

TECHNICAL-COOPERATION LOAN IN SUPPORT OF PRIVATIZATION
AND CONCESSIONS IN INFRASTRUCTURE

(CO-0179)

EXECUTIVE SUMMARY

**BORROWER AND
GUARANTOR:** Republic of Colombia

EXECUTING AGENCY: Ministry of Finance [Ministerio de Hacienda y Crédito
Público] (MHCP) and National Department of Planning
[Departamento Nacional de Planeación] (DNP)

AMOUNT AND SOURCE: IDB: US\$12.5 million
IBRD: US\$12.5 million
Local counterpart funding: US\$ 8 million
Total: US\$33 million

**FINANCIAL
TERMS AND
CONDITIONS:** Amortization period: 20 years
Disbursement period: 4 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee: 0.75%

OBJECTIVES: This operation is designed to support the privatiza-
tion process and concessions to operate services in
the energy, transport, telecommunications and water
and sanitation sectors. Its specific objectives are:
to consolidate the applicable regulatory framework in
each of these sectors; to improve public sector
capacity for administering concessions and private
operations; to strengthen the process of granting
concessions and privatization at the national,
departmental and municipal levels; and to identify
and promote specific projects that will help to
facilitate and expand this process in the future.

DESCRIPTION: The program will help to consolidate the regulatory
framework in each sector; meet institutional require-
ments; design and improve the system of granting
concessions and other mechanisms for promoting
private-sector participation in national, depart-
mental and municipal infrastructure; and support
preparation of prefeasibility studies, bidding
documents and models of the contracts that would be
subsequently awarded.

An important aspect of the program will be to help
prepare documentation for specific projects, to

provide institutional support for the beneficiary agencies, and to assist with the process of privatization and concessions until completion of the program.

Given its broad objectives, the program must be sufficiently flexible to respond to needs that arise during execution. For this reason, execution will be based on semi-annual operating plans covering the activities, objectives, and specific goals planned for each six-month period. Any activity that is added to the plan of operations will have to satisfy certain criteria for eligibility based on the potential for attracting private investment to the sector, the interest expressed by the beneficiary and the support received, and the extent to which the results can be disseminated. These activities will closely complement initiatives now being financed by both the Bank, under its MIF programs, and the IBRD.

Since the program will cover a broad range of infrastructure activities in various sectors, the organizations benefitting from its execution will include the DNP and MHCP; the Ministries of Transport, Mines and Energy, Communications, and Environment; the Civil Aviation Authority; the CREG, CRT and CRAS; the Office of Port Authority [Superintendencia General de Puertos]; the INVIAS; and a number of departmental and municipal agencies. Given its multisector nature, other sectoral bodies may eventually benefit from this program as well.

ENVIRONMENTAL CLASSIFICATION: The Environment Committee, at its meeting of October 16, 1995, classified this as a Category III operation. The legal and institutional environmental framework and the environmental activities proposed are described in chapters I and III.

IMPACT ON POVERTY: Not applicable

EXCEPTIONS TO BANK POLICY: It is recommended that the UNDP be hired directly to provide administration services for the program (paragraph 3.41).

It is further recommended that activities performed by consultants under contracts valued at the equivalent of US\$50,000 or less be evaluated and approved by the Bank after the fact and not in advance as is the usual procedure. During execution of the program the effectiveness of this method will be evaluated in order to determine whether it should be continued (paragraph 3.45).

Owing to the peculiar nature of the international services market, price is the factor that determines to whom a contract is awarded. It is, therefore, recommended that, in the case of specialized consultants (investment banks or consortiums led by investment banks) hired to assist with the process of privatization and concessions that involve contracts valued in excess of US\$200,000, the bids be assessed by a combined technical and economic evaluation (paragraph 3.48).

**CONDITION
PRECEDENT TO
THE FIRST
DISBURSEMENT:**

An agreement must have been signed with the UNDP for the administration of services for the program (paragraph 3.43).

**PROCUREMENT
THRESHOLD:**

All goods valued in excess of US\$350,000 must be procured by international competitive bidding (paragraph 3.49).

**THE BANK'S
COUNTRY
STRATEGY:**

The program is consistent with the Bank's strategy for Colombia which seeks to support the modernization of the country's economy. This strategy targets programs that assist the least favored sectors of society, as well as those that protect the environment. This requires financing not only to increase social spending by government, but also to promote the efficiency and equity of services through support for institution building and enhancement of factor productivity, particularly productive infrastructure.

BENEFITS:

The main benefit stems from the overall shift toward increased private-sector participation in the development and financing of infrastructure works, thereby increasing supply and improving the quality of service. Devising clear and uniform rules for each sector will generate more opportunities and lead to a more competitive market. An awareness of the specific risks associated with each aspect of the operation and of the most appropriate ways of handling them will enable the public sector to play a more efficient role. The privatization of existing companies will stimulate local capital markets and provide an approach for phasing out the State's presence in productive activities.

RISKS:

The risks associated with the program concern three areas: (i) coordination; (ii) participation by beneficiary enterprises; and (iii) financing for the recommended activities. The mechanisms for coordination between the two executing agencies, and the existence of an oversight committee to establish priorities, set goals, avoid duplication of efforts,

and save time on tasks that do not contribute to the objectives of the program will help to minimize the first risk. As to the second risk, once an activity requiring participation by a beneficiary enterprise has been identified, the latter must reach agreement with the executing agency on the scope and objectives of the technical assistance and on activities associated with the operation. With respect to the third risk, the program will identify areas in need of financing arising from the implementation of the recommendations and possible sources of funding. The high percentage of counterpart resources used in all areas of the program suggests that this risk is not significant.

I. BACKGROUND

A. Introduction

- 1.1 Since the beginning of the present decade, the Bank has been promoting a process of structural change in Colombia through two IDB-financed sector programs: the public sector reform program (PRSP) co-financed with the World Bank (615/OC-CO; PR-1752), and an investment sector program (PSI) (640/OC-CO; PR-1799). These programs, which have now been successfully completed, helped to pave the way towards modernizing administration of the public sector and promoting competition and private-sector participation in areas where the State has traditionally enjoyed a monopoly, or at least held a dominant position.
- 1.2 The successful execution of these programs has been due largely to the government's strong commitment, combined with support in the form of parallel technical-cooperation funding. The IDB and the World Bank together provided a total of US\$13 million in technical cooperation for the PRSP (662/OC-CO; IDB contribution: US\$5 million). The IDB also provided technical-cooperation funding for the PSI in the amount of US\$5 million (666/OC-CO) to finance activities that were essential for meeting the conditions laid down in the programs. This funding enabled the authorities to carry out other reforms not planned as part of the programs themselves but recommended in background studies, thereby broadening the initial scope of the sector.
- 1.3 The purpose of this document is to present a program of technical cooperation designed to bolster the privatization process and to promote concession arrangements for infrastructure in Colombia. This chapter gives the background to the program, chapter II outlines its objectives, and chapter III contains a description of its components and aspects relating to the organization and execution of the operation. Chapters IV and V deal with the benefits and risks associated with the program and the process of evaluating its results.

B. Macroeconomic context

- 1.4 The Colombian economy again showed signs of stability and moderate growth in 1995, despite the political crisis that erupted in the second half of the year. Gross domestic product (GDP) is estimated to have risen by 5.3 percent led by investments and exports, while domestic savings improved slightly to 8.8 percent of GDP. On the external side, although exports outpaced imports this was not enough to offset a balance of payments deficit equivalent to 5.1 percent of GDP. The good news is that this shortfall was financed almost entirely with long-term capital.

- 1.5 The nonfinancial public sector deficit was in the neighborhood of 0.5 percent of GDP due to preliminary overestimates of tax revenues and earnings from the Fondo Nacional del Café, and despite repeated cuts in spending by the government during the year. Significant progress was made in reducing the rate of inflation, which dropped by almost 3 percentage points to 19.5 percent in December 1995, its lowest rate in the last 10 years.

C. Private-sector participation in infrastructure

- 1.6 Private investment in infrastructure projects affects both macroeconomic policy and the central government's debt strategy by competing for financial resources in local and international markets. As well, these projects entail guarantees and liabilities that can put a drain on public finances.
- 1.7 In light of this situation, the government has decided to create mechanisms to ensure that private investment in infrastructure conforms to the goals of its economic plan. The government is also seeking to share risk adequately among the players, and to establish clear guidelines for the bidding process and the awarding of contracts so that projects offered to the private sector will be of high quality.
- 1.8 To this end, various modalities have been worked out in recent months for allowing the private sector to participate in the construction, financing, operation and ownership of infrastructure projects. These modalities include granting concessions, forming strategic associations and/or privatizing public enterprises, or placing them under private administration.
- 1.9 For effective coordination of the process of private-sector involvement in infrastructure activities, the government created the Joint Institutional Committee on Private-sector Participation (CIPP) and the Office of Private-sector Participation which comes under the DNP in April 1995. The mandate of this committee 1/ is to provide technical assistance and to make recommendations on a general framework for private-sector participation, and especially on the impact of national, departmental and municipal projects on financial markets; efforts to ensure uniformity of bidding procedures and guarantees issued by the State and contracting entities. In addition, the Committee is responsible for monitoring the projects under way, in cooperation with the sector agencies concerned. The Office is in charge of promoting participation by the private sector. It also monitors projects, provides technical support to the CIPP, and designs and manages investment promotion schemes.

1/ The Committee comprises representatives from the MHCP and the DNP, the Minister responsible for the sector concerned with the project, and the manager of the executing entity.

- 1.10 The following paragraphs contain background information on each area in which infrastructure works are planned under the program.

D. Energy sector

- 1.11 Colombia's electric power system produces approximately 10,000 MW of electricity, of which 78 percent is generated by hydroelectric plants and 22 percent by thermal power plants (fired mainly by natural gas). Demand which stands at about 40,000 Gwh is expected to grow at an annual rate of 5 percent over the next 10 years. Three vertically integrated, regional utility companies, Empresas Públicas de Medellín (EPM), Empresa de Energía de Bogotá (EEB) and Corporación Eléctrica de la Costa Atlántica (CORELCA), together account for 60 percent of generating capacity. Empresa Colombiana de Generación (ISAGEN), which emerged from a break up of the power generation and distribution functions of Interconexión Eléctrica, S.A., accounts for another 25 percent of generating capacity.
- 1.12 Since the beginning of this decade, the government, with the help of such programs as the PRSP, has been restructuring the electricity sector in order to increase efficiency and attract private investment in the system. The Public Utilities and Electric Power Acts passed in 1994 put in place the necessary legal framework for consolidation of the sector.
- 1.13 The most important features of the sector's new structure are competition between generating companies; the break up of vertical integration through the separation of generation, transmission and distribution functions; creation of a wholesale energy market based on long-term contracts at prices freely negotiated between generating and distributing companies, and large-scale consumers, with an energy exchange on which short-term energy contracts are traded at marginal prices determined on a daily basis; and free access to transmission and distribution networks, which permits exchanges between agents, regardless of where they are located.
- 1.14 As part of this new framework, the Regulatory Commission for Energy and Gas (CREG) was created to oversee activities in the sector, promote competition and protect consumers, and the Office of the Superintendent of Public Services (SSP) was established to enforce legislation and the regulations of the CREG. The CREG's efforts have centered on drafting codes and regulations that ensure transparency in the energy market, and on organizing the bodies responsible for operation of the system. The SSP has gradually assumed a highly interventionist role which could detract from efforts to encourage private investment in the sector.
- 1.15 The government is about to sell off its interest in two hydroelectric and five thermogenerating stations (a total of approximately 1,800 MW), in an initial stage. In order to maximize revenue from these sales, without having to resort to onerous power purchase agreements (PPAs), the regulatory framework will have to dismantle

the vertical integration of the sector's largest generating companies (EPM and EEB), promote private-sector participation in distributing companies, and restrict the actions of public agents in the energy exchange (State-owned generators such as EEB, ISAGEN, etc.) so that private agents can compete on an equal footing and make decisions exclusively on the basis of economic criteria.

- 1.16 The National Energy Trust (FEN) has acted as an intermediary between the government, multilateral banks and the companies in the sector, providing funds for investment and guaranteeing PPAs between electricity companies and private investors. In order to improve the financial condition of companies in the sector, the FEN has taken on the role of overseeing the performance agreements that companies are required to sign and fulfill to obtain access to credit (from the FEN), a function beyond the scope of its mission.

E. Transport sector

- 1.17 In the last 25 years, sweeping changes have occurred in the transport sector affecting infrastructure, equipment and operations in response to rapidly expanding demand for passenger and freight services. During this period, the GDP of the transport sector kept pace with overall economic growth, notwithstanding a notable reallocation in the sector's resources toward highway services and infrastructure, and air transport. To keep up with this growth, several adjustments were made to the sector's institutional framework: the railway system was reorganized in 1988, and the ports and harbors sector in 1991; the Ministry of Transport was created in 1992; and Law 105 setting out new regulations for Colombia's transport sector was promulgated in 1993.
- 1.18 The different characteristics of the various modes of transport, the timing of the reforms, the possible role of the private sector in each area, and the initial institutional conditions in the sector led the government to adopt different approaches for promoting private-sector participation in the expansion and upgrading of transport services.
- 1.19 Thus, in the rail sector, private commercial railways (e.g. Cerrejón) coexist in a system in which the State continues to be responsible for the rehabilitation, maintenance, and operation of infrastructure through its national railway (FERROVIAS) and private operators who enjoy semi-monopolistic conditions.
- 1.20 In the ports and harbors sector, port authorities in which the private sector holds majority interest have been created for each of the nation's five largest ports (Santa Marta, Barranquilla, Cartagena, Buenaventura and Tumaco), based on the "landlord port" model, leaving operations and investments to the private sector. The regulation and supervision of this sector are the responsibility of the Superintendencia General de Puertos (Law 1 of 1990).

- 1.21 In the highway sector, the most important area in the transport sector, and the one with the largest socioeconomic impact, the government has followed two separate and mutually complementary strategies. The first is to get the central government to focus on roads of national importance, while handing over control of secondary and tertiary roads to departmental and local governments. The second is to encourage private-sector participation in the rehabilitation, maintenance, and expansion of highway infrastructure by means of a concession system. This program is expected to cover 2,900 kilometers of road, over a four-year period.
- 1.22 The government is following a similar strategy for airports. Recently, concessions were awarded for the construction of a second runway at Bogotá's El Dorado Airport, and for maintenance of the present runway and the new one upon completion. The next step in its privatization program will be to award a concession to operate the Bogotá terminal, along with full-service concessions for operation of the Medellín, Cartagena, Cali and Barranquilla airports.

F. Telecommunications sector

- 1.23 Historically, national and international long-distance telephone service in Colombia has been provided by a single operator, Empresa Nacional de Telecomunicaciones (TELECOM) which belongs to the central government, and some 30 other companies operating local monopolies that are owned by the departments or municipalities (in the case of major cities), or by the municipalities in partnership with TELECOM. In very small population centers, TELECOM offers direct local service. The initial aims of the restructuring program were modified when workers reacted angrily to the proposed privatization of TELECOM in 1992. The strategy to privatize State-owned telecommunications companies being modified at that point and the focus shifting to making room for privately owned companies for the first time.
- 1.24 As part of its modernization program, the government is undertaking a restructuring program to attract more resources, primarily through private-sector participation; introducing a market system, in which the players would compete for resources allocated to telecommunications; creating an effective regulatory framework which will provide guarantees for private investment and foster competition - in particular by separating the State's regulatory and operational duties and assigning these duties to different entities; and, to complement the market system, creating a support system to meet the social needs of the telecommunications sector (extending telephone service to rural areas and providing subsidies for low-income subscribers).
- 1.25 To meet these objectives, the government has been supporting initiatives geared to promoting private investment in cellular

telephone and value-added services. In addition, it has restructured the Ministry of Communications, created the Regulatory Commission for Telecommunications (CRT), enacted Law 142, the Domestic Utilities Act (LSPD), in 1994, organized the Office of the Superintendent of Public Services (SSP) in 1995; passed Law 226 (Privatization) in 1995 and opened up long distance service to private operators under concession agreements. Most of these initiatives received assistance under the technical cooperation programs to help implement the PRSP and the PSI.

- 1.26 In the wake of the reorganization of the sector, several new private companies have sprung up at the local level to compete with some of the established services (in Barranquilla, for instance). In addition, since 1991 more than a score of value-added service companies (defined very broadly under Colombian law to include even the networks themselves) have been created. In practice, these companies offer long distance services that are very similar to basic telephone services. In recent years, TELECOM and several local municipal companies have signed joint-venture contracts with private companies for specific projects.
- 1.27 Although the idea of privatizing State-owned companies was postponed in the aftermath of the 1992 labor dispute, the idea has again come to the fore. Law 142 allowed municipalities a two-year period (which expires in July 1996) to convert their public service providers into joint-stock companies or State-owned commercial/industrial enterprises. Some municipalities see the sale of their telephone companies as an important source of revenue that can be put to other uses. Obviously, conversion of these companies into corporations would lead to a substantial increase in private investment. Virtually none of these municipalities has the technical expertise or the resources, however, to conduct the baseline studies and proceed with the sale of these assets.

G. Water-supply and sanitation sector

- 1.28 The modernization of this highly fragmented sector has not been completed due to the ill-conceived restructuring of water-supply and sanitation companies. In addition, inadequate maintenance and replacement of water mains and distribution lines, together with poor business management skills on the part of operating companies, have resulted in highly inefficient systems, in which average water loss is estimated at 50 percent for the country as a whole.
- 1.29 The sector still presents a number of technical, operational and administrative problems. The low performance levels of operators is reflected in inferior service, elevated loss ratios, high labor costs, poor customer service, distortions in prices and subsidies, and weakness in both project planning and execution.
- 1.30 The water service plan approved in early 1995 sets the stage for development of the sector over the next three years. The

objectives of the plan are to improve health conditions for the population and correct imbalances in regional coverage; upgrade the quality of service for those connected to the system and strengthen supply systems; consolidate the process of institutional modernization based on guidelines set out in the LSPD and by promoting both the conversion of operating entities and greater participation by the private sector and communities in management of the services.

- 1.31 Law 142 sets out various ways in which the private sector can become involved in providing public services, ranging from highly restrictive operations such as subcontracting, leasing and management contracts, to taking over an entire system under a licensing agreement or concession. One specific example is the concession granted for operation and maintenance of Aguas de Cartagena.
- 1.32 It is essential for institutions in the sector to be modernized and consolidated, on the basis of specialization and the separation of policy-making, planning, regulatory and supervisory functions carried out at the national level, from service and support functions, which is the responsibility of municipalities and departments. It is also vital that clear rules be established for promoting private-sector participation in delivering services, including a transparent and consistent schedule of charges and long-term concessions under a regulatory framework that protects consumers.

H. Environmental factors

- 1.33 Law 99, which was passed in late 1993, established the Ministry of the Environment (MINAMBIENTE), restructured the regional autonomous corporations, created environmental authorities in cities with over one million inhabitants, founded environmental research institutions and put in place new mechanisms for citizen participation. Under this new institutional set-up, MINAMBIENTE is the body which sets environmental standards and policies at the national level, and ensures that these are applied in a consistent manner by the various regional authorities responsible for managing the environment. This new institutional system, which is called the Sistema Nacional Ambiental, is being strengthened and consolidated with financing from the Bank (774/OC-CO and 910/SF-CO). One of the objectives of these programs is to help the MINAMBIENTE formulate environmental policy and draft manuals for the granting of environmental permits.
- 1.34 The new environmental laws and institutions, along with the new approach designed to promote private investment in infrastructure in various sectors make it essential that procedures be developed to ensure that the environmental dimension is carefully considered in all projects. By the same token, promoting participation by private investors will require that procedures for obtaining environmental permits and licenses be made transparent, and that the criteria (model terms of reference) for preparing environmental

impact assessments be clearly defined and available for each sector.

- 1.35 With regard to the Bank's environmental requirements, at its meeting of October 16, 1995, the Environment Committee classified this project as a Category III operation, with the present plan of operations replacing the environmental summary. This document was submitted to the Committee on March 12, 1996.

I. Technical assistance requirements

- 1.36 In light of the broad range of infrastructure works that are planned for various sectors, the government, through the MHCP, requested a loan from the Bank on June 3, 1995. The loan, which was not to exceed US\$25 million, was to be used to extend the scope of the PSI, especially with respect to privatization and arrangements to operate concessions for infrastructure. At the same time, the IBRD had begun work on a program of technical assistance with these same objectives. In order to ensure effective coordination between government agencies and the international organizations, it was agreed that a single technical-cooperation program would be prepared, setting out a list of general and specific activities to be carried out as part of the project.

J. The Bank's country strategy

- 1.37 The proposed program is consistent with the Bank's strategy for Colombia which seeks to support the policy on economic modernization. This strategy targets programs that assist the least favored sectors of society, as well as environmental protection programs. This will call not only for increased social spending by government, but also for greater efficiency and more equitable delivery of services through support for institution building and enhancement of factor productivity, particularly productive infrastructure.

K. The Bank's experience with similar programs

- 1.38 The IDB and IBRD together supported the PRSP and the PSI with technical-cooperation funding for activities designed to help the authorities meet the conditions laid down in sector programs and to introduce further reforms not included under the programs themselves but recommended on the basis of background studies, thereby extending the initial scope of these programs.
- 1.39 The project completion report (PCR) submitted for the PRSP in February 1995, and the independent project performance review (PPR) prepared by the Evaluation Office in October 1995, both endorse the use of technical-cooperation programs as a tool to promote sector reforms and to assist with their implementation.

- 1.40 In addition, two projects of the Multilateral Investment Fund (MIF) aimed at strengthening the Energy Regulatory Commission (MIF/AT-8, March 1994), and the Water and Basic Sanitation Regulatory Commission (CRAS) (MIF/AT-53, September 1995), are now under way. The objective common to both projects is to promote efficient service by putting in place a regulatory framework which will foster competition and increase private-sector participation. To this end, the resources of both programs are being used to fund consulting services in support of the activities of the various regulatory commissions, as well as for training of personnel, development of information systems, and the purchase of equipment. The MIF project for alternative mechanisms for settlement of business disputes (MIF/AT-43) includes funding for the institutional strengthening of the arbitration and conciliation centers.

II. OBJECTIVES

- 2.1 This program is designed to assist the Government of Colombia with the privatization process and begin granting concessions in the energy, transport, telecommunications and water and sanitation sectors. Among its specific objectives are: consolidation of the applicable regulatory framework in each of these sectors; improving the public sector's capacity to administer concessions and private operations; strengthening privatization and the process by which concessions are granted not just at the national level, but at the departmental and municipal levels as well; and identifying and encouraging specific projects that will serve as a model, and facilitate and generate similar processes in future. The logical framework for the program is presented in Annex I.

III. DESCRIPTION

A. Activities

- 3.1 The program will help to consolidate the respective regulatory framework in each sector; strengthen institutional requirements; design and improve the concession system and other mechanisms for promoting private-sector participation in national, departmental and municipal infrastructure works; and support the preparation of feasibility studies, bidding documents and model contracts to be used in drawing up calls for tenders.
- 3.2 One important aspect of the present program has to do with identifying specific projects that will entail support for the drafting of documents, institutional assistance for beneficiary agencies, and development of the process of privatization and of granting concessions to its completion.

B. Work plans, objectives and activities in each sector

- 3.3 Given its broad objectives, the program's design must be sufficiently flexible to respond to needs that arise during execution. For this reason, program execution will be based on semi-annual work plans to be prepared by the oversight committee and reviewed by IDB and IBRD technical teams based on the conditions approved for the program. Any activity included in the work plan must satisfy eligibility criteria based on the effect it will have on private-sector participation in the sector, the interest and support it receives from the beneficiary, and the ability to disseminate the results obtained.
- 3.4 Work plans will include information on (i) the activities to be carried out during the period when program activities are being implemented; (ii) the projected sequence of activities; (iii) the expenses incurred in arranging for consultants and purchasing equipment; (iv) the specific objectives and goals to be achieved by carrying out the planned activities; and (v) the executing agency responsible for each activity and corresponding beneficiary. The activities included in work plans will complement closely other initiatives being financed by the IDB under its MIF programs, the IBRD, and other institutions.
- 3.5 To assure adequate coordination during execution of the program, the work plans will include a breakdown of responsibilities between the two executing agencies for all activities carried out. Responsibility for any activity may be reassigned by the oversight committee in consultation with the Bank.
- 3.6 The initial plan of operations covering the first 12 months of the program is presented in Annex II. This plan includes the activities to be carried out, tentative financing from IDB resources and local counterpart funding, the executing agency responsible for each activity, and potential beneficiaries. The subsequent work plans, to be reviewed at six-month intervals, will cover the remainder of the program's execution period.
- 3.7 Based on these considerations, the following paragraphs give a breakdown of objectives and activities by sector to be covered under the program.

1. Energy

- 3.8 The specific objectives of this component are to help develop a new regulatory, institutional and financial framework, introduce greater efficiency, and attract private investment in expanding the capacity of the system. To achieve these objectives, assistance will focus on regulatory aspects, ensuring separation of power generation, transmission and distribution duties, divestiture of assets in distribution companies, and promoting the privatization of electric utility companies.

- 3.9 Specifically, the initial plan of operations includes consultation on ways of developing the sector's regulatory framework in order to promote co-generation; the separation of CORELCA's generation, transmission and distribution functions, and the sale of some of the State's interest in that company; the sale of Electrificadora de Tolima; the privatization of the EEB, the Power Distribution Company of Atlántico (ELECTRANTA) and the Power Distribution Company of Bolívar (ELECTRIBOL); the privatization of the electric utility companies in the departments of Chocó and Nariño, and the granting of concessions for the distribution of natural gas in Cundinamarca-Boyacá. In addition, assistance will be provided for the corporatization of the FEN.
- 3.10 Subsequent work plans for the sector will also include the drafting of new contractual arrangements for the wholesale marketing of energy, regulation of an energy exchange, risk coverage and development of a futures market. Meanwhile, work will continue on encouraging private-sector participation and investment in electric utility companies. As well, support will be provided for the establishment of a new legal, regulatory, institutional and environmental framework for the mining industry with a view to encouraging private investment and developing a strategy for the creation of a futures market and a metals exchange.

2. Transport

- 3.11 The deregulation and privatization of the transport sector has been going on for several years, often with duplication of efforts and little coordination. For this reason, the specific objectives of this component are to review the regulatory framework for the sector, support efforts to strengthen institutions and their administration, and develop the financial tools to promote private-sector participation in expansion of the system.
- 3.12 The activities needed to accomplish these objectives will concentrate on reviewing the regulatory framework; identifying new forms of participation and incentives for attracting private investment; preparing bidding documents; developing an administrative system to oversee concessions and private operations for transport services; providing institutional strengthening for regulatory agencies; and preparing specific projects to promote private-sector participation.
- 3.13 The initial plan of operations for the highway sector and all subsequent ones call for planning and review of its regulatory framework, contracting system and financial structure, as well as the means of providing technical support and hiring external auditors to ensure the quality of highway concession projects. Also included are activities to strengthen the institutional capacity of the regulatory agency and to improve procedures for managing, monitoring and controlling projects. Finally, support will be provided for the development of specific projects.

- 3.14 Assistance will be provided for the deregulation of ports and harbors, particularly with regard to fee schedules and the role of the Commissioner of Ports and Harbors. Assistance will also be provided with the process of awarding concessions for the operation of the port of San Andrés and the dredging of the port of Buenaventura.
- 3.15 Support will be given for the privatization of airports of major strategic and economic importance (Bogotá, Medellín, Cali, Cartagena and Barranquilla), as well as for the decentralization of the nation's secondary airports and mechanisms for supervision of airport concessions.
- 3.16 Some limited action will be taken as well in the areas of rail, river and multimodal transport but always with an eye to promoting private-sector activity in these areas.

3. Telecommunications

- 3.17 The objective here is to ensure efficient development of telecommunications in Colombia by promoting private-sector participation in the industry. To accomplish this task, it is proposed that the sector regulatory agency be provided with the necessary assistance for specific studies aimed at giving private operators a clear grasp of the regulatory framework, and that cooperation be provided for the corporatization of existing municipal companies.
- 3.18 The initial plan of operations and subsequent work plans will include advising the CRT, primarily concerning development of additional studies for opening up long distance telephone service, and the drafting of rules for opening up local telephone services to competition. Assistance is also proposed to help Empresa de Teléfonos de Bogotá (ETB) and EPM draw up privatization programs, including support for studies on privatization. This cooperation could eventually be extended to include other local companies that adopt the same approach.
- 3.19 In the area of long distance services, concessions will be awarded to new operators who bid on services in competition with TELECOM. In general, any company will be allowed to bid on long distance services - but only after obtaining a license, the terms and conditions of which have been determined by the CRT. There are no monopolies established by law, although it has been decided that for an initial period of seven years only two additional licenses will be granted for long distance operators wishing to compete with TELECOM.

4. Water supply and sanitation

- 3.20 This component has as its objective to support the establishment of a regulatory, institutional and financial framework that will be conducive to promoting private-sector participation in water and

sanitation services. To accomplish this objective, all of the plans of operations include activities to assist with the appraisal and corporatization of specific companies, as well as preliminary feasibility studies for other companies in the sector that opt for greater private-sector participation.

- 3.21 When activities aimed at strengthening the Water and Basic Sanitation Regulatory Commission (CRAS) have been completed under the MIF program (see paragraph 1.40), additional consulting services may be hired to draft further regulations, if necessary. These activities will include the creation of a system of licensing agreements and other contracting instruments for use with the private sector, and mechanisms that will facilitate competition and promote private-sector participation.
- 3.22 Work in this sector will also include consulting services for municipalities interested in attracting private investment in water supply and water treatment companies. Finally, support will be provided for preliminary feasibility studies companies in the sector using the guidelines established in the initial plan of operations.

5. Activities of a global nature

- 3.23 The specific objectives of this component are to ensure that regulations governing private investment are transparent; to strengthen the coordination, monitoring and promotion of private investment and competition; to help entities wishing to privatize; and to ensure the financial viability of private-sector participation.
- 3.24 To achieve these objectives, the plan of operations calls for consultants to help with the sale of Monómeros Colombo-Venezolanos; technical, legal and actuarial assistance for the design, control and monitoring of government guarantees; and seminars and road shows to promote private investment in infrastructure. Consulting services will be provided in turn to assist with the sale of multi-sector enterprises; help develop a management system for the supervision and monitoring of infrastructure projects that have been privatized, or are being operated as concessions; and draft plans for the sale of entities and the resulting liabilities.
- 3.25 In addition, while specific projects are identified, general activities to apply the IDB's program of guarantees will be carried out.
- 3.26 Because of their importance, environmental topics will be discussed in a separate section.

6. Environmental activities

- 3.27 The operating plans should include environmental activities in an amount of approximately US\$2 million to ensure that the environmental priorities set are complied with during program execution. Consultants will be hired to prepare investor guidelines, setting out the procedures for obtaining environmental permits and criteria to be used in drawing up the terms of reference for the environmental impact assessments (EIAs). The EIAs should set out standards of environmental quality, specific procedures for new projects, and environmental quality control procedures for existing facilities. As part of the support for the regulatory and institutional framework, existing environmental regulations will be reviewed in light of the law establishing the national environmental system and the treatment of infrastructure projects. In this way problem areas can be identified and solutions can be proposed taking into account the unique nature of each sector.
- 3.28 The terms of reference for technical studies on privatization and concessions for projects under way should set out basic guidelines for assessing any environmental problems that exist in accordance with the present environmental standards. They should also provide for environmental audits of the facilities and operations of companies identified as having a significant impact on the environment, with the aim of identifying existing and potential environmental problems and determining responsibility for correcting and controlling environmental degradation. This will be specified in the bidding documents and other relevant documentation.
- 3.29 In the case of prefeasibility studies for new projects, the terms of reference should enumerate the criteria for drawing up the EIAs, in keeping with environmental policies and standards in force as well as an analysis of alternatives for minimizing adverse environmental effects, requirements for mitigating these effects, and procedures for monitoring and follow up. The assessments will be done as an adjunct to activities for strengthening the national environmental system, which is being set up with funding from the IDB.

C. Organization and execution

1. The borrower and the executing agency

- 3.30 The borrower for this operation will be the Republic of Colombia. At the request of the Colombian authorities, the executing agencies will be the Ministry of Finance and Public Credit (MHCP) and the National Planning Department (DNP). Annex IV presents procedural aspects of program execution, establishing its organizational structure, assignment of responsibilities, technical and administrative coordination, beneficiaries, the role of the Banks, program administration services, procedures for the contracting and

procurement of goods and services, co-financing by the IBRD and program follow-up.

- 3.31 In order to facilitate and ensure effective coordination of the program, the government has appointed an oversight committee whose members include the Director of Public Credit from the MHCP and the Head of the DNP's Infrastructure Unit. The duties of this committee will be: (i) to establish an overall strategy for the program, based on policy guidelines issued by the CIPP (see paragraph 1.9); (ii) in consultation with the Project Team Leaders from the IDB and the World Bank, to formulate semi-annual work plans and their respective budgets, as well as the agreements with the beneficiary agencies; (iii) to direct the preparation and execution of the program and, in particular, to approve the terms of reference, select consulting firms and award contracts; and (iv) to reach agreement with government agencies on implementation of specific activities within their areas of competence.

2. Beneficiaries

- 3.32 Since the program will cover a broad range of infrastructure activities in various sectors, the beneficiaries will include the DNP and MHCP; the ministries of transport, mines and energy, development, communications, and environment; the civil aviation authority; the CREG, CRT and CRAS; the Commissioner of Ports and Harbors (Superintendencia General de Puertos); the National Highways Commission (INVIAS); THE CORELCA, EEB, EPM, FEN and ETB; and departmental and municipal agencies. Other sector agencies may eventually benefit from this program as well.

3. Technical aspects of the program

- 3.33 Given the multisector nature and high degree of specialization associated with the consulting services proposed, implementation of activities under this program will necessitate close coordination between the oversight committee and beneficiary agencies, on the one hand, and between that committee and the technical units of both Banks, on the other hand. The technical support provided will consist of a joint effort carried out by the specialized units of the IDB and IBRD, with the assistance of both Bank's Country Offices.
- 3.34 The work plans will assign responsibility for activities between the executing agencies (paragraphs 3.3 to 3.5 and Annex II). The preparation of the terms of reference for each activity, with corresponding costs and timetable, will be the responsibility of the respective executing agency in close cooperation with the beneficiaries, as well as in consultation with the IDB and the IBRD. All terms of reference must be submitted to the two Banks, which will draft a joint declaration of nonobjection. This declaration will be issued by the Banks within a reasonable period

of time, depending upon the extent of the proposed consulting services.

- 3.35 Before forwarding the terms of reference to the Banks, the oversight committee must reach agreement with the respective beneficiary concerning the objectives, characteristics and extent of the consulting service(s) to be sought. A record of this agreement, which should include an indication of the beneficiary's commitment, must be attached to the respective terms of reference and forwarded to the Banks for approval.
- 3.36 Once a given activity has been identified and duly approved, the oversight committee, in consultation with the respective beneficiary, will appoint a counterpart team of experts to supervise the execution of the contracts signed with specialist consultants and/or consulting firms. This counterpart team, in consultation with the executing agencies and the two Banks, will evaluate and approve the reports that the consultants are required to submit.

4. Administrative aspects of program execution

a. Coordination units

- 3.37 The coordination units responsible for overall administration of the program have already been named, one for each executing agency. The MHCP will coordinate its tasks through the PSI, and the DNP will do the same by means of the IBRD's program for modernization of public sector financial administration. The coordinating units are now in operation.
- 3.38 These units will carry out administrative responsibilities only, including coordination of: (i) the signing of agreements with beneficiary agencies; (ii) the drafting of terms of reference in cooperation with the respective technical units for submission to the oversight committee for approval; (iii) aspects relating to the preparation of short lists, publication of notices, selection of bidders, evaluation of bids, awarding of contracts for consulting services and procurement of goods based on the procedures of the two Banks; (iv) the auditing of contracts; (v) the participation of beneficiaries in the execution of contracts; (vi) the preparation of reports for the oversight committee and the Banks; and (vii) the submission of all pertinent information to both Banks.
- 3.39 In addition, these units - in consultation with the oversight committee - will be responsible for devising a methodology for selecting consultants, drafting standard contracts, evaluating the credentials of consultants and consulting firms, and assisting with their selection, in accordance with the current procedures of the two Banks. The IDB and IBRD Country Offices in Colombia will provide the necessary assistance to help the coordination units apply the appropriate procedures.

b. Program administration services

- 3.40 Under the Bank's current policy, borrowers are required to select consulting services by means of unrestricted competitive bidding. However, for the present program the borrower has requested permission to hire the United Nations Development Programme (UNDP) directly to administer the program without recourse to competitive bidding. This request is based on successful experience gained from previous technical cooperation programs in which such services were provided by the UNDP.
- 3.41 In accordance with policy GS-603, which offers the Bank the possibility of granting an exception in the contracting of specialized agencies, it is recommended that the borrower in this case be allowed to contract directly with the UNDP for administration services. This recommendation is justified by the comparative advantages of using this agency, which outweigh the other possible options. The option of permitting these services to be contracted directly by the executing agencies themselves and/or by local entities was studied and found to be impracticable. To speed the process along, the executing agencies have prepared a draft agreement which will be processed as soon as the proposed program has been approved. All of the IDB resources, any local counterpart contributions made, and the IBRD resources will thus be administered under a single authority: the UNDP.

c. Approval of commitments and disbursements

- 3.42 Financing will be disbursed in accordance with IDB procedures. In order to facilitate execution of the program, a project preparation advance of up to US\$1,250,000 (equivalent to 10 percent of total funding) may be approved, provided that the Bank's procedures have been complied with. It is estimated that the funding will be disbursed within a period of four years.
- 3.43 Prior to the initial commitment of program resources, the borrower must provide the Bank with satisfactory proof that:
- a. It has signed an agreement with the UNDP for provision of program administration services.

d. Consulting contracts and procurement of equipment

- 3.44 Annex III presents the tentative plan for procurement of goods and services.
- 3.45 Administration of the program will call for individual short-term consultants for certain activities. Therefore, in order to expedite the awarding of contracts and simplify the procedures, it is recommended that activities whose costs do not exceed the equivalent of US\$50,000 be done under contract directly by the executing agencies. This means that neither the terms of reference nor short

lists of candidates will have to be approved by the Bank. However, the executing agencies must provide ex post notification of these contracts to the Banks and maintain all necessary records for possible review by either Bank, upon request. As part of the preparation of semi-annual work plans, the effectiveness of this procedure will be evaluated to determine whether the practice should be continued. Also, the success of the executing agencies in awarding contracts in this way will be assessed, and spot checks will be performed by the IDB Country Office as part of the approved ex post audit of these contracts.

- 3.46 For contracts valued at more than US\$50,000 and less than US\$200,000, the executing agencies must submit the relevant terms of reference, describe the procedures to be used for selection and publication, if applicable, and provide a short list of consultants and/or consulting firms that will be considered, in order to qualify for a declaration of nonobjection from the Banks.
- 3.47 In the case of contracts valued at over US\$200,000, the Bank's procedures must be applied as set forth in the Annex to the Technical Cooperation Agreement. In order to expedite the notification and prequalification process, once the semi-annual work plans have been approved, the notices will be submitted to UN Development Business for publication.
- 3.48 Given the nature of the international services market, price is the overriding factor that determines to whom a contract is awarded. Accordingly, it is recommended that, in the case of specialized consultants (investment banks or consortiums led by investment banks) hired to assist with the process of privatization and concessions under contracts in excess of US\$200,000, the technical and economic evaluation of the bids be combined. The invitations to submit bids should specify the weighting that will be given to the price factor in ranking the bids (a description is given in Annex D to the technical-cooperation agreement). The selection procedures used for awarding contracts of this kind will, therefore, be materially similar to those used by the IDB and the IBRD.
- 3.49 No major purchases of equipment are planned under this program. Whenever the value of goods to be purchased is equal to or greater than the equivalent of US\$350,000, procurement will be done by international competitive bidding. This restriction is based on experience with IDB-financed projects in Colombia, which has shown that foreign bidders generally bid only on contracts valued above this amount.
- 3.50 If the consultant or consulting firm selected or the firm with the winning bid is from a country which is a member of the IBRD but not of the IDB, the borrower must use only IBRD resources or local counterpart funding for the relevant procurement. In this case, the higher disbursements from the IBRD will be offset by

adjustments in the planned IDB-IBRD disbursement percentages for other activities.

D. Monitoring of the program

- 3.51 During execution of the program, technical missions for administration purposes will be carried out at six-month intervals. The oversight committee with the support of these missions will evaluate the activities envisaged under the plan for the preceding period and prepare detailed work plans for all subsequent six-month periods, in accordance with the guidelines and the proposed plan (see paragraphs 3.3 to 3.5). Meanwhile, the committee will monitor progress and supervise compliance with the objectives established for each year of program execution (paragraph 3.53).
- 3.52 A midterm evaluation of the program will be carried out at the end of the first eighteen months of the program. If necessary, changes to improve program execution may be approved upon completion of this evaluation. As soon as the last six-month work plan has been carried out, a final evaluation of the program will be conducted (chapter V).
- 3.53 The specific goals and objectives of the program activities will be reviewed and defined more closely during the execution period itself. Among the most important specific objectives are the following:
 1. Work plans for the first year of the program
(goals and objectives for the second six-month period will be reviewed and clarified upon completion of the initial plan of operations)
 - a. must have attracted private investment to at least one electric utility company;
 - b. must have developed the regulatory framework for the operation and supervision of highway concessions, and offered at least one highway concession;
 - c. must have deregulated the ports and harbors sector;
 - d. must have made a start toward opening up long-distance telephone service to competition, and supported the process of privatizing local telephone companies (ETB and the EPM);
 - e. must have taken the necessary steps to attract private investment in at least one company in the water and sanitation sector;
 - f. must have drafted and published environmental guides for investors; and

- g. must have implemented a system for supervision and monitoring of public guarantees offered for private projects.

2. Work plans for the second year of the program

(goals and objectives will be reviewed and clarified upon completion of the first year's work plans)

- a. must have developed a regulatory framework for co-generation projects; have supported the privatization of at least two of the following distribution companies: EEB, ELECTRANTA and ELECTRIBOL; have attracted private investment to at least one other electric power company; and have started promoting private investment in CORELCA's distribution business;
- b. must have initiated the process of granting concessions for the operation of one highway and for the port of San Andrés;
- c. must have developed the regulatory framework for the telecommunications sector; and have awarded one license for long distance telephone service;
- d. must have taken the necessary steps to attract private investment in at least two municipal water and sanitation companies; and
- e. must have revised environmental regulations and policies in order to incorporate the criteria applicable to infrastructure projects.
- f. must have offered concessions for the operation of the Bogota airport and for at least two of the country's four other major airports (Medellín, Cartagena, Cali, and Barranquilla).

3. Work plans for the third year of the program

(goals and objectives will be reviewed and clarified upon completion of the second year's work plans)

- a. must have implemented the regulations governing the operation of the wholesale energy market;
- b. must have commenced the process of granting a concession for one other highway; and
- c. must have assisted at least two municipalities with the privatization of their water and sanitation services.

3.54 Basic responsibility for general supervision of the program on the part of the IDB will lie with the Project Team which consists of

personnel from the technical units at Headquarters and in the Country Office in Colombia. In the case of the IBRD, such supervision will be the responsibility of the Public Sector Modernization and Private Sector Development Division of Department 3, Latin America and the Caribbean Region.

E. Total cost and financing

- 3.55 The total cost of the proposed program is US\$33 million. The IDB's share of up to US\$12.5 million will be drawn on the Bank's ordinary capital as a reimbursable loan. The borrower will contribute the equivalent US\$20.5 million, of which US\$8 million will come from local contributions and may include funding from the beneficiary agencies themselves, and US\$12.5 million will be in the form of financing from the IBRD. Assuming that the IBRD financing does not materialize, the borrower may look elsewhere for additional funding to make up the overall financing requirement for the program. It is estimated that the financing will be disbursed within a period of four years.
- 3.56 The IDB financing will be available when the Bank's Board of Executive Directors has approved the operation and the rules and requirements established by the Bank for this type of program have been fulfilled. As well, provision will be made for recognition of prior expenditures in order to provide financing for activities that require priority treatment (see paragraph 3.42).
- 3.57 Since IBRD resources will not be available during the first few months of the program, the initial contracting operations will be the exclusive responsibility of the IDB. The corresponding local counterpart funding requirements will apply during this period.
- 3.58 The proceeds of the financing will be disbursed at the request of the government and deposited in a single account to be administered by the UNDP, which will furnish each executing agency with a regular statement of account by source of financing. The executing agencies, the IDB, and the IBRD will supervise the administration of funds by the UNDP.
- 3.59 The terms and conditions of the Bank's financing are summed up below:
- | | |
|-----------------------------|----------|
| Amortization period: | 20 years |
| Disbursement period: | 4 years |
| Interest rate: | variable |
| Inspection and supervision: | 1% |
| Credit fee: | 0.75% |
- 3.60 The following table presents a summary of program costs, with a breakdown showing IDB and IBRD financing and the local counterpart contribution. Assuming the overall cost of the program does not change, the amounts earmarked for any sector may be reallocated

with the approval of the Banks during preparation of the operating plans.

Summary of total costs
(in US dollars)

Activities	Cost	IDB	IBRD	Local counterpart
1. Energy	9,850,000	3,000,000	3,000,000	3,850,000
2. Transport	6,400,000	2,950,000	2,950,000	500,000
3. Telecommunications	2,850,000	1,175,000	1,175,000	500,000
4. Water and sanitation	2,150,930	825,000	825,000	500,930
5. Global multisector	6,950,050	3,225,000	3,225,000	500,050
Subtotal	28,200,980	11,175,000	11,175,000	5,850,980
6. Administration services (3% of disbursements)	987,034	493,517	493,517	0
7. Support for coordination	1,150,000	75,000	75,000	1,000,000
8. Inspection and supervision (1% of total loan)	125,000	125,000	0	0
9. Contingencies	2,544,020	631,483	756,483	1,149,020
TOTAL	33,000,000	12,500,000	12,500,000	8,000,000

a/ Represents a maximum of 3.5% of the funding earmarked for the financing of sector activities.

b/ An amount equivalent to 1% of the IDB financing.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The principal benefit of the proposed program lies in its overall focus on increasing private-sector participation in the development and financing of infrastructure works, increasing the supply of infrastructure and improving the quality of service. Providing rules that are clear and uniform for all sectors (albeit adapted to the particular nature of each one) will generate greater opportunities and lead to more competitive markets, bringing into sharper focus the various priorities and decisions to be made by both the public and private sectors. An awareness of the specific risks involved in the different operations, and how best to minimize them, will result in a more effective role for the public sector in infrastructure works. And finally, the sale of existing companies will stimulate local capital markets (depending on the privatization procedures selected), provide the means for rapid removal of the State from productive activities, and produce a model that can be transferred to other activities.

B. Risks

- 4.2 In order to facilitate the execution of this program, it is essential that there be adequate coordination between the different entities taking part. The existence of an oversight committee responsible for setting priorities and goals, together with the internal coordination mechanism between the two executing agencies, will reduce the risks of duplication of effort or time spent on tasks that do not further the objectives of the program.
- 4.3 Achieving the objectives of the program will depend in large measure on the level of participation and commitment of the counterpart officials and beneficiaries, as well as on the possibility for rapidly implementing the recommendations and actions that arise from the tasks to be carried out. To minimize these inherent risks, once an activity requiring participation by a beneficiary enterprise has been identified, the latter will be required to reach agreement with the executing agency concerning the objectives, characteristics and scope of the activities.
- 4.4 Finally, there is the risk associated with the availability of financing to implement the technical recommendations. The activities of the program will identify the financial requirements for implementing these recommendations, as well as possible sources of such funding. The program itself may supply much of the needed financing, provided that the beneficiary agencies contribute resources of their own. The high percentage of counterpart resources in all areas of the program goes a long way toward mitigating this risk.

V. EVALUATION

- 5.1 In order to facilitate smooth execution of the program, it is proposed that a midterm evaluation be carried out and, if necessary, used as the basis for preparing and approving changes to the program. In addition, a final evaluation of the program will be carried out upon completion of the final work plan. Since the activities to be financed by the program cover infrastructure works in different areas, these evaluations will be conducted at the sector level. In preparing these assessments, maximum use will be made of the process of reviewing and approving the reports submitted by the various consulting services. Based on the observations of the agencies concerning the degree to which consultants have complied with their terms of reference, a report will be drawn up summarizing the general results of the consulting work in each sector. The evaluations must also include hard data concerning the goals achieved under the program.

**COLOMBIA: TECHNICAL COOPERATION LOAN IN SUPPORT OF
PRIVATIZATION AND CONCESSIONS IN INFRASTRUCTURE (CO-0179)**

LOGICAL FRAMEWORK AND INDICATORS

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
privatization process and arrangements in the energy, communications and water and ports.	<ol style="list-style-type: none"> 1. Areas traditionally controlled by public sector privatized or operated under concession, in whole or in part. 2. Departmental and municipal governments participating in privatization effort. 	<ol style="list-style-type: none"> 1. Macroeconomic statistics from the MHCP and DNP, information from local governments and other specialized agencies. 2. Statistics on private sector participation in infrastructure. 	<ol style="list-style-type: none"> 1. Political and macroeconomic context maintained in support of the privatization and concession process. 2. Central government continues to support this policy vis-à-vis other levels of government and its enterprises. 3. Private sector interested in privatization concessions.
regulatory frameworks; improve capacity to administer concessions and strengthen the processes by which concessions are granted not only at the national but also the departmental and municipal levels; and to identify and promote projects that set a precedent and generate similar processes.	<ol style="list-style-type: none"> 1. Regulatory frameworks implemented in sectors. 2. Regulations issued to enable the sale, assignment or transfer of companies from public to private sector. 3. Specific projects identified at national, departmental and municipal levels. 	<ol style="list-style-type: none"> 1. Information submitted by government agencies and beneficiaries directly involved. 2. Information obtained during technical administration missions. 	<ol style="list-style-type: none"> 1. Government carries out its agenda for concessions and privatization of infrastructure, with clearly defined responsibilities and funding available for required activities. 2. Departmental and municipal governments help identify possible areas for privatization. 3. Private investors take part in privatization and concessions.
regulatory frameworks have been identified for infrastructure in different sectors of government, companies being privatized or operated as concessions have been identified and offered for sale.	<ol style="list-style-type: none"> 1. Concessions offered on at least 3 highways, 3 of 5 major airports and dredging of access channel to port at Buenaventura. 2. Regulations implemented for co-generation and operation of energy exchange. 3. At least 2 energy companies, 2 telecommunications companies and 3 water and sanitation utilities in the public sector put up for sale. 	<ol style="list-style-type: none"> 1. Publications inviting the private sector to participate in privatization process and concessions. 2. Evaluation of execution of the program by the Bank. 	<ol style="list-style-type: none"> 1. Agreements are signed for the participation and cooperation of governments and beneficiary agencies. 2. Local governments' responsibilities for privatization and concessions are defined. 3. Municipalities and companies assume responsibilities and participate actively in the program. 4. Good coordination is maintained with government agencies.
of oversight committee. Agreements with beneficiary agencies and use of specialized consultants.	<ol style="list-style-type: none"> 1. Oversight committee operational. 2. Number of agreements signed with beneficiaries. 3. Total specialized consultants contracted equivalent to at least US\$7 million per year of program execution. 	<ol style="list-style-type: none"> 1. Terms of reference presented and approved. 2. Requests to authorize annual commitments and disbursements. 3. Semi-annual administration missions. 	<ol style="list-style-type: none"> 1. Local and international specialized consultants available. 2. Local counterpart contribution available. 3. Contracts awarded under established procedures. 4. Coordination units function properly.

**COLOMBIA: TECHNICAL-COOPERATIONLOAN IN
SUPPORT OF PRIVATIZATIONAND CONCESSIONS IN INFRASTRUCTURE (CO-0179)
TENTATIVEPLAN OF OPERATIONS FOR YEAR ONE OF THE PROGRAM 1/**

ACTIVITIES	TOTAL COST (US\$000s)	IDB (US\$000s)	LOCAL COUNTERPART (US\$000s)	EXECUTING AGENCY	BENEF
ENERGY SECTOR					
Assistance for natural gas distribution concession in Cundinamarca-Boyacá	2,000	400	1,600	DNP	DPT. M CUNDIN
Development of regulatory framework for promotion of co-generation	300	200	100	DNP	C
Separation of generation from transmission and distribution functions and assets and equity in CORELCA	2,500	1,500	1,000	MHCP	COR
Assistance for the sale of shares/equity strengthening and appraisal of the following companies: EEB (Bogotá), ELECTRANTA (Atlántico) and EOL (Bolívar)	1,800	600	1,200	MHCP	MIN ELECT ELEC
Assistance for the sale of the Tolima electric utility	200	200	0	MHCP	MINM TO
Development of corporate strategy for the FEN	1,000	500	500	MHCP	F
Assistance for privatization/promotion of private-sector participation in the electric utility of Chocó and Nariño	600	350	250	DNP	MINM CHOCO NA
ENERGY SECTOR	8,400	3,750	4,650		
TRANSPORTATION SECTOR					
CONCESSIONS					
Aspects:					
Development of regulations and contractual framework for operation and control of highway concessions.	250	250	0	DNP	IN
Development of administration system for concessions.	100	100	0	DNP	IN
Technical support for design aspects, purchase of sites, granting of environmental permits, level of services and traffic studies; and development of the respective studies of reference.	300	300	0	DNP	IN
Financial audits for the review of traffic, environmental, financial and legal studies commissioned by the body responsible for highway concessions.	350	350	0	DNP	IN
Aspects:					
Technical assistance for the scheduling of concessions at the national level.	300	300	0	DNP	IN

The plan of operations will be revised after the first six months of the program. The proceeds disbursed as of December 1996 should not exceed budgetary appropriations made by the government. Planning may continue however for activities, which will be carried out as and when financing becomes available, and adjustments will be made in accordance with the bids submitted. The government may reassign responsibility for any activity with the approval of the Bank.

ACTIVITIES	TOTAL COST (US\$000s)	IDB (US\$000s)	LOCAL COUNTERPART (US\$000s)	EXECUTING AGENCY	BENEF
jects:					
ty assistance for financial organization of highway concession projects.	400	400	0	MHCP	IN
feasibility studies and preparation of documents for the granting of one concession (Buga-Buenaventura, Bosa-Girardot or Briceño-Tunja-Sogamoso).	500	500	0	DNP	IN
ghway concessions	2,200	2,200	0		
assistance for concession at El Dorado Airport in Bogotá	250	250	0	DNP	AERO
assistance for establishing technical and operational mechanisms for of airport concessions.	200	200	0	DNP	AERO
rports	450	450	0		
ND HARBORS					
deregulation of harbor fee schedules	60	60	0	DNP	COMM
					OF I
ports and harbors	60	60	0		
TRANSPORT SECTOR	2,710	2,710	0		
UNICATIONSSECTOR					
ng of regulatory framework, including tariff regulations and promotion of	250	250	0	DNP	C
					M
of the second phase of the process for opening up long distance services.	200	200	0	MHCP	C
assistance to analyze strategies for sale of assets of the Bogotá Telephone (ETB), including strategy for appraisal, resulting liabilities and sale.	600	600	0	MHCP	E
TELECOMMUNICATIONS SECTOR	1,050	1,050	0		
SANITATIONSECTOR					
the process of appraisal and conversion of companies in two specific	350	270	80	DNP	MIN
					EMP
feasibility studies for companies in the sector.	500	400	100	DNP	MIN
					EMP
WATER AND SANITATION SECTOR	850	670	180		

ACTIVITIES	TOTAL COST (US\$000s)	IDB (US\$000s)	LOCAL COUNTERPART (US\$000s)	EXECUTING AGENCY	BENEF
INFRASTRUCTURE					
Investment guides with procedures for obtaining environmental licenses and well as sectoral criteria for preparing terms of reference for environmental assessments (EIAs).	100	100	0	DNP	MIN. A
Use of advisory assistance on legal-contractual aspects of private sector in infrastructure projects.	500	500	0	MHCP	VAR
Assistance for sale of Monómeros Colombo-Venezolanos.	500	500	0	MHCP	EMI
Assistance on technical, legal and actuarial aspects of the design, supervision and signing of government guarantees.	500	500	0	MHCP	VAR
Adshows, instruments for promoting private investment.	500	500	0	MHCP	VAR
OVERALL INFRASTRUCTURE	2,100	2,100	0		
INFRASTRUCTURE SECTORS	15,110	10,280	4,830		
EXPENSES					
Coordination the tasks of executing units	170	0	170	DNP MHCP	
Administration services: (3.5% of total disbursements may not exceed for 1996)	105	105	0	DNP MHCP	
and supervision: (1% of the total amount of the loan during the program's execution period. Consequently, 1/6th of 1% has been included in this budget)	20	20	0		
OTHER EXPENSES	295	125	170		
EXPENSES	595	595	0		
TOTAL	16,000	11,000	5,000		

**COLOMBIA: TECHNICAL COOPERATION LOAN IN SUPPORT OF
PRIVATIZATION AND CONCESSIONS IN INFRASTRUCTURE (CO-0179)**

TENTATIVE PROCUREMENT PLAN 1/

ACTIVITIES	AMOUNT IN US\$	FINANCE%		EXECUTING AGENCY	METHOD 2/	PREQUALI- FICATION	DATE (YR/EX)
		IDB/IBRD	LOCAL				
ENERGY SECTOR							
Development of regulatory framework for promoting co-generation.	300			DNP	LB and/or ICB	tbd	1st
Development of new contractual instruments for wholesale marketing of energy, for uncertainty and risk coverage, operating regulations for the energy sector, development of futures market	500			DNP	LB and/or ICB	tbd	2nd
Development of mining regulations and recommendations concerning the regulatory, technical and environmental framework that should govern the sector; and development of the new modalities for contracting and private-sector participation.	500			DNP	LB and/or ICB	tbd	
Development for separation of generation from transmission and distribution functions in the CA, and the sale of assets in regional generators.	2,500			MHCP	LB and/or ICB	tbd	1st, 2nd
Development for the sale of equity (capital strengthening and valuation of assets) in the utilities of Bogotá, Atlántico and Bolívar.	1,800			MHCP	LB and/or ICB	tbd	1st
Development of service for the sale of the Tolima electric utility.	200			MHCP	LB	No	
Development of corporate strategy for the FEN.	1,000	50	50	MHCP	ICB	Yes	
Development for the promotion of private sector participation and investment in the utility companies of Chocó and Nariño.	600			DNP	LB and/or ICB	tbd	1st
Development of service for natural gas distribution concession in Cundinamarca-Boyacá.	2,000			DNP	LB and/or ICB	tbd	1st
Development for implementation of future markets and mineral exchanges.	450			DNP	ICB	Yes	2nd
TOTAL ENERGY SECTOR	9,850	61	39				
PORT SECTOR							
Development of the regulatory framework for the railway sector.	500			DNP	ICB	Yes	
Development of regulations and contractual framework for the operation and safety for highway concessions. Consulting services for the programming of highway concessions.	550			DNP	LB and/or ICB	tbd	
Development for a concession for dredging of the access channel to port Buenaventura.	250			DNP	ICB	Yes	2nd
Development for deregulation of ports and harbors.	60			DNP	LB	No	

ACTIVITIES	AMOUNT IN US\$	FINANCE%		EXECUTING AGENCY	METHOD 2/ ICB	PREQUALI- FICATION	DATE (YR/EX)
		IDB/IBRD	LOCAL				
For the decentralization of airports by designing legal, institutional and technical instruments required for consolidation, as well as formulating regulations for administration and operation by the private sector.	250			DNP	LB	No	2nd
Technical support for the system of highway concessions relating to aspects of legal, financial, technical and purchases, licenses, level of services and traffic and environmental management (including preparation of terms of reference).	900			DNP	LB and/or ICB	tbd	1st; 2nd
Technical audits to review technical, traffic, environmental, financial and legal studies and to prepare under contracts with body responsible for highway concessions.	600			DNP	LB and/or ICB	tbd	1st; 2nd
Technical service to establish technical and operational parameters of mechanisms for the management of airport concessions.	200			DNP	LB	No	
Technical service in charge of highway concessions with the management, monitoring and evaluation of projects during construction and operation stage — establishing a management system.	350			DNP	ICB	Yes	
Promotion and application of intermodal transport policies, and support for the management of cargo terminals with private sector participation.	400			DNP	ICB	Yes	
Technical service for financial structure for operation of highway concessions.	400			MHCP	LB and/or ICB	tbd	
Technical service for El Dorado Airport concession in Bogotá.	500			DNP	LB and/or ICB	tbd	1st
Technical service for a concession for the port of San Andrés.	200			DNP	LB	No	
Environmental impact study on stretches of Magdalena river for which concessions have been granted.	250			DNP	LB	No	2nd
Technical studies to support concession arrangements for two specific highways, including technical advice, traffic studies, investment banking and promotion of the project.	990			DNP	LB and/or ICB	tbd	1st
Transport sector	6,400	92	8				
TELECOMMUNICATIONS SECTOR							
Designing of the regulatory framework, including rate schedule and promotion of telecommunications services.	650			DNP	LB and/or ICB	tbd	1st, 2nd
Technical and research on regulations for new telecommunication services.	200			DNP	LB	No	2nd
Technical service for the second phase of the process of opening up long distance services to competition.	200			MHCP	LB	No	
Technical service for privatization of Empresa de Teléfonos de Medellín.	900			MHCP	LB and/or ICB	tbd	2nd

ACTIVITIES	AMOUNT IN US\$	FINANCE%		EXECUTING AGENCY	METHOD 2/ ICB	PREQUALI- FICATION	DATE (YR/EX)
		IDB/IBRD	LOCAL				
g service for analysis of a strategy for sale of assets of Empresa de s de Bogotá which may include methods of appraisal and resulting liabilities, nal activities and sale.	900			MHCP	LB and/or ICB	tbd	1st a
the telecommunications sector	2,850	82	18				
WATER AND SANITATION SECTOR							
ation of regulatory aspects based on findings of technical studies carried r MIF program now under way.	400			DNP	LB and/or ICB	tbd	
d studies on companies in this sector under different systems and modalities te-sector participation.	500			DNP	LB and/or ICB	tbd	
for the process of appraisals of companies and their conversion under two projects.	500			DNP	LB and/or ICB	tbd	1st a
for municipalities that decide to promote private investment in water supply r treatment companies.	500			DNP	LB and/or ICB	tbd	2nd
on and dissemination of criteria, models, model contracts, methods and programs to territorial entities.	150			DNP	LB	No	
of international experience with projects for disposal (landfills) and (incineration) of solid wastes (garbage) with private-sector participation.	100			DNP	LB	No	
the water supply and sanitation sector	2,150	77	23				
ENVIRONMENTAL AND MULTISECTORAL SECTOR							
of regulatory frameworks; analysis of contracting systems and standard schemes; analysis of existing private sector participation systems.	750			DNP	LB and/or ICB	tbd	1
n the review of environmental regulations, establishing guidelines for on procedures for obtaining environmental licenses and permits, and or preparing terms of reference for EIAs.	100			DNP	LB	No	
of current environmental regulations and treatment for infrastructure	200			DNP	LB	No	2
of environmental assessment policies to make certain that environmental re included in the analysis and planning process.	200			DNP	LB	No	2
ion and consolidation of action plans aimed at modernizing the rative organization of companies involved in investment and infrastructure in order to prepare them for facing new conditions under market ion.	400			DNP	LB and/or ICB	tbd	2
s, workshops and training courses on concessions and privatization.	300			DNP	LB	tbd	2nd
ng services for the sale of assets of Monómeros Colombo-Venezolanos, etc., y appraisal, promotional and sales strategies.	1,000			MHCP	LB and/or ICB	tbd	1st a

ACTIVITIES	AMOUNT IN US\$	FINANCE%		EXECUTING AGENCY	METHOD 2/ ICB	PREQUALI- FICATION	DATE (YR/MO)
		IDB/IBRD	LOCAL				
up plans for the sale of entities and resulting liabilities, training programs mechanisms for placement of former employees.	700			MHCP	LB and/or ICB	tbd	
of results of the privatization process — identification of financial and issues; methods of conducting ex post studies or project completion	200			DNP	LB	No	
, "roadshows", and other promotional mechanisms to attract investment.	500			DNP	LB and/or ICB	tbd	1st; 2nd
phase of the project for legal-contractual consulting service for physical structure with private-sector participation.	500			MHCP	ICB	Yes	
ing service to provide financial, technical, legal and actuarial advice on supervision and monitoring of government guarantees.	500			MHCP	ICB	Yes	
of equipment							
ment of an information system on concessions.	750			DNP	ICB	Yes	
and implementation of management systems for monitoring and supervision e sector infrastructure concessions and privatized enterprises.	350			DNP	ICB	Yes	
on and implementation of a dynamic, intersectoral geographical information n concessions and privatization projects.	500			DNP	ICB	Yes	2nd
Global multisectoral sector	6,950						
	28,200	79	21				

vised during preparation of semi-annual work plans. The total has been estimated and will be adjusted in accordance with the bids submitted.
allocated for each activity will be distributed among one or more contracts. The amount of each contract will determine the method to be used.

onal competitive bidding
ding (not restricted to international participation)
procurement notice
terminated

**COLOMBIA: TECHNICAL COOPERATION LOAN IN SUPPORT
OF PRIVATIZATION AND CONCESSIONS IN INFRASTRUCTURE (CO-0179)**

PROCEDURAL ASPECTS OF PROGRAM EXECUTION

1. The broad range of objectives covered under this technical-cooperation program, together with the large number of activities they entail, will require a well-coordinated and effective plan of execution. Accordingly, this annex presents procedural aspects of the program's execution, establishing its organizational structure, assignment of responsibilities, technical and administrative coordination, beneficiaries, the role of the IDB and the IBRD, program administration services, procedures for the contracting and procurement of goods and services, co-financing by the IBRD, and program follow-up.

Organizational structure

2. At the request of the Government of Colombia, the present technical-cooperation program will have two executing agencies: the Ministry of Finance (MHCP) and the National Planning Department (DNP).
3. Effective coordination of the program will be provided by means of an oversight committee to be made up of the Director of Public Credit from the MHCP and the Head of the DNP's Infrastructure Unit. The duties of this committee will be:
 - (i) to establish an overall strategy for the program, based on policy guidelines issued by the CIPP;
 - (ii) to approve the semi-annual work plans and their respective budgets, as well as a plan of execution with the beneficiary agencies;
 - (iii) to direct the preparation and execution of the program and, in particular, to approve the respective terms of reference, select consulting firms and award contracts; and
 - (iv) to reach agreement with government agencies on implementation of specific activities within their areas of responsibility.
4. The program will be carried out in accordance with semiannual operating plans to be drawn up by the oversight committee and revised by the IDB and IBRD technical teams on the basis of the terms and conditions agreed on. Any activity that is added to the

plan of operations will have to satisfy certain criteria for eligibility based on the potential for attracting private investment to the sector, the interest expressed by the beneficiary and the support received, and the extent to which the results can be disseminated.

Division of responsibilities

5. The distribution of activities between the two executing agencies will be made when the program is given its final shape. Moreover, given the multiyear nature of the program, changes may be made during the semi-annual review and establishment of work plans.
6. Once the location of a given activity has been decided, and assigned to one of the executing agencies, the latter will be solely responsible for monitoring the activity, although it will be required to notify the other member of the oversight committee in advance notice whenever a contract is awarded.
7. To avoid delays in the program, minor expenses and contracts which fall within the purview of either executing agency and covered in the approved work plan may be executed directly by the party concerned, notifying the other executing agency within 30 days.

Technical coordination

8. Proper technical coordination will require close cooperation between the executing agency responsible for a given activity and the entity benefitting from same. This cooperation must be established from the time that the activity is first identified for purposes of setting its objectives and determining its characteristics, priority, scope, requirements, etc.
9. The above-mentioned cooperation will be evidenced by an agreement between the two entities, in which the beneficiary undertakes to take an active part in carrying out the activity by helping in the formulation of terms of reference for contracts awarded to consultants considered to be necessary, the preparation of short lists from which a firm will be chosen to conduct the required studies and the appointment of counterpart personnel; cooperating with consultants by providing information and assistance; and, finally, aiding in the implementation of the resulting recommendations. By including these provisions, the beneficiary will be contributing resources for the contracting of technical assistance. As well, any incentives to encourage participation by the beneficiary must be explicitly stated in the agreement.

Beneficiaries

10. Various entities will derive benefits under the specific activities to be carried out, including: the DNP and MHCP; the ministries of

transport, mines and energy, development, communications, and environment; the civil aviation authority; the CREG, CRT and CRAS; the Commissioner of Ports and Harbors (Superintendencia General de Puertos); the INVIAS, CORELCA, EEB, EPM, FEN and ETB; and departmental and municipal agencies. Given its multisector nature, other sectoral bodies may eventually benefit from this program as well.

Administrative coordination

11. The program will be administered by two coordination units, one for each executing agency. The MHCP will coordinate its tasks through the PSI, and the DNP will do the same by means of the IBRD's Program for Public Sector Modernization and Private Sector Development Division, both of which are now in operation.
12. These units will carry out administrative responsibilities only, including coordination of:
 - (i) the signing of agreements with beneficiary agencies;
 - (ii) the drafting of terms of reference in cooperation with the respective technical units for submission to the oversight committee for approval;
 - (iii) the preparation of short lists, publication of notices, selection of bidders, evaluation of bids, awarding of contracts for consulting services and procurement of goods based on procedures approved by the Banks;
 - (iv) the participation of beneficiaries in the execution of contracts;
 - (v) the auditing of contracts;
 - (vi) the preparation of reports for submission to the oversight committee and the Banks; and
 - (vii) the submission of all pertinent information to both Banks.
13. In addition, these units - in consultation with the oversight committee - will be responsible for devising a methodology for selecting consultants, drafting standard contracts, evaluating the credentials of consultants and consulting firms, and assisting in the bidding process and selection of bidders, in accordance with the current procedures of the two Banks.

Program administration services

14. The plan of operations recommends that the UNDP be hired directly for program administration services. This recommendation is made

because of the comparative advantages which that agency presents vis-à-vis available alternatives. The option of permitting these services to be contracted directly by the executing agencies themselves was studied and found to be impractical. To speed up the process of signing an agreement with the UNDP, the executing agencies have prepared a draft agreement (with the help of the UNDP) which will be processed as soon as the proposed program has been approved.

15. Prior to the initial disbursement under the loan, the government will submit the agreement to be entered with the UNDP.

Role of the Banks

16. This program calls for close cooperation between the oversight committee, the beneficiaries and the technical units of both Banks. Technical support will be provided by means of the specialized units of the IDB and IBRD, with the assistance of the two Bank's Country Offices. The above will jointly review the following:

- (i) the work plan for each six-month period (to be prepared by the oversight committee and submitted to the Banks, which must issue a declaration of nonobjection for the plan to be approved);
- (ii) the terms of reference for each activity, including costs and timetable (to be submitted to both Banks, which will issue a joint declaration of nonobjection within a reasonable period of time depending upon the extent of proposed consulting services);
- (iii) the reports that the consultants are required to submit under the terms and conditions of their contracts;
- (iv) the Country Offices of the IDB and the IBRD in Colombia will provide the necessary technical assistance to help the Coordination Units apply these procedures.

Contracting of consulting services and procurement of equipment .

17. Administration of the program will require individual and short-term consultants for certain proposed activities. Therefore, in order to expedite the awarding of contracts and simplify the procedures, it is recommended that activities whose costs do not exceed the equivalent of US\$50,000 be carried out under contracts issued directly by executing agencies without competitive bidding. This means that it will not be necessary to present either the terms of reference or short lists of candidates to the Bank for approval. In all cases, the executing agencies must provide ex post notification of these contracts to the Banks and maintain all necessary records for review by either Bank, upon request.

18. During preparation of semi-annual work plans, the effectiveness of this method will be evaluated to determine whether its use should be continued. Also, the ability of executing agencies to conduct this type of contracting operation will be assessed, and a sampling system will be established by the IDB Country Office as part of the approved ex post audit of these contracts.
19. For contracts valued at more than US\$50,000 and less than US\$200,000, the executing agencies must submit the relevant terms of reference, describe the selection and publication procedures to be used, and provide a short list of consultants or consulting firms that will be considered, in order to qualify for a declaration of nonobjection from the Banks.
20. In the case of contracts valued at over US\$200,000, the Bank's procedures must be applied as set forth in the annex to the Technical Cooperation Agreement. In order to expedite the notification and prequalification process, once the activities set out in semi-annual work plans have been approved, the necessary notification will be sent to UN Development Business for publication.
21. Given the nature of the international services market, price is the overriding factor that determines to whom a contract is awarded. Accordingly, it is recommended that, in the case of specialized consultants (investment banks or consortiums led by investment banks) hired to assist with the process of privatization and concessions under contracts in excess of US\$200,000, bids be assessed by a combined technical and economic evaluation. The invitations to submit bids should specify the weighting that will be given to the price factor in ranking the bids (a description is given in Annex D to the technical-cooperation agreement).
22. No major purchases of equipment are planned under this program. If, however, it is decided that procurement will be necessary, the procurement will be done by international competitive bidding whenever the value of goods to be purchased is equal to or greater than the equivalent of US\$350,000. This limitation is justified by the fact that for projects financed by the IDB in Colombia, foreign bidders will generally only take part at values above this amount.

Co-financing by the IBRD

23. In the event of co-financing by the IBRD, when the winning bidder is from a country which is a member of the IBRD but not the IDB, the borrower must use only IBRD resources or local counterpart funding for the relevant procurement. In this case, the higher disbursements from the IBRD will be offset by changes in the planned IDB-IBRD disbursement ratios for other activities.

Monitoring of the program

24. During execution of the program, technical missions for administration purposes will be carried out at six-month intervals. The oversight committee with the support of these missions will conduct evaluations of the activities envisaged in the previous plan of operations and prepare detailed work plans for the second six-month period as well as all subsequent ones, in accordance with the proposed program. The semi-annual administration missions will monitor progress and supervise compliance with the established objectives.
25. A midterm evaluation of the program will be performed eighteen months into the program. If necessary, changes that may be needed to improve program execution can be approved upon completion of this evaluation. As soon as the last six-month work plan has been completed, a final evaluation of the program will be conducted.

PROPOSED RESOLUTION

COLOMBIA. TECHNICAL COOPERATION LOAN No. /OC-CO
SUPPORT TO THE PROCESS OF PRIVATIZATION AND CONCESSION OF INFRASTRUCTURE

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 agreements as may be necessary and to adopt such other measures as may be pertinent for the execution of the plan of operations referred to in Document PR-_____ with respect to a technical cooperation with the Republic of Colombia for the execution of a program, the purpose of which is to support the process of privatization and concession of infrastructure.

2. That up to the sum of US\$12,500,000 or its equivalent in other currencies, except the currency of Colombia, is authorized for the purposes of this resolution, chargeable to the Ordinary Capital resources of the Bank.

3. That the above mentioned amount is to be provided on a reimbursable basis, in accordance with the respective conditions which shall be set forth in the agreement to be signed for this operation.