i) increased project costs, to be mitigated by including the contracting of studies, designs, and works supervision in the CPMU activities, as well as by giving the respective mayors the full power of the municipal council for property management; (ii) poor operation and maintenance of the works to be constructed, to be mitigated by contracting specialized regional operators for southern and northern La Guajira, and by implementing the MVCT operator quality assurance plans; (iii) insufficient fiscal space for the program, to be mitigated with the MVCT's periodic request for the Ministry of Finance to guarantee it; and (iv) as a high-level risk, a lack of interagency coordination, to be mitigated by the signing of interadministrative agreements among the MVCT and the respective municipios, establishing the obligations of the parties, program outreach with the new municipal and regional authorities, and approval of the program Operating Regulations.
- 2.14 **Operation and maintenance.** The program-financed works will be operated and maintained by the respective service operators, pursuant to generally accepted technical standards based on the regulations of the Water and Basic Sanitation Regulatory Commission. At a minimum, the annual maintenance plan will contain: (i) details on the organization responsible for maintenance; (ii) funds to be invested in maintenance during the current year and the amounts allocated in the budgets for subsequent years; and (iii) report on maintenance conditions based on the evaluation system established by the executing agency and the Bank. The MVCT has committed to contracting regional operators for the operation and maintenance of the systems targeted by the program.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Colombia, and the executing agency will be the Ministry of Housing, Cities, and Territory (MVCT).
- 3.2 **Execution mechanism.** The MVCT will assume technical and fiduciary responsibility for the project vis-à-vis the Bank, acting through its Office of the

Deputy Minister of Water and Basic Sanitation (VASB). The VASB will establish a PCU that will report directly back to it.

- 3.3 The MVCT will retain, through competitive processes, the services of a CPMU and a fiduciary agency for payment administration and management, pursuant to the conditions agreed upon by the MVCT and the Bank. It will also be responsible for commissioning program evaluations and audits. After the MVCT has deemed the works eligible, the CPMU will be responsible for selecting and procuring studies, works, goods, and services, in accordance with IDB procurement policies.
- 3.4 The executing agency, with support from the CPMU and the fiduciary agency, will be in charge of the technical, administrative, fiduciary, and operational execution of the project, including overall coordination and resource management. The PCU will be responsible for comprehensive control and monitoring of the program, and will be made up of the staff members specified in paragraph 3.10. The profiles for these specialists will be published in the program Operating Regulations, and they will be contracted after obtaining the Bank's no objection. The executing agency will have the following functions: (i) prepare and periodically update the multiyear execution plan, the annual work plan, the procurement plan, and the cash flow and disbursement programming; (ii) supervise the CPMU, based on the contract conditions; (iii) perform the financial management and submit the required financial reports to the Bank; and (iv) prepare and update the semiannual project reports and the risk matrix.
- 3.5 **Program Operating Regulations.** At a minimum, the [program Operating Regulations](#) will contain the criteria, tools, and procedures for program execution in the terms previously agreed upon by the executing agency and the Bank, including but not limited to: (i) institutional, administrative, and financial management; (ii) planning, support, and monitoring; (iii) criteria for the geographic targeting of the interventions; and (iv) criteria for execution of the works, including biosecurity measures related to COVID-19. The Operating Regulations will also include, as an annex, the environmental and social analysis ([optional link 12](#)), including the environmental and social management plan ([optional link 12](#)) for the projects in the sample and the environmental and social management framework ([required link 3](#)).
- 3.6 **Procurement plan.** The procurement plan ([required link 4](#)) contains the: (i) list of procurement processes; (ii) methods for the procurement of goods; (iii) amounts, financing source, and estimated timelines; and (iv) Bank supervision method. Procurement processes will be conducted pursuant to the policies GN-2349-15 and GN-2350-15 or subsequent updates thereto. All proposals to revise the procurement plan must be submitted to the Bank annually or as required for approval.
- 3.7 **Disbursements and advance of funds.** Disbursements will be made principally through advances of funds to a specific bank account. The advances will cover the program's liquidity needs for up to six months of execution, according to the projected cash flow. The loan proceeds and GRF grant will be disbursed *pari passu*. This restriction does not apply to the SDC funds.
- 3.8 **Retroactive financing.** The Bank may retroactively finance, as a charge against the Bank's loan, up to Col\$23.629 billion (10.4% of the program total) in eligible expenditures made by the executing agency prior to the loan approval date,

provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures must have been made no earlier than 25 July 2019 (the project profile approval date), but under no circumstances may expenditures incurred more than 18 months prior to the loan approval date be included. The Operating Regulations describe the category of eligible expenditures.

- 3.9 **Audits.** External auditing services for the program, covering all the financing sources, will be provided either by a firm of independent auditors acceptable to the Bank or the Office of the Comptroller General of the Republic, at the Bank's discretion, to be contracted as a charge against the loan on the basis of terms of reference agreed upon by the Bank and the executing agency.
- 3.10 **Special contractual conditions precedent to the first disbursement of the financing.** The executing agency will present evidence, to the Bank's satisfaction, of the following: (i) the program Operating Regulations have been approved and have entered into force under the terms previously agreed upon with the Bank; and (ii) key program coordination unit (PCU) personnel have been selected for program execution, including the program coordinator, procurement/legal specialist, administrative/financial specialist, technical specialist, and monitoring and evaluation specialist. These conditions are considered essential to ensure that program execution is launched with an appropriate coordinating team and with Operating Regulations in place to provide detailed guidelines on operations and coordination.
- 3.11 **Special contractual conditions of execution:** The executing agency will present evidence, to the Bank's satisfaction, of the following: (i) it has retained a comprehensive project management unit within no more than 180 days after the effective date of the loan contract, in accordance with the terms of reference previously agreed upon with the Bank; (ii) prior to the bidding process for each of the program works, an interadministrative cooperation agreement between the executing agency and the respective municipio is needed, in order to establish the municipio's obligations regarding its responsibilities before, during, and after execution of the works, as well as the obligation to receive infrastructure with the respective transfer to the respective operators or provider companies, who will perform maintenance and operation in compliance with generally accepted technical standards; (iii) before the contract for the Fonseca water works is awarded, the construction contract for the Pasoancho-Fonseca pipeline has entered into force and a water and sanitation services operator has been retained; (iv) before the contract for the Fonseca sewer works is awarded, the contract to expand and upgrade the wastewater treatment plant and its discharge outlet (final interceptor) has entered into force; and (v) within 24 months after the date of the first disbursement of program resources, an operator has been retained to provide water and sanitation services in Riohacha. Condition (i) ensures that the CPMU will be in place to ensure proper program execution. Condition (ii) ensures that the institutional coordination mechanisms are developed and that the MVCT has the authority and rights to execute the program works, and that these works will be appropriately operated and maintained. Conditions (iii), (iv), and (v) are indispensable to ensure the proper execution, complementarity, and sustainability of the works in the municipios mentioned, which form part of the program's representative sample.

B. Summary of arrangements for monitoring results

- 3.12 **Monitoring.** For the activities for which it is responsible, the executing agency will prepare reports indicating the progress made and outcomes achieved. The monitoring arrangements will include: the procurement plan, multiyear execution plan, annual work plan, results matrix, progress monitoring report, and risk management. The executing agency will send semiannual progress reports indicating the progress made, results obtained, and an action plan for the following six months, within the 60 days after the end of each half-year period ([required link 2](#)). The project team will be responsible for preparing and presenting the project report to the donor.
- 3.13 **Evaluation.** The program evaluation arrangements will include a midterm evaluation submitted within 90 days after 50% of the loan and GRF proceeds have been disbursed, and a final evaluation once 90% of those resources have been disbursed. The proposed evaluation methodology is “before and after” analysis, which will consist in measuring the program results indicators at baseline and after the projects have been implemented, and comparing those measurements to verify that the targets were met. There will also be an ex post economic evaluation ([required link 2](#)).

Development Effectiveness Matrix		
Summary		CO-L1242
I. Corporate and Country Priorities		
1. IDB Development Objectives		Yes
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Households with new or upgraded access to drinking water (#)* -Households with new or upgraded access to sanitation (#)* -Households protected from flood risk (#)*	
2. Country Development Objectives		Yes
Country Strategy Results Matrix	GN-2972	Increase equitable access to quality services
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.5
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.0
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, Price Comparison, Contracting Individual Consultant, National Public Bidding.
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	CO-T1503, RG-T3438

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

The general objective of the operation is to contribute to the fulfillment of the objectives of the Guajira Azul Program of the National Government, to increase the population served with water suitable for human consumption, with continuity and adequate sanitation. The specific objectives are: (i) to increase access and quality of drinking water and sanitation services, in urban populations of the Department of La Guajira, particularly in those most affected by recent migratory flows; and (ii) improve the management capacity of local providers and support their regionalization process.

The documentation presents a solid diagnosis, which describes the challenges of the sector in the Department of La Guajira in matters of coverage and quality of Water and Sanitation (W&S) services, the management of W&S services, and the impact of the migrant population in these services.

To mitigate the problems identified, the Program will implement two components: 1) Expansion and improvement of urban W&S systems; and 2) Support for the improvement of institutional management. The proposed solution is clearly linked to the problems and needs identified. Evidence is presented on the effectiveness of these types of programs. The results matrix (RM) reflects the objectives of the program and shows a clear vertical logic for the two components. Baseline values and targets for the main outcome indicators are consistent with the information in the economic analysis. The lower level indicators reflect the design of the two components. The RM includes SMART indicators at the level of products, outcomes and impacts, with their respective baseline values, targets, and means to collect information.

This operation is conceived as an investment loan under the multiple-works modality. Four Cost-Benefit analyzes are performed for three of the intervention zones that represent 42% of the Program amount. Costs and benefits are properly identified and quantified. The assumptions made are reasonable and supported with administrative data and relevant evidence. The analysis yields an internal rate of economic return (IRER) of 12.9% -21.7% and a net present value (NPV) of USD426,616-USD4.1 million. Sensitivity analyzes are performed for the four cases under alternative scenarios by modifying the main variables that may affect costs and benefits; these modifications do not present significant alterations to the NPV or IRER.

The monitoring and evaluation plan propose an evaluation using an ex-post cost-benefit analysis and a reflexive evaluation.

The risks identified in the risk matrix seem reasonable and are classified as Low risk (2), Medium (5), and High (1). The risks of Medium and High classification include mitigation actions and compliance indicators.

RESULTS MATRIX

Project objective:	The general objective is to contribute to the objectives of the national government's Guajira Azul program of increasing the population that receives access to safe drinking water, with continuity and proper sanitation. The specific objectives are: (i) to expand access and enhance the quality of water and sanitation services in urban communities in the department of La Guajira, especially those most affected by the recent migration flows; and (ii) to build the management capacity of local service operators and support their regionalization processes.
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IMPACTS

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
Drinking water coverage in the urban area of the department of La Guajira	%	20%	2019						38%	Final evaluation report based on MVCT data	Drinking water coverage is defined as residential access with a minimum continuity of 8 hours/day and a level of quality that meets national standards.
Sanitation coverage in the urban area of the department of La Guajira	%	25%	2019						27%	Final evaluation report based on MVCT data	Sanitation coverage is defined as residential access to sewer systems with the applicable wastewater treatment or to individual solutions that appropriately treat the sludge.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
OUTCOME #1: Expanded and improved water and sanitation services in Fonseca											
Households with new or upgraded access to the water system	Households	0	2019	-	-			9,463	9,463	Semi-annual progress report	Access is considered to be improved when service continuity reaches at least 12 hours/day.
Disaggregation: Households that include migrants and have new or improved access to the water system	Households	0	2019				500		500	Semi-annual progress report	The neighborhood appraisals, or <i>actas de vecindad</i> , will include descriptions of the beneficiary households.
Average water service continuity in program target areas	Hours/day	8	2019						12	Unified information system reports	Continuity refers to the total number of hours per day that water is available.
Households with new or upgraded access to sewer services in the El Carmen neighborhood	Households	0	2019				700		700	Semi-annual progress report	
Households protected from flood risks for the 25-year return period	Households	0						700	700	Semi-annual progress report	The baseline and target will be redefined when project designs are available.
OUTCOME #2: Improved water service in Urumita											
Households with new or upgraded access to the water system	Households	0	2019					2,550	2,550	Semi-annual progress report	Access is considered to be improved when service continuity reaches at least 8 hours/day.
Disaggregation: Households that include migrants and have improved access to the water system	Households	0	2019				50		50	Semi-annual progress report	The neighborhood appraisals, or <i>actas de vecindad</i> , will include descriptions of the beneficiary households.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
Average water service continuity	Hours/day	2	2019					8	8	Semi-annual progress report	Continuity refers to the total number of hours per day that water is available.
Collection rate (total amount paid/total amount billed)	%	75	2018					85	85	Operator annual financial statements	To be reviewed when preparing the assurance plan for the Urumita service.
OUTCOME #3: Expanded and improved water service in Riohacha											
Households with new or upgraded access to the water system	Households	0	2019					46,160	46,160	Semi-annual progress report	Access is considered to be improved when service continuity reaches at least 11 hours/day.
Disaggregation: Households that include migrants and have new or improved access to the water system	Households	0	2019					1,500	1,500 ¹	Semi-annual progress report	The neighborhood appraisals, or <i>actas de vecindad</i> , will include descriptions of the beneficiary households.
Average water service continuity	Hours/day	6.8						11	11	Semi-annual progress report	

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
Losses per billed user (IPUF)	m ³ /user/month	28.1	2019					17	17	Operator annual reports	$IPUF_0 \frac{AS_0 - AF_{0,ac}}{N_{0,ac} * 12}$ <p>Measured with the rate of losses per billed user (IPUF) where: $IPUF_0$ = IPUF in baseline year AS_0 = Water produced in the baseline year (m³/year) $AF_{0,ac}$ = Consumption of water billed for residential service in the baseline year (m³/year) $N_{0,ac}$ = Average number of water subscribers billed in the year (Source)</p>
OUTCOME #4: Increased participation of women in program outreach and training activities											
% female participants in the health education, payment culture, and efficient resource use campaigns	%	0	2019			50	50	50	50	Campaign reports/ records	
% female participants in plumbing and masonry technical training courses	%	0	2019					30	30	Course attendance lists	
OUTCOME #5: Expanded and improved water services²											
Households with new or upgraded access to the water system	Households	TBD						12,000	12,000		The baseline will be determined once the projects to be financed with the program have been selected.

² For non-sample projects.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
Disaggregation: Households that include migrants and have new or improved access to the water system	Households	0	2019					1,800	1,800	Semi-annual progress report	The neighborhood appraisals, or <i>actas de vecindad</i> , will include descriptions of the beneficiary households.
Average water service continuity in program target areas	%	0	2019						40	Unified information system reports	The baseline and target will be determined once the projects to be financed with the program have been selected.
Households with new or upgraded access to sewer services	Households	0	2019						1,600	Semi-annual progress report	The baseline will be determined once the projects to be financed with the program have been selected.
OUTCOME #6: Increased water quality control											
Water quality analyses performed by the mobile technical assistance unit in program target areas	Number of analyses/ year	0	2019				20	30	50	La Guajira department water and sanitation company reports	

OUTPUTS

Outputs	Unit of measure	Outcome indicator to which it contributes	Costs (US\$)	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ³	Means of verification	Comments
Component 1: Expansion and improvement of urban water and sanitation systems													
Urumita water system improved	Systems	2	3,176,074	0	2019	0	0	1	0	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	Corresponds to phase I, part of the sample
Improved catchment	Catchment		495,251					1			1		
Water pipelines built	Km		940,350				907	1,361			2,268		Includes piping, distribution, and sectorization
Household connections rehabilitated	Connections		252,303				479	1,021			1,500		Includes individual metering
Storage tanks built/rehabilitated	Tanks		468,887					2			2		
Water treatment plant upgraded	Water treatment plant		1,019,283					1			1		
Fonseca water system expanded and improved	Systems	1	5,028,321	0	2019	0	0	1	0	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Storage tanks built	Tanks		505,350					1			1		
Storage tanks rehabilitated	Tanks		140,181					1			1		
Household connections built or rehabilitated	Connections		1,978,822				1,161	1,839			3,000		Includes individual metering
Distribution systems built or rehabilitated	Km		2,112,202				15.0	35.79			50.79		
Raw water bypass piping built	Km		135,928					4.90			4.90		

Outputs	Unit of measure	Outcome indicator to which it contributes	Costs (US\$)	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ³	Means of verification	Comments
Automated loss control system for the Pasoancho-Fonseca pipeline	Systems		155,839					1			1		
Fonseca sewer system built	Systems	1	5,706,631	0	2019	0	0	1	0	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Sewer system built	Km		3,129,443				2,392	3,589			5,981		Includes 700 household connections
Storm drainage systems built	Km		2,577,188				1,914	2,873			4,787		
Riohacha water system improved	Systems	3	14,280,783	0	2019	0	0	0	1	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Water pipelines built or rehabilitated	Km		1,689,361				151	2,302	3,304		5,757		This refers to water piping reinforcements and replacements
Water lines rehabilitated (from the Tapias River water treatment plant in Riohacha)	Km		826,991					20	25		45		
Distribution systems rehabilitated	Km		8,389,241				14	27	29.37		70.37		Includes valves for sectorization
Household connections rehabilitated	Connections		2,713,627				1,000	4,000	3,500		8,500		
Master metering stations built	Stations		661,563						8		8		Includes flow control stations

Outputs	Unit of measure	Outcome indicator to which it contributes	Costs (US\$)	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ³	Means of verification	Comments
Water systems expanded or improved⁴	Systems	4	25,658,127	0	2019	0	0	0	2	2	4	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Sewer systems improved or expanded	Systems	4	3,061,944	0	2019	0	0	0	0	1	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Designs prepared for water and sanitation works	Designs	4	2,298,420	0	2019	0	4	3	0	0	7	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	
Technical training courses on plumbing and masonry	Courses	1, 2, 3, 4, and 5	50,000	0	2019	0	0	1	1	1	3	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) VASB and/or operators' reports	

⁴ Non-sample works.

Outputs	Unit of measure	Outcome indicator to which it contributes	Costs (US\$)	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ³	Means of verification	Comments
Component 2: Support for improving institutional management													
Urumita operator business management system improved	Systems	2	200,000	0	2019	0	1	0	0	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	Includes updating of the user registry and design and implementation of the new business system
Mobile technical assistance unit procured for the regional (departmental) company	Units	6	200,000	0	2019	0	1	0	0	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) VASB compliance reports	
Program communications plan developed and implemented	Plans	1, 2, 3 ,4, and 5	200,000	0	2019	0	0	0	0	1	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) VASB compliance reports	
Health education, payment culture, and efficient resource use campaigns with a gender approach developed and implemented	Campaigns	1, 2, 3 ,4, and 5	300,000	0	2019	0	0	1	1	1	3	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	

Outputs	Unit of measure	Outcome indicator to which it contributes	Costs (US\$)	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ³	Means of verification	Comments
Water quality measurement kit procured for Corpoguajira	Kits	6	100,000	0	2019	0	0	0	1	0	1	(i) Progress monitoring reports (ii) Reports by the contracted firms (iii) Compliance reports by the VASB and/or the operators	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Colombia
Project number:	CO-L1242
Name:	Water and Sanitation Program for the Department of La Guajira
Executing agency:	Ministry of Housing, Cities, and Territory (MVCT)
Prepared by:	Patricio Crausaz and Miguel A. Orellana, Financial Management Specialists; Eugenio Hillman, Lead Procurement Specialist (VPC/FMP)

I. EXECUTIVE SUMMARY

- 1.1 The borrower will be the Republic of Colombia, and the executing agency will be the Ministry of Housing, Cities, and Territory (MVCT), acting through the Office of the Deputy Minister of Water and Basic Sanitation (VASB). The MVCT has been found to have the capacity to execute its current portfolio. However, for this new operation, its technical and operational teams will need to be strengthened. It will also need support from a comprehensive project management unit (CPMU) for financial management, resource administration, and program procurement activities. The fiduciary risk in financial management and procurement is medium.
- 1.2 The VASB is currently executing the following Bank operations:
 - a. 2732/OC-CO, through a project implementation team with the support of a CPMU, under Aguas Nacionales S.A.S., of the Empresas Públicas de Medellín Group; and
 - b. 4446/OC-CO, through a project coordination unit (PCU) with the support of a CPMU and fiduciary entity.
- 1.3 According to the public expenditure and financial accountability assessment,¹ Colombia's public financial management system is a mature system that performs well in most areas; however, it does not fully meet international standards. From a regulatory perspective, the public procurement system is consistent with internationally accepted practices, and its use has been accepted for Bank loans. The two systems will both be partially used in program execution. The CPMU will use its own systems for budgetary, accounting, and cash management control, in order to generate reports for the MVCT.
- 1.4 Financing for the program will come from three sources: (i) a loan from the IDB's Ordinary Capital for Col\$181,759,500,000; (ii) nonreimbursable resources from the

¹ The latest public expenditure and financial accountability report for Colombia is from October 2016. It applied an international standard known as a frame of reference to measure public financial management performance.

Grant Facility (GRF) for US\$7,750,000; and (iii) a contribution for US\$5,000,000 made by the Swiss Agency for Development and Cooperation (SDC), through a project-specific grant (PSG).

- 1.5 The Bank may provide retroactive financing, as a charge against the loan, for up to Col\$23,629,000,000 in eligible expenditures made by the executing agency prior to the loan approval date and after 25 July 2019, provided that requirements substantially similar to those established in the loan contract have been satisfied.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The MVCT, acting through the VASB, will have technical and fiduciary responsibility for program execution, through a program coordination unit (PCU). The VASB has a full-time team of professionals who conduct the technical, social, environmental, and financial evaluation of water and sanitation programs through a single window system.
- 2.2 The MVCT, acting through its Finance and Budget Department, will use the SIIF Nación 2 integrated financial information system for accounting purposes. It is also responsible for meeting the Bank's requirements. The PCU will consolidate the accounting information generated by the CPMU, the fiduciary entity, and the MVCT and will prepare the project's financial statements. The CPMU will be responsible for executing the financial and administrative procedures for the budget, cash management, and accounting, as well as for the general financial reports for the activities and contracts it handles by order of the MVCT.
- 2.3 The MVCT has the appropriate structure for processing procurements that are financed with local resources. However, that is not the case for procurements financed by multilateral banks. Therefore, its capacity must be built in order to meet the needs of this new operation.
- 2.4 The executing agency will be supported by a CPMU for the program's technical, administrative, fiduciary, and operational execution.
- 2.5 The program's cash management will be handled by a fiduciary entity, to be contracted.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 A risk management assessment was performed following Bank methodology, with the participation of MVCT officials. This assessment identified one medium-level risk in financial management and procurement:

Executing agency	Type of risk	Risk	Level	Mitigation action
MVCT	Financial management - Procurement	Delays in implementation of the procurement plan	Medium	(i) Training for MVCT staff on IDB policies and procedures (ii) Begin technical cooperation procedures: Contracting of consultant to prepare the terms of reference of the CPMU and the fiduciary entity.

- 3.2 Evaluation of the institutional capacity for procurement and financial management will be monitored after the first year of execution.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The inclusion of fiduciary conditions is not required prior to the first disbursement.
- 4.2 All disbursements of the GRF resources will be at the Bank's discretion and will be indicated in a notification of approval sent to the beneficiary.
- 4.3 For the nonreimbursable financing denominated in U.S. dollars, the executing agency will provide documentation substantiating expenditures using the exchange rate for the payments made from the special account in United States dollars to Colombian pesos (monetization rate).

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 **Procurement of works, goods, and nonconsulting services:**² Works, goods, and nonconsulting services will be procured in accordance with the policies set forth in document GN-2349-15. Bidding processes subject to international competitive bidding (ICB) will be conducted using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank.
- 5.2 **Procurement, selection, and contracting of consultants:** Consulting service contracts required for the project will be executed in accordance with the policies set forth in document GN-2350-15 using the standard request for proposals agreed upon with the Bank.
- 5.3 **Policy for the selection of individual consultants:** Individual consultants will be selected in accordance with the policies set forth in document GN-2350-15 or its subsequent updates.
- 5.4 **Recurrent costs:** The necessary recurrent and operating costs incurred during the life of the program will be financed, provided they are included in the annual work plan approved by the Bank and are executed in accordance with executing

² [GN-2349-15](#) paragraph 1.18, [GN-2350-15](#) paragraph 1.25. The Borrower shall prepare and, before loan negotiations, furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank...[for] the initial period of at least 18 months.

agency or CPMU administrative procedures. The CPMU's costs will be reimbursed with a fixed monthly payment based on the operating cost and a variable payment based on the results achieved.

5.5 Use of the country procurement system: The country procurement system approved by the Bank, the Colombian Public Procurement and Contracting System (SCCPC), may be used to procure:

- Contracts for public works, goods, services, and consulting, with values below the threshold established for use of the international competitive bidding and international shortlist methods.
- Individual consultant contracts.³

Certain specific SCCPC provisions and their regulations will not be applicable: (i) to allow protests to be submitted during procurement processes, the SCCPC measures prohibiting them will be excluded, as will (ii) the SCCPC provisions and regulations on direct contracting.

Table 1. Threshold amounts (US\$)⁴

WORKS		GOODS		CONSULTING SERVICES	
ICB*	NCB (complex works)**	ICB	NCB** (complex goods)**	Consulting advertised internationally	Shortlist without nationality restrictions
US\$10 million or more	Between US\$350,000 and US\$10 million	US\$1 million or more	Between US\$50,000 and US\$1 million	US\$200,000 or more	US\$500,000 or less

* Simple works valued less than the threshold for ICB may be procured using the shopping method.

** Off-the-shelf goods valued at less than the threshold for NCB may be procured using the shopping method.

5.6 Main procurement items. Procurements for the first 18 months are outlined in the program's procurement plan ([required link 4](#)).

5.7 Procurement supervision. The initial review method for the procurement of goods, services, and consulting services will be ex ante, as long as the project team does not decide otherwise. This excludes direct contracting processes, which will always be reviewed ex ante. Ex post reviews will be conducted every 12 months at a minimum, as part of the financial audit of the project.

Table 2. Ex post review thresholds (US\$)⁴

Ex post review threshold*		
Works	Goods	Consulting services
US\$10,000,000	US\$1,000,000	US\$200,000

*** Ex post review is subject to the paragraph on procurement supervision.⁵

³ These contracts will be indicated in the procurement plan and will follow national procedures, including the country's guidelines on compensation for public sector consultants.

⁴ Amounts in U.S. dollars are for reference. The thresholds will be set in Colombian pesos at the exchange rate in effect on the date of the request for no objection or publication.

⁵ [GN-2349-15](#) Appendix 1 and the loan contract.

- 5.8 **Records and files.** The executing agency and the CPMU will retain complete documentation on procurement processes, as applicable, in the physical or digital archives as part of each entity's documentary management system. The system used by the CPMU must administer and archive the duly digitalized procurement documents. The documentation managed by the CPMU, upon completion of project execution, will be sent to the MVCT's central archives.

VI. FINANCIAL MANAGEMENT

- 6.1 Financial management will be conducted in accordance with the Financial Management Guidelines for IDB-financed Projects (OP-273-12) or updates thereto and supplementary guidelines. The MVCT will use the SIIF Nación 2 for program budgetary, accounting, and cash management control. The CPMU will handle the detailed accounting and financial control of the program, with support from a fiduciary entity that will be responsible for administering the program funds transferred by the MVCT. The PCU will consolidate the accounting information, including financial and accounting reports issued by the MVCT, CPMU, and fiduciary entity, and will coordinate financial and administrative procedures for the budget, cash management, accounting and general financial reports.
- 6.2 The fiduciary entity will be responsible for managing the cash involved in paying the CPMU, the fiduciary fee, and the contractors for the works, services, and consulting retained by the CPMU in connection with its contractual responsibilities.
- 6.3 **Programming and budget.** The MVCT's overall budget must include space for the execution of program resources. The executing agency must create the budget lines for the program resources based on classification by the investment and distribution of resources categories established in the cost and financing table of the sole annex to the loan contract, so that program financial reports will be automatically generated by the SIIF Nación 2.
- 6.4 **Accounting and information systems.** Program accounting records will be kept according to the accrual accounting method and the governmental accounting standards in force in the Republic of Colombia in the SIIF Nación 2 system. However, special-purpose financial statements will be prepared on a cash basis.
- 6.5 **Disbursements and cash flow.** The MVCT will apply to open an account denominated in foreign currency at Banco de la República or at the banking institution specified by the Ministry of the Treasury and Public Credit (MHCP) for proceeds from the nonreimbursable financing and an account denominated in Colombian pesos for proceeds from the loan, for each program financial instrument and exclusively for program funds. The MVCT will submit disbursement requests for the loan proceeds to the MHCP, which will submit them to the Bank. The disbursement requests for GRF funds will be approved by the MHCP before the MVCT sends them to the IDB. The loan and GRF resources will be disbursed *pari passu*. The MHCP will confirm the *pari passu* requirement by source before issuing its approval of the requests. The principal disbursement method will be advance of funds, based on the planned liquidity needs for a maximum period of six months. The cash flow planning sent with the disbursement requests must be consistent with the annual work plan and the procurement plan, for which the Bank will have

- previously issued its no objection, and will cover a rolling horizon of at least 12 months. The MVCT will justify at least 80% of the pending cumulative advances by source before obtaining access to another advance. Expenditures charged to the nonreimbursable financing will be documented using the exchange rate of the conversion of the funds disbursed in United States dollars to Colombian pesos, i.e., the monetization rate. The MVCT will instruct the fiduciary entity to transfer the resources in local currency at the request of the CPMU based on the projected cash needs for signed and formalized program execution commitments. To that end, the fiduciary entity will open a special account in local currency at a bank in the Colombian financial system. The fiduciary entity will perform a monthly reconciliation of the funds received and spent and will report to the CPMU and the MVCT. Documentation supporting outflows will be reviewed ex post.
- 6.6 **Internal control and internal auditing.** Although the MVCT has an internal control office and professional staff for this work, the program will not use the subsystem since it does not include specific activities for controlling projects financed by multilateral organizations in the annual internal audit plans.
- 6.7 **External control and reports.** External control of the program will be performed by the Bank's choice of either an eligible external audit firm or the Office of the Comptroller General of the Republic. The firm will be retained by the MVCT with program resources, pursuant to the procedures, terms of reference, and request for proposals that have received the Bank's no objection. The external audit of the program will cover all components and resources received and invested from all financing sources.
- 6.8 The auditing services will be financed with program resources. The program's special-purpose audited financial statements will be sent to the Bank within 120 days following the close of each of the agency's fiscal years during the original disbursement period or the extension thereof, if applicable. The final audited financial statement will be submitted within 120 days following the date of the last disbursement. Pursuant to the Bank's current Access to Information Policy, the program audited financial statements will be published on Bank systems.
- 6.9 **Financial supervision plan.** A fiduciary supervision plan tailored to the program's needs will be prepared and executed on an annual basis.
- 6.10 **Execution mechanism.** The execution mechanism is described in the annex covering the institutional capacity of the executing agency and in the program Operating Regulations.
- 6.11 **Other financial management agreements and requirements.** The fiduciary agreements and requirements included in this annex may be amended depending on program dynamics and based on updates to the risk analysis and the institutional capacity assessment performed during program execution.

PROGRAM OF DRINKING WATER AND SANITATION FOR THE DEPARTMENT OF LA GUAJIRA

CO-G1017

CERTIFICATION

I hereby certify that this operation will be authorized for financing through a Project Specific Grant (PSG) administration agreement or agreements for an amount of up to **US\$5,000,000** to finance the activities described and budgeted in this document.

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:	<u>(original signed)</u>	<u>10/11/2019</u>
	Sonia M. Rivera	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Colombia. Loan ____/OC-CO to the Republic of Colombia
Water and Sanitation Program for the
Department of La Guajira

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Colombia, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Water and Sanitation Program for the Department of La Guajira. Such financing will be for the amount of up to COP181,759,500,000¹ from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 20__)

LEG/SGO/CAN/EZSHARE-1274791288-22560
CO-L1242

¹ Colombian Pesos

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/_

Colombia. Nonreimbursable Investment Financing ____/GR-CO to the Republic of Colombia
Water and Sanitation Program for the Department of La Guajira

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Colombia, as beneficiary, for the purpose of granting it a nonreimbursable investment financing to cooperate in the execution of the Water and Sanitation Program for the Department of La Guajira. Such nonreimbursable investment financing will be for an amount of up to US\$7,750,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Nonreimbursable Financing Proposal.

(Adopted on ____ 20__)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Colombia. Nonreimbursable Investment Financing GRT/___ -____-CO
Water and Sanitation Program for the
Department of La Guajira

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 US\$5,000,000 chargeable to the resources granted by the Swiss Agency for Development and Cooperation (COSUDE), 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 described in the Nonreimbursable Financing Proposal.

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 Swiss Agency for Development and Cooperation (COSUDE) as may be necessary to receive and administer resources for the purposes described the Nonreimbursable Financing Proposal specified in paragraph 1 above, and to adopt any other measures as may be pertinent for the execution of said agreement or agreements.

3. That the authorization granted in paragraph 1 above will be effective once the Bank and the Swiss Agency for Development and Cooperation (COSUDE) have entered into the corresponding agreement or agreements to which reference is made in paragraph 2.

(Adopted on _____ 20__)