

## TECHNICAL COOPERATION ABSTRACT

CO-T1543

### I. Basic project data

▪ Country/Region:	Colombia
▪ TC Name:	Fiscal and Public Investment Expenditure Strengthening Program for Municipalities, their Decentralized Agencies, and Metropolitan Areas
▪ TC Number:	CO-T1543
▪ Team Leader/Members:	Francisca Rojas (CSD/HUD), Project Team Leader; Isabel Granada (VPS/001), Alternate Project team Leader; Gil Byungwoo (INE/WSA), Veronica Adler, Patricio Zambrano-Barragán, Manuela Palacio, and Jessica Guzmán, (CSD/HUD); Joaquin Tres, Mariana Sobral, Yannick Detchou, Brusatin Cadavid, Nicola, Holguin Madrinan, Alejandra (VPS/001); Javier Jiménez, Guillermo Eschoyez (LEG/SGO); Patricio Crausaz, Eugenio Hillman (VPC/FMP); Victoria Eugenia (ORP/REM); Eduardo Café, Vanessa Sayos (consultants).
▪ Taxonomy	Client Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Date of TC Abstract:	December 6 <sup>th</sup> 2019
▪ Beneficiary	Colombia
▪ Executing Agency	Empresa Nacional Promotora del Desarrollo Territorial (ENTerritorio)
▪ IDB financing requested:	US\$4 million
▪ Disbursement period (which includes execution period):	36 months
▪ Required start date:	December 2019
▪ Types of consultants	Individual consultants and consulting firms
▪ Prepared by Unit:	Housing and Urban Development Division (CSD/HUD); Migration Initiative (VPS/001)
▪ Unit of Disbursement Responsibility:	Colombia Country Office (CCO)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	<u>Development Challenges</u> : Social Inclusion and Equality. <u>Cross-Cutting Issues</u> : Institutional Capacity and the Rule of Law; and gender equality

### II. Objective and Justification

- 2.1 Between 2016 and 2018, the annual arrival of Venezuelan migrants to Colombia accelerated sharply, from approximately 40,000 people (2016) to more than 900,000 (2018). This influx has continued and, as of June 2019, *Migración Colombia* reported 1,408,055 Venezuelans residing in the country, an increase of 20% with respect to January of 2019. Most Venezuelan migrants are concentrated in Colombia's

metropolitan areas (76%), with 24% of those in border cities, putting additional pressure on subnational governments' pre-existing development gaps in public finance, management, urban infrastructure and services. Migrants are concentrating in sectors of the city with deficits in urban services and housing, deepening existing urban segregation patterns (DNP, 2018).

- 2.2 The government of Colombia requested the support of the Inter-American Development Bank (IDB) and its donors to implement its multisector migrant support strategy by focusing on broader access to shelter, water and sanitation services, and the improvement of information systems to track the influx and integration process of migrants. The investment operation CO-L1155-3596/OC-CO<sup>1</sup> was identified as an adequate operational framework to address cities' specific migrant-related challenges, so that by leveraging with non-reimbursable resources it could provide differential solutions to Colombian cities most affected by migration inflows.
- 2.3 **Empirical evidence, Korea Government experience and additionality.** Korea's experience in addressing the challenges of rapid urbanization is consider key in supporting Colombian cities' needs, especially those exacerbated by migration inflows. The Bank has collaborated with Korea in matters of urbanization for the TC Lessons from Korea: Policy Recommendations for Rental Housing in Latin America (RG-T2581; ATN/KR-15068-RG) which recommended that (i) a joint national-subnational approach is key; (ii) using existing urban frameworks for increasing rental supply is better than massive new developments; and (iii) innovative financing mechanisms are needed to overcome the challenge of limited government funds. Another TC, entitled Local Housing solutions and private sector involvement: Korean experience for LAC cities (RG-T3059), further explored these ideas in specific LAC cities. Additionally, the TC Knowledge Exchange and Research on Korean Experience with Infrastructure Services for Latin America and the Caribbean (RG-T3558) is seeking to identify instances of Korea's use of technology to measure infrastructure efficiency, and disseminate lessons learned in view of applying them in LAC.
- 2.4 The Korean experience is even more valuable given that Korea tackled its own informal housing issues through the Joint Redevelopment Program (JRP), an urban renewal strategy introduced in 1984 that replaced informal settlements and delivered over a million housing units, relying on collaboration between central and local governments, local community and private sector engagement, and innovative land-use policymaking.
- 2.5 **Objective:** This technical cooperation (TC) seeks to support the government and selected Colombian cities in their process of understanding and managing the impacts of migration, with a focus on housing and urban development. It aims to support solutions based on Korea's creative technologies and successful experience achieving rapid, inclusive urban development for vulnerable people. This objective is aligned with

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<sup>1</sup> Originally designed and approved in 2015 for US\$150M to support Colombian cities in improving their fiscal management and public investment capacity. Currently the program has disbursed 29.9% of total resources.

the CO-L1155 loan operation's general purpose and its components<sup>2</sup>, focused on contributing to the improvement of fiscal and urban sustainability in five municipalities through the financing of institutional strengthening and physical investment projects.

- 2.6 The resources of this TC will be combined with additional non-reimbursable resources (€10 million) approved by the European Union's Latin American Investment Facility (EU-LAIF) in support of the above-mentioned IDB loan operation to improve cities' capacity to proactively respond to those challenges derived from migration, advancing the IDB Migration Initiative objectives of supporting countries that have received intraregional migration that represents over 0.5% of its total population and focusing investments in migrant receiving communities. Donor funds from the EU and Korea totaling US \$15 million could match up to US \$60 million in loan CO-L1155-3596/OC-CO financing.
- 2.7 **IDB Strategy Alignment:** This operation is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is strategically aligned with the development challenges of: (i) Social Inclusion and Equality by developing the institutional mechanisms for cities to integrate migrants and address the corresponding challenges faced by recipient communities; and (ii) Gender and Diversity, especially as it regards women, children and minorities among the migrant and local populations; (iii) Institutional Capacity and the Rule of Law by supporting territorial entities in the process of planning and prioritizing interventions as well as piloting potential innovative solutions for housing and urban development, both key areas for social integration of migrants and recipient communities.
- 2.8 **Alignment with the KPK.** This operation is aligned with the KPK's objectives as it focuses on using information technology solutions and analytical work to establish urban expansion policy priorities, and innovation-related pilots and training initiatives to increase municipalities' capacity to manage and plan for housing and urban expansion. Moreover, the intended beneficiaries of this TC align with those of the KPK, namely governments (national and subnational) and local communities.

### III. Description of Activities and Outputs

- 3.1 This TC will finance the following activities structured in three major components.
- 3.2 **Component 1: Urban Management System (US\$770,000).** This component will support the design of a single window Migrant Assistance Model (MAM) and a performance-based management system at the subnational government level to assist migrants in accessing urban services and advance urban integration and regularization through streamlined procedures. Principal activities include: (i) the baseline and diagnostic studies of existing management systems and processes used by subnational governments to support migrant integration; and (ii) the design of the single window MAM and performance-based mechanisms to assist migrants.
- 3.3 **Component 2: Urban Development through Masterplans for Housing, Urban Design and Innovative Housing Pilots for Migrant Receiving Communities**

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<sup>2</sup> Original loan components include: Component 1: Improvement of Fiscal Management; Component 2: Urban Development and Component 3: Improvement of utilities

**(US\$1,930,000).** This component will finance: (i) the design of comprehensive municipal investment plans for selected cities (master plans) using assessments of migrants' impacts on housing and urban infrastructure demand as a key criterion for urban expansion and densification strategies, as well as identifying potential project pipelines and financing solutions to cope with the high demand for urban services and infrastructure; and (ii) the design and piloting of innovative, incremental housing solutions and housing improvement approaches in migrant-receiving neighborhoods. The incremental housing design pilots and housing improvement approaches will aim to be located in urban areas that have the capacity to accommodate new residents, who could complete and expand such houses over time with their own resources. The execution of this component will take advantage of knowledge developed by institutions like the Korea Research Institute for Human Settlement and Korea Institute of Civil Engineering and Building Technology.

- 3.4 **Component 3: Feasibility Studies for Public Utilities and Capacity Building<sup>3</sup> for Colombia (\$1,300,000).** This component will finance: (i) public infrastructure feasibility studies; (ii) training on innovative financial tools for affordable housing; (iii) the design of an apprenticeship program to build capacity on incremental housing solutions; and (iv) workshops, publications and study tours for knowledge sharing.
- 3.5 **Expected results.** This TC is expected to produce the following results: (i) the design of a MAM and performance-based management systems that support local governments in advancing migrants' socio-urban integration; (ii) comprehensive municipal investment plans for major cities, including plans for urban expansion and densification; (iii) design and implementation of incremental housing pilot projects, (iv) feasibility studies for public utilities and infrastructure; (v) training on affordable housing financing, incremental housing solutions, and general exchanges of knowledge between stakeholders; and (vi) exchange of urban development knowledge between Korea and Colombia.
- 3.6 **Additionality.** The project will draw from Korea's experience in developing management tools and plans for [smart cities](#), using advanced analytics to understand migrant dynamics and incorporating insights into spatial planning, economic development and urban management decision-making. Previous work by the Korean government on flexible housing solutions will enrich urban design plans where subnational entities can incorporate notions of temporality and flux, considering urban growth scenarios where neighborhoods consolidate incrementally through strategic investments and residents' own resources. The activities proposed are consistent with KPK priorities to strengthen the capacity of territorial entities in public policy planning, monitoring and execution, particularly by utilizing data related to living conditions and access to basic services as a basis for prioritizing interventions and beneficiaries in urban projects.
- 3.7 The table below describes the indicative budget for this TC

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<sup>3</sup> Includes costs associated to the Project Execution Unit by ENTerritorio.

### Indicative Budget (U.S dollars)

Activities	Description	Total Funding
Component 1. Urban Management System	Baseline and diagnostic studies of existing management systems utilized by subnational governments to support migrant integration; and the design of the single window MAM and performance-based mechanism	0.77
Component 2. Urban Development through Master Plans for Housing, Urban, Piloting of Innovative Housing for Migrants and Recipient Communities	Public infrastructure feasibility studies required for neighborhood habitability, consolidation and urban expansion; and pilots of housing improvement and or incremental housing solutions in migrant receiving communities	1.93
Component 3. Feasibility Studies for Public Utilities and Capacity Building for Colombia	Public infrastructure feasibility studies Training for innovative financial tools for affordable housing; and training, apprenticeship and knowledge sharing for housing and urban design	1.3
<b>Total</b>		<b>4.0</b>

## IV. Executing Agency and Execution Structure

- 4.1 This TC will be executed by the Empresa Nacional Promotora del Desarrollo Territorial<sup>4</sup> (ENTerritorio in Spanish). This operation will be overseen by a Steering Committee<sup>5</sup> (SC). Selected subnational entities will request access to resources for specific projects and will receive technical support from the government's Border Management Unit and the Project Execution Unit (PEU) at ENTerritorio. The Steering Committee will coordinate and have a close execution, supervision and evaluation strategy with the PEU.

## V. Project Risks and issues

- 5.1 The main risks are: (i) lack of coordination between the different levels of government; and (ii) institutional weaknesses and low technical capacity of the beneficiary cities' authorities. These risks will be mitigated by designating a Project Manager and a minimum project team at ENTerritorio to articulate implementation, monitor activities, and financial and procurement issues. Also, coordination meetings and monitoring sessions will be held with the SC and the different actors before and during execution of the TC.

## VI. Exceptions to Bank Policies

- 6.1 No exceptions to Bank policies has been identified.

<sup>4</sup> A technical entity under the DNP, created to support municipalities and regional departments in the construction of strategic projects with high social impact.

<sup>5</sup> The steering committee will be comprised of at least one member of the European Commission and its delegation in Colombia, at least one delegate of the KPK, and a representative of the Presidency of the Republic, the National Planning Department and the Bank. This decision-making body will analyze migration challenges and municipalities' institutional capacity to make effective investment decisions.

**VII. Environmental and Social Classification**

- 7.1 In accordance with the Environment and Safeguards Compliance Policy (document GN-2208-20 and Operational Policy OP-703), this operation does not require classification as it involves financial intermediation.