

# TECHNICAL COOPERATION PROFILE

MAY 18, 2006

## I. BASIC PROJECT DATA

**Country:** Colombia

**Program Name/Number:** CO-T1037. Poverty alleviation with a geographic focus

**Team Leader/Members:** Team Leader: Patricia Torres (RE3/SC3); Team members: Verónica Adler (RE3/SC3) and Adriana Abreu-Combs (RE3/SC3).

**Date of Request:** February 27, 2006

**Beneficiary:** Ministry of Environment, Housing and Land Development; municipality of Cartagena, Colombia

**Executing Agency:** Inter-American Development Bank

**Financing plan:**

Korea Poverty Reduction Fund:	US\$	480,000
Co-financing:	US\$	
Local:	US\$	120,000
Total:	US\$	600,000

**Technical and basic responsibility:** RE3/SC3

**Tentative dates:**

Loan Committee	June 2006
Approval	July 2006

## II. BACKGROUND AND PROBLEM STATEMENT

### A. Urban population and poverty in Latin America (LA) and Colombia

- 2.1 Significant population increase has been accompanied by acceleration in urbanization in Latin American countries, which has made it the most urbanized region in the world. In 2000, 75% of the 507 million inhabitants of the region were living in cities, and it is estimated that by 2025 this figure will increase to 85%.<sup>1</sup>
- 2.2 Although it is true that the urbanization process has led to relative progress in meeting the basic needs of the population, this does not mean that poverty has been substantially reduced or eliminated, or even that the conditions to escape from it have been created. As a matter of fact, more than 36% of LA's urban population is poor and more than 11% of the population lives in extreme poverty.<sup>2</sup>

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<sup>1</sup> Cities for all: recent experiences with neighborhood upgrading programs. Inter-American Development Bank. Washington, DC, 2002.

<sup>2</sup> ELAC 2002.

- 2.3 The situation in Colombia is no different from that in the rest of Latin America. Seventy five percent of the Colombian population is concentrated in the urban areas. The levels of poverty are higher than the average of LA: 51% of the urban inhabitants are poor and 24% are extremely poor. It is estimated that out of a total of 8.5 million urban homes in Colombia, 16% (1.4 millions) live in squatter settlements.<sup>3</sup>

**B. Poverty reduction with a community and geographic focus**

- 2.4 A comprehensive and integrated vision of the relationship between poverty and habitat underscores the importance of the community and geographic focus in the design and execution of poverty reduction programs. Recent urban and social policies recognize that it is necessary to **look for integrated solutions** to respond to the multiple problems faced by the poorest segments of the population, such as the lack of: infrastructure and sanitary services, open and recreational space, childcare centers, healthcare centers, land regularization and titling, among others. **Housing is needed but if conceived isolated it is not a solution for low-income families.** Besides, the cost of a housing unit makes it very difficult for families with very low and unsteady income to acquire a house through the market with the help of a direct subsidy from the government. The solution is to **look at the problem in a more integrated and comprehensive way**, working with the communities that are already settled in existing neighborhoods with social networks and community organization in place.
- 2.5 The Bank has been successful in promoting and developing projects of this nature.<sup>4</sup> Examples include neighborhood upgrading programs in Brazil (Favela-Bairro-1126/OC-BR), Argentina (PROMEBA-940/OC-AR, Mejoramiento de Barrios en Rosario-1307/OC-AR); Bolivia (PROVIVIENDA-1006/SF-BO); and Ecuador (PROMIB-1416/OC-EC), among others.

**C. Colombia and housing programs**

- 2.6 Colombia has implemented some neighborhood upgrading programs at the sub-national level—some of them with a geographic focus and financed by international organizations. Nevertheless, a nationwide, integrated public policy approach to deal with these issues has never been applied before.
- 2.7 The Bank has been working with the country by supporting its housing policy and programs. In the last few years, it has supported the Social Housing Program (1483/OC-CO) for families with limited resources. This program is being executed as agreed, and it is expected to be complete by the end of 2006.

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<sup>3</sup> See CONPES 3305. Guidelines to Optimize Urban Development Policy. August 2004.

<sup>4</sup> You can access Favela-Bairro's website at (<http://www.fau.ufrj.br/prourb/cidades/favela/frames.html>), and PROMEBA's website at (<http://www.promeba.org.ar>) or (<http://www.miduvisiv.gov.ec/convocatorias.php>).

- 2.8 In March 2006, the country requested the Bank to support a new operation in the housing sector (CO-L1018). This new operation would include components to improve the current subsidy system as well as resources to begin financing investments in integrated neighborhood upgrading projects. In the request document, the government also underscored the need for inter-agency cooperation in this process. This Technical Cooperation (TC) will allow the country to create the basis for preparing and designing a neighborhood upgrading program.<sup>5</sup>

**D. Linkage to the Bank's country strategy**

- 2.9 The Bank's strategy with Colombia (GN-2267-1), approved in September 2003, identifies three main priority areas: (i) lay the foundations to strengthen and revive the economy; (ii) promote social development and guarantee the protection of the poorest segments of the population; and (iii) improve governance in the country and support the process of state modernization. This operation will help achieve the second objective since it involves activities that seek to improve the welfare of the poorest segments of the population.

**III. PROGRAM OBJECTIVE AND DESCRIPTION**

**A. Objective**

- 3.1 The purpose of this operation is to support Colombia in the preparation and design of neighborhood upgrading programs (NUPs).

**B. Activities**

- 3.2 To achieve the proposed objectives, the program will finance the following activities:

**1. Design of institutional mechanisms and methodologies for the selection process of NUPs and technical designs of a selected group of projects at national level (US\$373,000)**

- 3.3 The objective of this component is to design project samples that could be financed under a future operation, and to design the institutional mechanisms for the implementation of a future program. This component will also study mechanisms and alternatives for co-financing, including the potential support of sub-national governments and other entities.
- 3.4 In order to achieve these goals, and considering the magnitude of the squatter settlements problem in Colombia, a methodology/criteria will be defined to select municipalities/settlements. The selection methodology should take into account aspects such as social eligibility criteria (i.e., unsatisfied basic needs (UBN) population, land tenure, community structures and linkages, neighborhood social programs, among others); economic, institutional and co-financing criteria; and

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<sup>5</sup> See attached Letter of Request.

the size of the municipality. Once the selection criteria are defined, a request for applications mechanism will be set up, in coordination with the national authorities, allowing for the selection of a sample and the development of projects at the pre-feasibility level. It is estimated that with the resources available it will be possible to develop at least five projects.

- 3.5 The institutional mechanisms for the execution of the future program will be designed, taking into account the experience gained throughout the process. This will include an analysis of the possibility of enlisting municipalities as co-financers in this type of operation.
- 3.6 In addition, the authorities of the Korean Ministry of Housing and Transport or related institutions will conduct a workshop as part of this TC. The workshop will focus on sharing the Korean experience on housing policy, as well as the mechanisms for access to the different socioeconomic strata.

## **2. Design neighborhood upgrading projects at sub-national level for Cartagena, Colombia (US\$202,000)**

- 3.7 On the other hand, the Bank has received a specific request from the Chamber of Commerce<sup>6</sup> and the Government of Cartagena to develop this type of projects. In this case, the TC program will finance consulting services to determine the eligibility of the neighborhoods within the municipality, as well as the design of projects at the pre-feasibility level. The criteria for the selection of the neighborhoods would be the same as the ones detailed in paragraph 3.4. It is estimated that with the resources available it will be possible to develop at least 2 projects.

## **IV. COST AND FINANCING**

- 4.1 The total cost of this TC operation has been estimated at US\$600,000, according to the information in the following table.

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<sup>6</sup> The Chamber of Commerce is a private institution that represents the interests of the enterprise sector and the society in general, with legal function and position of agent and without spirit of profit. It is a Government Consultative Body in urban development issues.

**Table IV-1. Summary cost table (miles US\$)**

<b>Category</b>		<b>TC fund</b>	<b>Local</b>	<b>Total</b>
<b>A</b>	<b>Design of institutional mechanisms and methodologies for the selection process of NUPs and technical designs of a selected group of projects</b>	<b>313</b>	<b>60</b>	<b>373</b>
1	Honorariums	264		264
2	Trips and per diem	34		34
3	Workshops	15		15
4	National expenditure related with NUP		60	60
<b>B</b>	<b>Design neighborhood upgrading projects at sub-national level for Cartagena, Colombia</b>	<b>142</b>	<b>60</b>	<b>202</b>
1	Honorariums	106		106
2	Trips and per diem	32		32
3	Workshops	4		4
4	Subnational expenditures related with NUP		60	60
<b>C</b>	<b>Unforeseen expenses</b>	<b>25</b>		<b>25</b>
	<b>TOTAL</b>	<b>480</b>	<b>120</b>	<b>600</b>

## **V. EXECUTING AGENCY AND EXECUTING STRUCTURE**

- 5.1 The TC will be executed by the Inter-American Development Bank (IDB). The execution and disbursement period will be eighteen (18) months.
- 5.2 Technical and basic responsibility: State and Civil Society Programs Division 3.

## **VI. MAJOR ISSUES**

- 6.1 The technical lessons drawn from the activities carried out under this operation will be essential for the design and implementation of a future neighborhood upgrading program.

## **VII. ACTION PLAN**

- 7.1 On donor approval of the TC Profile, the team will proceed with the approval of the TC within the Bank.

## **VIII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 8.1 This operation is not expected to have any negative environmental and/or social impacts. The projects that are going to be designed under this TC will take into account the Bank's Environment Strategies and Policies.