

SOCIAL INFRASTRUCTURE AND COMMUNITY MANAGEMENT FOR PEACE

(CO-0234)

EXECUTIVE SUMMARY

Borrower and guarantor:	Republic of Colombia	
Executing agency:	Administrative Department of the Office of the President (DAPRE) and Investment Fund for Peace (FIP)	
Amount and source:	IDB (OC):	US\$63 million
	Local:	<u>US\$27 million</u>
	Total:	US\$90 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	4 years
	Disbursement period:	4 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
Objectives:	Currency:	U.S. dollar, from the Single Currency Facility
	The general objective of the program is to support the peace process and make it sustainable by improving the quality of life in municipalities suffering from high rates of poverty and violence, and by reinforcing the presence of the State.	
	The specific objectives are:	
	<ol style="list-style-type: none"> a. To strengthen mechanisms for community participation and local governance so as to improve the identification, prioritization, management and social control of projects and activities that will strengthen the institutional presence of the State and reinforce the peace process. b. To replace, rehabilitate, equip, and build basic social infrastructure. c. To enhance the use of social infrastructure by improving services, expanding coverage and establishing mechanisms for coordination with other national and local assistance programs, or those sponsored by civil society, with particular emphasis on recreational and cultural activities. 	

Description: The program is designed as a series of swift and effective interventions within a limited number of municipalities, in order to: (i) organize the community and rebuild the social fabric; (ii) restore destroyed or damaged social infrastructure; (iii) strengthen local government; and (iv) facilitate the delivery of assistance programs to these municipalities. These actions will strengthen the presence of the State while helping to rebuild social and human capital.

The beneficiary municipalities under the program have been selected in accordance with the following criteria: (i) levels of violence defined as moderate or low; (ii) levels of poverty based on the Quality-of-Life Index (QLI); (iii) population of the municipal town of less than 10,000 inhabitants, although in some exceptional cases this may be as high as 20,000; (iv) authorities elected democratically in accordance with the national Constitution; and (v) compliance with fiscal reform legislation. Municipalities located in the “distension” zones are excluded, as are those that benefit directly from other programs with similar purposes and activities. Based on these criteria, an initial group of 252 municipalities has been selected as eligible.

The program will have the following components:

1. Enhancing the management capacity of communities and local governments (US\$18.7 million)

The general objective of this component is to promote and support participation, to develop community management capacity, and to improve the efficiency of local governments so that they can take full advantage of program activities. The component consists of two subcomponents: (i) strengthening community organizations and local governments, and (ii) use of social infrastructure and facilities.

2. Basic social infrastructure (US\$63.8 million)

The objective of this component is to replace, rehabilitate and/or build approximately 1,260 infrastructure works in the areas of education, health, sports, recreation and culture, and social development, destroyed or damaged by the armed conflict. New physical works will have simple designs, using standard templates that are fully adaptable to local climatic and topographical conditions and lot sizes. The average cost of these works will be US\$38,000. The component will also pay for the equipment needed for each type of project. Approximately 20 percent of the projects will finance social infrastructure works of benefit to indigenous peoples, and about 10 percent will benefit the Afro-Colombian population.

3. Monitoring and evaluation (US\$850,000)

The purpose of this component is to provide a comprehensive evaluation of the program so as to verify that its objectives have been achieved. It will focus on the relationship between outcomes achieved, initial budget and objectives defined.

Consulting services will be financed: (i) to prepare a measurement baseline; (ii) to implement programming and monitoring work; and (iii) to reform midterm and final evaluations. The program will also finance training and the preparation of guidelines and manuals for project monitoring workshops for municipal government officials and community representatives.

The Bank's country and sector strategy:

The Country Paper (CP) approved in 1999 addresses the country's principal development challenges through a strategy that focuses all activities on pacification. In terms of strengthening the peace process, the program targets the following areas: (i) equality and poverty reduction; (ii) sound public institutions building; (iii) decentralization; and (iv) sustainable growth.

Environmental and social review:

Given the nature and objectives of the proposed operation, it qualifies as a poverty-targeted investment. The beneficiaries will be the communities living in the 252 selected municipalities. These municipalities have an average QLI of 51.7, compared with a national average of 75.7. The average QLI in municipalities where more than 20 percent of the population is indigenous is 40.8, and the average in municipalities where more than 30 percent of the population is Afro-Colombian is 45.6.

No significant environmental impacts are expected. Community works will generally be minor and will include the necessary precautions to avoid, mitigate or correct any possible negative impact on the environment, especially in the case of rehabilitation or replacement. The Social Solidarity Network (RSS) has adequate environmental management tools, which will be reviewed and adjusted as necessary. In addition, technical assistance will be provided to communities to make proper use of the works.

Benefits:

The program is part of a series of efforts undertaken by the Government of Colombia and the international community to rebuild the country's social capital, restore social infrastructure damaged by the conflict, and enhance the presence of the State in target municipalities. The program will benefit the 252 poorest municipalities with medium and low rates of violence. It will help to improve living conditions and enhance the presence of the State. It

will also improve equity, reinforce social organization and improve basic social infrastructure, encourage cultural and recreational activities, and in this way help to restore the social fabric. Training and technical assistance for communities will provide them with the knowledge needed to strengthen their decision-making and management capacity.

Having community players undertake the social infrastructure works will serve to: (i) encourage project designs that are better adapted to community needs and demands, and will help to empower communities; (ii) enhance the transparency of resource use; (iii) reduce construction costs; (iv) encourage greater use of local labor and materials; (v) reinforce community management capacity; and (vi) enhance the sustainability and impact of projects.

As well, the decentralized approach, including the outsourcing of program execution, and the planned institutional adjustments will make the country's decentralization process more efficient and solid.

Risks:

The major **risks** that could affect program implementation relate to politicization and lack of transparency in resource allocation. **Mitigating condition:** to increase transparency, an advisory council will be set up with representatives of CSOs (civil society organizations) and public entities, responsible for monitoring program execution and outcomes. As well, municipalities have been selected for participation on the basis of a transparent mechanism that uses the QLI to target the poorest communities. The priority accorded to financing projects with community and local government participation will reduce political interference. Moreover, independent evaluations during program execution, the hiring of private engineering firms to inspect and supervise the works, and the contracting of independent auditors to review operations and program accounts will significantly reinforce the accountability and transparency of resource allocation.

There is a **risk** of possible modifications to the peace strategy in the country as a result of the change of administration following the next elections, and this could affect program execution. **Mitigating condition:** given its focus on poverty and violence, however, the program is unlikely to undergo major changes. The project team held a meeting with CSO representatives, mayors, NGOs and government officials, where all participants recognized the importance of the activities planned, the need to support the poorest municipalities by strengthening community self-management capacities and improving social infrastructure, as well as the significance of enhancing the presence of the State in the selected zones. Recent statements by the major political groups have reiterated the need to enlist the international community's full support for the peace process, especially in providing social services for the neediest groups.

A further **risk** to the program is its complexity. **Mitigating condition:** to attenuate this risk: (a) the Program Executing Unit (PEU) will be up and running before the program begins, and will be assisted by specialized consultants in preparing calls for tender and receiving and analyzing bids; (b) the Bank will confirm that the executing agency's information systems are functioning properly and that timetables and documentation needs are being met; and (c) monitoring and supervision procedures have been simplified to avoid delays in contracting and disbursement procedures without jeopardizing accountability to the government and to the Bank.

Special contractual clauses:

The executing agency will be required to fulfill the following conditions before the first disbursement is made:

- a. Entry into force of the *Program Operating Regulations* (see paragraph 3.15).
- b. Signature of an *interadministrative agreement* with the Social Solidarity Network (RSS) government its participation as coordinating agency in implementing the program activities (see paragraph 3.1)
- c. Creation and establishment of the *Program Executing Unit* (PEU), including the hiring of the general coordinator and staff. To this end, the sum of US\$100,000 will be authorized as an advance on the loan upon fulfillment of the conditions precedent contained in the general contractual conditions (see paragraph 3.4).
- d. Signature of *agreements* with the participating bodies (see paragraph 3.5).

Within four months after entry into force of the loan contract, the following information will be submitted to the Bank: (i) the baseline data; (ii) the indicators to be taken into account for the midterm evaluation; and (iii) a description of the procedure to be used for compiling and processing annual data for comparison against the baseline, in performing the final project evaluation (see paragraph 3.25).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, the program qualifies as a poverty-targeted investment (PTI). The borrower will be using the 10 percentage points in additional financing (see paragraph 4.13).

Exceptions to Bank policy: None.

Procurement: The ceilings applicable to Colombia for the procurement of goods and services and for works are US\$350,000 and US\$5 million, respectively. The program does not call for works of this magnitude, however. Procurement for amounts below these thresholds will be conducted in accordance with national legislation; with the system of price shopping recommended for works contracts valued at less than US\$250,000, and for goods procurement at less than US\$100,000. An ex post evaluation will be conducted of works and services contracts for which bids or proposals are called, in amounts below the thresholds for international competitive bidding, and in the case of contracts with consulting firms and individual consultants, amounts below US\$100,000 or US\$50,000, respectively. All contracting will be done in accordance with procedures acceptable to the Bank, as established in Annexes B and C of the loan contract.

I. FRAME OF REFERENCE

A. Background

- 1.1 Colombia has been embroiled in domestic armed conflict for the last 40 years, and this has produced the most complicated situation of violence anywhere in the region. During the 1990s, the social and political situation deteriorated further with the involvement of armed bands in the processing and marketing of illegal products. The armed conflict has affected the country's social development, it has destroyed infrastructure and it has disrupted productive activities in the affected areas, known as the "conflict zone". The proposed program is part of a joint effort among multilateral agencies and donor countries to cooperate in restoring the presence of the State in that zone. The Bank's program will focus on municipalities affected by violence and poverty, and will finance efforts to rebuild the social fabric and to restore social infrastructure, with particular emphasis on education, health, recreational and cultural services.

1. Economic and social situation

- 1.2 Colombia is currently passing through one of the most difficult periods within living memory. In recent years, a sharp increase in public security problems has been accompanied by slumping economic growth, a deterioration in its fiscal and external accounts, and rising unemployment. The country's GDP has trended downward over the last few years. Although the economy grew by 5 percent between 1992 and 1995, the rate of growth halved between 1996 and 1998, and in 1999, at -4.5 percent, was negative for the first time since 1930. As a result, real GDP per capita has dropped back to the levels of 1990.
- 1.3 Nevertheless, the outlook appeared more encouraging in late 1999: the economy grew in the last quarter of the year, and the industrial sector showed signs of recovery and expectations of positive growth. This performance continued through 2000, when GDP grew at 2.8 percent, suggesting that the recession had been overcome and that a process of economic recovery was beginning. Given these expectations, projections for the year 2001 were optimistic, and growth of 3.8 percent was expected. The poor performance of the economy during the first half of this year, however, has forced a revision to the growth target, which has been reduced to 2.2 percent.
- 1.4 Until the middle of the 1990s, the financial situation of subnational entities (departments and municipios, "municipalities" or townships) appeared sustainable, although some were in deficit. Their revenues were rising at a pace sufficient to cover financing costs and their financial and pension obligations.
- 1.5 The growing deficit in current municipal savings gradually led to a systemic crisis that was countered primarily through loans from the financial system. With the passage of time, the payment of interest and amortization on the debt became an

additional negative factor weighing on the fiscal situation of municipalities. Their precarious fiscal situation forced municipalities to earmark ever-greater portions of their revenues to operating expenses and debt repayment. This led to a decline in investment in social infrastructure and facilities, with a consequent deterioration in the quality of service. The situation has been particularly dramatic in the case of the lesser-developed municipalities which, in addition to fiscal and financial inflexibility, must cope with harassment by armed groups and the destruction of infrastructure.

- 1.6 This further deterioration can be appreciated by comparing the performance of the Quality-of-Life Index (QLI).¹ While the QLI has declined from 85.6 percent in 1990 to 75.7 percent in 1999 for the country as a whole, in the case of municipalities affected by violence the collapse has been more pronounced, from 81.3 percent in 1990 to 51.7 percent in 1999. The change in the QLI reflects the precarious situation of many municipalities as a result of recession, economic adjustment and armed conflict, which have exacerbated poverty, marginalization and displacement. Under these circumstances, family incomes have declined, school dropout rates are high, and nutrition and health indicators have fallen drastically, particularly for the rural population.

2. Violence and armed conflict

- 1.7 The current violence in Colombia has many aspects. In rural areas it involves guerrillas, paramilitaries and drug traffickers, who have an active presence in poor municipalities where the State has been traditionally weak. In the cities, common crime is encouraged by the loss of values reflecting the illicit activities of drug traffickers and organized crime. The result of this violence, here and elsewhere in the country, has been to damage social and economic infrastructure, undermine living standards and create serious problems that amount to a systematic breakdown of the social and institutional fabric.
- 1.8 Recent indicators on the active presence of armed groups suggest that of the 1,051 municipalities, 405 are suffering some degree of violence. These make up what is called the "conflict zone". The departments with the greatest number of municipalities affected by violence are Antioquia (66 municipalities), Santander (29), Tolima (27), Cauca (26), Norte de Santander (24), Cundinamarca (23), Bolívar (23) and Nariño (22). This "conflict zone" has grown by 76 percent, from

¹ The QLI is a very useful indicator for analyzing welfare trends and identifying shortfalls in terms of social infrastructure needs. This index takes values of 0 to 100 and results from the selection of 12 variables measuring public welfare and living conditions of families and municipalities, in terms of four characteristics: (i) education and human capital; (ii) quality of housing; (iii) accessibility and quality of public services; and (iv) size and composition of dwelling.

223 municipalities in 1990-1994 to 393 in 1998-2001.² The violence has also affected the representative nature of the State and democratic participation in many municipalities. Between 1989 and 1999, 138 mayors were assassinated, as were 569 representatives and town councilors, 1,037 political leaders and 174 government employees. The rate of kidnappings in the period 1990-1998 was 4.3 per 100,000 inhabitants, representing approximately 1,464 kidnappings every year on average. The national rate jumped sharply in 1998 from an average of 3.5 to 6.8 kidnappings for every 100,000 inhabitants.

- 1.9 The violence has also provoked an increase in the forced displacement of people. According to the National Registry of People Displaced by Violence, maintained by the Social Solidarity Network (RSS), the number of persons displaced rose from 6,132 in 1999 to 40,452 in 2000. According to Amnesty International (1997), 75 percent of the displaced population is under 25 years of age, and 58.2 percent are women. The departments that have seen the greatest expulsion of people are Antioquia (33%), Bolívar (18%) and Chocó (11%).

3. The cost of the armed conflict

- 1.10 The rising cost of the armed conflict can be seen in its high impact on GDP. While in 1991 it represented 1.74 percent of GDP, in 1997 it amounted to 1.83 percent. This is explained by the increase in the active presence of armed groups in the country's various municipalities, which in turn has made it necessary to increase military spending by 53.8 percent during this time. The disparity between military expenditure in Colombia and the average for Latin America rose from US\$662 million in 1991 to US\$976.2 million in 1997. Thanks to the worsening armed conflict, the country has had to devote ever greater resources to combating violence, to the detriment of the social and productive investment needed to promote the country's medium and long-term development. In this context, human capital has deteriorated rapidly, reflecting the diversion of spending from the social to the military area, and the effects on people's health, as well as the impact that the violence has had on school attendance and education levels among children.
- 1.11 The cost of the conflict can be measured not only in terms of GDP. It also has severe consequences on the availability and use of productive factors. Roads and bridges have been destroyed and insecurity on the highways has increased, and the cost of goods transportation has risen accordingly. Civil liberties are curtailed and property rights cannot be fully exercised.

² A municipality is said to have an active presence when there is at least one event a year, on average, during the period of analysis. For further detail, see Echandia, J. (1998). *"El conflicto armado y las manifestaciones de la violencia en las regiones de Colombia"* [The armed conflict and manifestations of violence in the regions of Colombia]. Office of the High Commissioner for Peace.

4. Characteristics of the municipalities

- 1.12 The figures on violence in Colombia show that 30 of the 32 departments have been affected by the armed conflict. The proposed program, based on the targeting exercise discussed in Chapter II, seeks to service 252 municipalities of the 405 in which armed activity has been recorded, or the equivalent of 62 percent of the "conflict zone". The social economic characteristics of these municipalities, compared to the rest of the country, are shown in Table I-1.

Table I-1
Comparison of municipalities served by the program and other municipalities in the country

Indicators	Municipalities Served by the program (252)	Remaining municipalities (843)
Development Index, 1999	42.43	49.30
Category, 1999	3.73	4.90
% of population in main city	28.49	40.52
% of homes with water connection	48.04	59.38
% of homes with sewage connection	23.83	34.72
% of homes with electricity service	58.40	72.22
% of people with unmet basic needs 1993 main city	56.77	60.98
% of people with unmet basic needs 1993 elsewhere	30.97	42.55
# of rooms per person	0.50	0.56
% illiteracy	81.19	83.63
% school enrolment	61.85	68.00
Tax revenues per capita (US\$)	9.2	18.2
Municipal public investment per capita	65.1	75.2
% of population not dependent on transfers	29.37	35.50

B. The government's strategy

- 1.13 The Colombian government, aware of the importance of focusing its efforts on allocating both public and private resources toward investments in human, physical, natural, and social capital as a means of generating more favorable conditions for promoting peace, growth and regional development, put forth a comprehensive proposal in 1999 to overcome the principal causes of violence and generate

conditions for consolidating peace. One of the basic pillars of this proposal is the effort at Institutional Strengthening and Social Development (FIDS).³

- 1.14 The FIDS gives priority in the allocation of public and private resources to investments in human, physical, natural, and social capital, as a means of generating conditions more conducive to promoting peace, growth and development over the medium and long term. These lines of intervention include specific projects and activities, a portion of which the government proposes to finance with Bank funds.
- 1.15 The total cost of the FIDS is estimated at US\$2.1 billion. At the third meeting of the Consultative Group in Brussels, in May of this year, international funding commitments were secured in the amount of US\$1.3 billion. The loan operation presented in this paper is part of that international effort.
- 1.16 The government has been working closely with individual countries and multilateral organizations on distribution of the FIDS funds and the projects that they would finance. Negotiations have been held with: (i) the European Union; (ii) the Andean Development Corporation (CAF); (iii) Spain; (iv) Japan; (v) the U.S. Agency for International Development (USAID); (vi) Switzerland; and (vii) Canada. Formal agreements have been signed with at least half of the countries and organizations that have offered assistance through the donors' roundtable, and programming missions have been held to identify operations.
- 1.17 The financial mechanism for administering FIDS funds is the Investment Fund for Peace (FIP). The FIP, a special fund without legal status, that is attached to and administered by the Administrative Department of the Office of the President (DAPR), is directed and administered by a board of directors consisting of the Director of the DAPR, who chairs it, the Minister of Foreign Affairs, the Minister of Finance and Public Credit, the Minister of Economic Development, the High Commissioner for Peace, the Senior Presidential Adviser on Governance, the Director of the National Department of Planning (DNP) and three members appointed by the President of the Republic. As well, the Presidential Adviser for the *Plan Colombia* is a member of the board of directors, with voice but no vote, and acts as its technical secretary. The main function of the Council is to oversee compliance with program objectives and to monitor progress on a regular basis. The FIP executes projects and programs through public and private sector entities and civil society organizations, using a system of delegated management.

³ The FIDS focuses primarily on activities in zones: (i) affected by high rates of violence (including presence of armed groups); (ii) with severe conditions of poverty and inequality; (iii) with low levels of social organization; (iv) where a significant portion of the population relies on illicit crops for subsistence; (v) with fragile ecosystems; and (vi) with little State presence.

C. Principal lessons learned

- 1.18 The format of this program takes into account similar experiments financed by the international banking community in other countries, and as part of the specific strategy for supporting the peace process in conflict zones. Experience has revealed a number of aspects that, if they are not addressed, will pose difficulties for efficient execution of the program: (i) legal security and documentation for land ownership; (ii) funding must be programmed so as not to hold up the progress of works; (iii) municipalities must be sufficiently accessible that transport costs will not make works too expensive; (iv) mechanisms are needed to ensure that communities and local entities fulfill their commitments; (v) works must not be contracted to municipal entities; and (vi) care must be taken not to generate expectations greater than those the program can deliver.
- 1.19 The Government of Colombia has undertaken a number of programs involving infrastructure and community participation which, while not necessarily targeted at the conflict zone, have produced important lessons for the current program. The RSS (1994-1998) pursued a *recreation* subprogram with Bank financing, under which recreational, cultural and sporting facilities were built to the amount of US\$3.2 million. Experience with this program shows the need for accuracy in estimating demand, so as not to exceed the available funds and create unfulfillable expectations. From an operational viewpoint, the program encountered difficulties in working out land transfers and ownership certification with the municipalities.
- 1.20 Since 2000, the RSS has been pursuing the subprogram for *“Integral Assistance to Municipalities Affected by Violence”*, involving new physical and social infrastructure rehabilitation works in municipalities affected by violence. This program is active primarily in municipalities with the highest indices of violence. The lessons learned from this program include the following: (i) ensure immediate and direct delivery to the selected municipalities; (ii) restore confidence in the State entity; and (iii) support execution through a national entity, which will facilitate the identification of needs. In terms of the program’s weaknesses, it failed to provide for proper equipping of the completed works.
- 1.21 The *“Employment in Action”* program (2001), with US\$200 million in financing (US\$100 million from the Bank and US\$100 million from the World Bank) seeks to create temporary jobs for 300,000 people in urban zones throughout the country, by sponsoring roughly 10,000 projects in the areas of social infrastructure, urban environment and housing. Highlights of this program include: (i) participation by civil society through the management bodies; (ii) diversity of direct beneficiaries, who may be of any age, social status or gender, and are selected by the open drawing of lots; and (iii) full community involvement and commitment in project execution, creating a sense of ownership and empowerment. In terms of weaknesses, some municipalities did not have the capacity to prepare projects and access program funds.

- 1.22 The Peace Plan [*Plan Pacifico*], with a budget of US\$71 million, represents a series of projects, investments and activities to provide technical and financial support to regional entities in the area of governance and land use planning. Violence is not taken into account as a factor in selecting and targeting municipalities and departments. Strong points of the program include the following: (i) use of monitoring instruments appropriate to the particular features of the program and the region; (ii) streamlined processing of disbursements; (iii) low procurement costs; and (iv) a rigorous approach to project feasibility and approval. Difficulties include: (i) slow physical and financial execution; (ii) cutbacks in budgetary allocations; and (iii) failure of some municipal governments to fulfill their commitments.
- 1.23 In short, the design of the proposed program takes into account a number of important aspects that were overlooked in previous programs, such the proper equipping of infrastructure works, directing more funds to the poorer and smaller municipalities, and providing a greater percentage of financing for works. It must also be recognized that it is the community that is responsible for identifying and prioritizing projects, and that a budget ceiling must be established for each municipality.

D. Bank participation

- 1.24 The Bank is well aware of Colombia's problems and has provided significant support for the peace process and its sustainability. The Country Paper approved in 1999 responds to the main development challenges with a strategy that focuses all its activities on pacification. With strengthening the peace process as its central theme, the Bank's strategy and program are focused on the following areas: (i) equality and poverty reduction; (ii) building solid public institutions; (iii) decentralization; and (iv) sustainable growth.
- 1.25 The Bank has also played an active role in the international community to help establish credibility for the peace process. Specifically, it has supported: (i) dialogue among interested parties in order to seek consensus; (ii) institutional planning and design for the FIP; (iii) three meetings of the Consultative Group to Support the Peace Process (Madrid, Bogota and Brussels); and (iv) identifying and preparing profiles of projects to support the FIDS. These activities were financed through two technical cooperation activities approved in 1999: (i) Support for a National Agenda for Peace in Colombia (ATN/SF-6425-CO) and (ii) Study, Design and Implementation of a Peace Investment Fund (ATN/SF-5989-CO). The Bank also serves as technical secretariat of the Monitoring and Evaluation Committee of the Consultative Group, and has committed funding to help the country finance the programs that are part of the FIDS.
- 1.26 This program is part of an international effort to provide coordinated support for the peace process within the FIDS strategy. The Government of Colombia believes that the most effective way to make use of the resources and projects presented at the

three meetings of the Consultative Group in Support of the Peace Process is to allocate individual projects or regions of the country to specific sources.

E. Operational design

- 1.27 The design of the program is based on two facts noted in other countries: (i) that human and social capital deteriorate swiftly in situations of conflict, violence and poverty; and (ii) that this trend is exacerbated when the State presence in the affected communities is weak. The consequences of this situation, which applies fully to many areas of Colombia, are: (i) a decline in public health; (ii) lower school attendance rates and levels of learning; (iii) youth and children seek alternative uses for their free time through violence, drug addiction and guerrilla activities; (iv) the State is unable to meet the needs of the population; (v) the bonds between the State and the community are destroyed; and (vi) community support networks are undermined.
- 1.28 Given the state of decline, the program is designed as a set of targeted interventions within a limited number of municipalities, intended to: (i) improve community organization, by providing training in project management and utilization; (ii) help rebuild the social fabric of these vulnerable groups, stressing basic principles of citizenship including solidarity, respect, tolerance, participation, etc.; (iii) strengthening local governments; (iv) encouraging involvement by communities and local authorities in resource allocation decisions; (v) helping deliver national, subnational and civil society programs to these municipalities; and (vi) restoring destroyed or damaged social infrastructure. These efforts will serve to enhance the State presence and at the same time rebuild social and human capital.
- 1.29 The following principles will be applied in order to achieve the planned objectives and outcomes: (i) objective criteria will be used to select beneficiaries in order to avoid political interference; (ii) projects will be identified and prioritized by the community through transparent and participatory mechanisms; (iii) efforts will be coordinated with the local authorities; (iv) the gender perspective will be introduced; (v) mechanisms to ensure project sustainability will be identified; (vi) local efforts to create skilled jobs will be undertaken through private contractors or nongovernmental organizations; (vii) local unskilled labor will be put to use in selected municipalities; (viii) mechanisms will be established for community control and supervision during project execution; and (ix) an external evaluation mechanism will be used to measure the program's progress and its impact against established indicators.
- 1.30 The key criteria for the program's design are: (i) targeted interventions in municipalities located in areas with high indicators of poverty and violence; (ii) involvement of communities and local authorities in resource allocation decisions; (iii) use of standardized systems for project design, adapted to the geographic characteristics of the different areas involved, using readily accessible

materials and locally available manpower; and (iv) ensuring the use and sustainability of works through community participation and appropriate training and technical assistance.

F. Pilot project

- 1.31 In making final adjustments during preparation of the operation, the government has selected 21 of the 252 eligible municipalities and has designed and implemented a test project, in accordance with Bank procedures. Preliminary results of this experiment show the following:
- a. The use of poverty and violence indicators for targeting purposes is appropriate.
 - b. The pilot experiment took due account of the project cycle.
 - c. The various stakeholders (population, local governments and civil society organizations) are prepared to engage in identifying and prioritizing projects: meetings were held in all the municipalities, with participation by local government and SCO representatives.
 - d. The menu of institution-building and infrastructure works reflects the needs of the municipalities. Applications submitted by communities and local governments were focused on strengthening civil society, with particular interest in efforts to assist children under six years of age.
 - e. With respect to local governments, they showed an interest in training to strengthen their capacity to prepare land-use planning.
 - f. The infrastructure needs identified were consistent with the consensus-based typologies, and communities showed particular interest in recreation and cultural facilities.
 - g. Municipalities are ready to commit themselves to maintain and strengthen project sustainability.
 - h. The lands needed for infrastructure works are physically and legally available.
 - i. Recommendations of an operational nature include: (i) ensure that training materials are delivered prior to the event; (ii) a prior information campaign is needed to secure full community commitment; and (iii) the mayor and the program managers should jointly issue invitations to the community meeting.

II. THE PROGRAM

A. Objectives

- 2.1 The general objective of the program is to support the peace process and its sustainability by improving living conditions in municipalities suffering from high rates of poverty and violence, and by strengthening the presence of the State.
- 2.2 The specific objectives are:
- a. To strengthen mechanisms for community participation and local governance so as to improve the identification, prioritization, management and social control of projects and activities that will strengthen the institutional presence of the State and reinforce the peace process.
 - b. To replace, rehabilitate, equip, and build basic social infrastructure.
 - c. To contribute to the use of social infrastructure by improving services and establishing coordination mechanisms with other programs national, local or sponsored by civil society, with particular emphasis on recreational and cultural activities.

B. Description

1. Targeting

- 2.3 The potential beneficiary municipalities under the program have been selected in accordance with the following criteria: (i) levels of violence defined as moderate or low, on the basis of specific criteria (See Box II-1); (ii) levels of poverty based on the Quality-of-Life Index (QLI);⁴ (iii) municipal population of less than 20,000 inhabitants;⁵ (iv) authorities elected democratically in accordance with the Constitution; and (v) compliance with fiscal reform legislation (Law 617/00). Municipalities located in the “*distension*” zones negotiated with the government are excluded, as are those that benefit directly from other programs with similar purposes and activities. Applying these criteria, an initial group of 252 municipalities has been selected as eligible: of these, 23 have between 10,000 and

⁴ In using the QLI for targeting purposes, municipalities were defined as “poor” if they had a QLI of less than 60 (the national average being 75). This index has been used in other operations financed by the Bank, the Social Solidarity Network (889/OC-CO) and the Social Support Network (1280/OC-CO).

⁵ Since the program gives priority to the smaller municipalities, the number of eligible municipalities with populations of between 10,000 and 15,000 inhabitants would not exceed 8 percent of the total of municipalities supported by the program, and those with populations of between 15,000 and 20,000 inhabitants would not exceed 4 percent.

15,000 inhabitants, and 10 have between 15,000 and 20,000 inhabitants (see Table II-1).

BOX II-1
Characterization of Violence

For targeting purposes, the level of violence is directly related to the intensity of the armed conflict. The violence indicator is based on the annual average of different types of attacks during the period 1998-2001, for each municipality. The classification is as follows: high level of violence, more than eight attacks on average; medium level, between three and seven attacks on average; low level, between one and two attacks on average. The following types of attack are considered:

Terrorist acts: acts intended to intimidate people and maintain a climate of fear, using explosives or firebombs against individuals and property.

Harassment: hit-and-run attacks for the most part against installations to cause a state of alert within the State security agencies.

Massacres: mass murders of four or more persons.

Armed conflict: confrontations using firearms between subversives and government forces, provoked by the troops themselves.

Roadblocks: attacks on people traveling by vehicle.

Attacks on security installations: external attacks using firearms and explosives to penetrate military, police and State security installations.

Attacks on the police: attacks by subversives on low-enforcement officers on duty in urban and rural areas and aboard aircraft.

Ambush: armed attacks where the essential element is surprise, carried out against soldiers, police officers or State security officials, patrolling on foot or in vehicles.

- 2.4 The program will finance works and activities primarily in the main municipal centers, but it may also include projects in outlying neighborhoods and districts, where program criteria are met. Since levels of poverty and of violence change over time, the initial list of municipalities will have to be regularly updated, in line with the criteria discussed above.

Table II-1
Targeted municipalities, by level of violence and population size

Population	Number of municipalities by level of violence			Total Medium and Low
	High	Medium	Low	
0 - 2,000	3	10	53	63
2,000 - 5,000	4	30	75	105
5,000 - 10,000	10	15	36	51
10,000 - 15,000		11	12	23
15,000 - 20,000		3	7	10
Total	17	69	183	252
Targeted municipalities		252		
Total municipalities in the country:				1,095

C. Components

- 2.5 The program has three components: (i) enhancing the management capacity of communities and local governments; (ii) basic social infrastructure; and (iii) monitoring and evaluation. The expected outcomes of the program, as well as the indicators, means of verification and assumptions considered, are detailed in Annex II-1.

1. Enhancing the management capacity of communities and local governments (US\$18.7 million)

- 2.6 The general objective of this component is to promote and support participation and develop community management capacities, as well as to improve the ability of local governments to take full advantage of program activities.
- 2.7 The component consists of two subcomponents: (i) strengthening community organizations and local governments, and (ii) use of social infrastructure and facilities.

a. Strengthening community organization and local governments

- 2.8 The objectives of this subcomponent are: (i) to make community organization more effective and encourage community participation in identifying and selecting works and in exerting social control over the program; (ii) to guarantee sound administration and maintenance of infrastructure; and (iii) to help make local governments more effective in supporting program activities.
- 2.9 To strengthen community organization in terms of process, social control, works administration and maintenance, participation in the project cycle and the handling

of funds, training will be provided for some 1,100 leaders, representing 550 organizations in beneficiary communities. Funding will also be provided to prepare and print 15,000 basic issues manuals, and 10,000 guides to citizen oversight activity.

- 2.10 Municipalities will: (i) promote community participation in formulating municipal development plans and in adopting land management plans; (ii) support the preparation, monitoring and adaptation of municipal development plans and land use planning; (iii) assist community organizations; and (iv) provide training in infrastructure administration and maintenance. Training will be funded for approximately 500 local officials, through 24 workshops, the purchase of 252 computers, printers, software and training in their use, and acquisition of approximately 252 community libraries. These will have an average of 300 volumes and at least one member of the community will be trained in their use and administration.
- 2.11 Fifty CSOs will be contracted in support of the above activities, to promote the program and provide technical assistance to municipalities in developing their land use plans. Each of these organizations will work with five municipalities, conducting on average two visits per month to each.

b. Use of infrastructure and equipment

- 2.12 The aim of this subcomponent is to encourage communities to make appropriate use of infrastructure works financed by the program. Activities will be designed: (i) to promote the creation of community organizations (boards, committees, leagues, etc.) to ensure the continued functioning of infrastructure projects; (ii) to target community members or groups responsible for managing social infrastructure, and for the use and conservation of physical works and equipment; (iii) to improve coordination between national and local programs; and (iv) to make better use of infrastructure through the distribution and use of equipment.
- 2.13 To improve schooling through the use and conservation of educational materials and maintenance of facilities, training will be provided for at least 800 teachers (250 in the use and conservation of teaching materials) and at least 250 parents' associations, so that they can work together to make the schools more effective. The program will finance the preparation of 5,000 manuals and will hold five workshops per year.
- 2.14 To improve health services and enhance people's well-being, funding will be provided for: (i) primary-care training for at least 500 health professionals and auxiliaries; (ii) preparation and reproduction of 25,000 support manuals; (iii) training for at least 500 community beneficiaries, especially women and youth, in issues relating to nutrition, hygiene and the prevention of social diseases; and (iv) preparation and reproduction of 10,000 support manuals.

- 2.15 Coordination and assistance will also be provided for recreation, cultural and sports programs sponsored or executed by national or departmental entities or by CSOs, in community social or sports centers. The emphasis will be on national program sponsored or administered by the Ministry of Culture and COLDEPORTES. Funding will be provided for the purchase of approximately 3,000 musical instruments and 2,000 repertoires for 200 community centers; training will be provided for 2,500 mothers in maternal-child programs; 10,000 basic manuals on early stimulation and school preparedness will be prepared and reproduced; and a package of 30 learning games will be purchased for each community center, for early stimulation of children under six years.
- 2.16 The infrastructure will also be used for activities targeted at ethnic groups and at women, especially female heads of household. The intent will be to strengthen respect for minority ethnic values and for gender equality. Consultants will be hired to adapt support materials and determine the most appropriate method of dissemination.

2. Basic social infrastructure (US\$63.8 million)

- 2.17 This component is intended to replace, rehabilitate, build, and equip approximately 1,260 infrastructure projects in the fields of education, health, sports, recreation and culture, and social development, which were destroyed or damaged by the armed conflict or are in poor state of repair (see Table II.2). The new physical works will have simple designs based on the parameters, standard templates by type of work that are totally adaptable to local climatic and topographical conditions and lot sizes. The average cost of these works will be US\$38,000. The component will also finance the corresponding equipment for each type of project (see Box II-2 for details on equipment).

Table II-2
Basic Social Infrastructure Component

Sectors	Projects
Education	Schools, sanitary facilities and classrooms
Health	Primary-care institutions: health posts, health centers and level I hospitals
Sports, recreation and culture	Recreational, sporting and cultural centers
Social development	Community development centers

- 2.18 In education, financing will be provided solely for the replacement, rehabilitation and outfitting of schools, classrooms and sanitary facilities. Rehabilitation will be undertaken when the damage to facilities is such that the cost of repairs is justified.

Expansion will be undertaken in those cases where, after coverage has been analyzed, additional space is required in the school (classrooms, sanitary facilities). Replacement will be resorted to when the institution has been destroyed by violence, or have deteriorated for other reasons, as well as when: (i) the school is so badly deteriorated that repair costs would exceed 60 percent of replacement cost; (ii) there is serious structural damage that poses a threat to the student body; or (iii) the school does not have its own building and is functioning in scattered, leased premises, and the municipality is prepared to contribute a site for relocation.

Box II-2

Examples of equipment to be provided

Teaching materials for schools: library books, basic science laboratory, map collection, slides, cassette recorder, TV and VCR.

School classrooms and administrative areas: desks, lockable cupboards, open metal bookcases, blackboards, notice boards, desks and chairs for teachers, filing cabinets.

Health: general medical consultation equipment, emergency equipment, hospital equipment, dentistry equipment, maternity ward equipment and clinical laboratory equipment.

Community center: plastic tables and chairs, writing desk with chair, TV and VCR, sound equipment, notice boards, lecterns, filing cabinet and acrylic blackboard, educational games for children under six years.

Sports center: goal nets, gym mats, cones.

- 2.19 In health projects, funding will be provided to replace, rehabilitate, and outfit health centers and health posts. Each municipality's needs will be considered in the general context of public networks in the area of influence⁶, which means that projects must be included in the Local Health Plans.
- 2.20 For community and sporting centers, the project will finance their replacement, rehabilitation, outfitting, and/or construction. The physical works for these projects will have simple, standard designs, consistent with the dimensions and topographical conditions of the lot. Financing will also be provided to outfit these centers appropriately.
- 2.21 In all cases, funding may also be provided for supplementary works to make infrastructure more accessible and usable (electric connections or water supply, etc.), provided this does not exceed 15 percent of the total value of the work.

⁶ The strategy of the Ministry of Health is designed to rationalize the use of human, technological and financial resources for health care institutions within the network. This strategy seeks to eliminate the creation and/or expansion of institutions that do not take account of installed capacity, both public and private, and the scope and characteristics of demand in the area of influence.

3. Monitoring and evaluation (US\$847,900)

- 2.22 Under this component, the program will be thoroughly evaluated to verify whether its objectives and its social and institutional development goals have been achieved. It will also reveal the relationship between outputs obtained, original budget and initial objectives.
- 2.23 Given the characteristics of this program, and particularly the context in which it is to be executed, the evaluation is planned to include three principal areas: (i) the measurement baseline; (ii) programming and monitoring; and (iii) midterm and final evaluations. The first will be conducted at the outset of the program, the second will be a continuous process of tracking, corrections and encouragement. The midterm evaluation will be performed when approximately 50 percent of funds has been committed, and the final evaluation will be performed when 95 percent of funds have been disbursed. The monitoring and evaluation tasks indicated in this paragraph will be carried out by international and local consultants and local consulting firms. The consultants' reports will be used for reprogramming activities, and will be considered at regular review meetings and in the interim and final program evaluations.
- 2.24 A baseline will be established, identifying the principal variables and indicators of: (i) process, including the establishment and activity of beneficiary organizations and local governments participating in the program; (ii) outcomes, including the number of beneficiaries reached (family, women, indigenous and Afro-Colombian groups), community participation and the technical and financial sustainability of works; and (iii) impact, reflecting the presence of the State and the delivery of educational, social, recreational, and cultural services, among others. The indicators will be defined in line with the logical framework.
- 2.25 For the final evaluation of the program's outcome, quantitative data will have to be supplemented with qualitative information at the community level, covering the perceptions of key stakeholders such as beneficiaries, management agencies, supervisors, local public officials, etc. Selective indicators on municipalities and beneficiaries will be compared to the average values of those indicators for the country's other municipalities, based on a random sampling representing no fewer than 20 percent of the total. The sample will be determined in cooperation with the Bank, once the disbursement condition described in paragraph 2.23 has been fulfilled.
- 2.26 This component will pay for consulting services to perform the following technical assistance activities: (i) definition and estimation of the baseline; (ii) organization of programming and monitoring activities; (iii) collection of midterm and final data; and (iv) design and execution of the final evaluation of the program. It will also finance training and the preparation of manuals for conducting workshops with municipal government officials and community representatives.

D. Cost and financing

- 2.27 The total cost of the program will be US\$90 million, of which the Bank will finance US\$63 million (70 percent). The country will provide the remaining US\$27 million (30 percent), from the annual capital and operating budget of the FIP. Bank funds will be drawn from its Ordinary Capital, using the Single Currency Facility in US dollars, at a term of 25 years, variable interest rate, grace period of 4 years, inspection and supervision fee of 1 percent, and a credit fee of 0.75 percent. Interest on the loan will be paid from the national budget.

Table II-3
Consolidated Budget by Component (in US\$000s)

Budget Category	IDB	LOCAL	TOTAL	%
1. Strengthening community management capacities	13,178	5,546	18,724	20.80
1.1 Institutional and community strengthening	9,817	4,146	13,963	15.51
1.2 Use of infrastructure	3,361	1,400	4,761	5.29
2. Infrastructure	45,637	18,252	63,889	70.99
2.1 Education	19,200	7,494	26,694	29.66
2.2 Health	14,354	5,866	20,220	22.47
2.3 Social, recreation and culture	12,083	4,892	16,975	18.86
3. Program monitoring and evaluation	607	240	847	0.94
3.1 Programming and monitoring	302	40	342	0.38
3.2 Program evaluation	305	200	505	0.56
4. Executing Unit	500	1,292	1,792	1.99
5. Other expenses	250	0	250	0.28
5.1 External audit	250	0	250	0.28
Subtotal	60,172	25,330	85,502	95.00
6. Contingencies	2,198	1,138	3,336	3.71
7. Financial costs	630	532	1,162	1.29
7.1 FIV (1%)	630		630	0.70
7.2 Commitment fee (0.75%)		532	532	0.59
Total	63,000	27,000	90,000	100.0
Percentage of Total	70	30	100	

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the Republic of Colombia. The body responsible for program execution will be the Administrative Department of the Office of the President, through the FIP (DAPR-FIP), which will coordinate program activities through the social solidarity network (RSS). Public sector entities, municipalities and civil society organizations will also be involved in the program. *Signature of an interadministrative agreement between DAPR-FIP and the RSS on its participation as an agency coordinating the program activities will a condition precedent to the first disbursement.*

1. Advisory council

- 3.2 To ensure participation by civil society in program execution and monitoring, the latter will be supported by the Civil Society Advisory Council (CASC) which functions and meets periodically with the backing of the Bank's Country Office. The members of the CASC are the country's most representative civil society organizations, including the DNP. The program Advisory Council will monitor processes, goals and outcomes, using progress reports, mid-term evaluations and annual work plans for the program. The CASC will meet annually to perform the monitoring, with the first meeting coinciding with the workshop to start up the operation.

2. Program Executing Unit

- 3.3 The program activities will be carried out through the Program Executing Unit, which will function within the RSS and be responsible for program execution, monitoring and overall control. The PEU will have the following functions: (i) preparation of annual work plans; (ii) preparation of terms of reference and bidding conditions, calls for proposals and bids, receipt of bids and award of contracts for works, goods and services, including consulting services; (iii) payments to suppliers and contractors; (iv) monitoring execution and controlling contractual commitments; (v) preparing and submitting to the DAPR-FIP and the Bank periodic reports and financial statements duly audited by external auditors; (vi) ensuring timely submission of local contributions and disbursement requests; (vii) administration of the revolving fund; (viii) rendering of accounts; and (ix) collection of information needed for program monitoring and evaluation.
- 3.4 In addition to the above functions, the PEU will have the following responsibilities: (i) to open and maintain specific and separate bank accounts for handling funds from the loan and the counterpart contributions; (ii) preparing and presenting, to the Bank's satisfaction, disbursement requests and justifications for the use of

resources, as well as semi-annual reports on use of the revolving fund; (iii) developing and implementing accounting, financial and internal control systems for handling program funds; and (iv) ensuring the keeping of proper files in support of disbursement requests. ***The creation and establishment of the Program Executing Unit, including the hiring of the general coordinator and the unit's staff will be a condition precedent to the first disbursement.*** To this end, the sum of US\$100,000 may be drawn against the loan for fulfillment of the conditions precedent contained in the general contractual conditions.

3. Other participating agencies

- 3.5 In the case both of replacement and rehabilitation works, the PEU will be assisted by the ministries of education and health in terms of selection and design. The PEU will seek approval from those ministries for the design standards, equipment and monitoring and maintenance of works. The program will also receive assistance from the Colombian Institute of Family Welfare (ICBF), COLDEPORTES and the Ministry of Culture for programming and conducting activities relating to childcare, culture and sporting and recreational works. Finally, the DNP will cooperate with the executor in supervising activities called for under the monitoring and evaluation component. The executor will negotiate agreements with the participating bodies to ensure their cooperation in the specific activities assigned to them under the program. ***The agreements with the participating entities, reviewed by the Bank and signed by the participants, will be a condition precedent to the first disbursement of the loan.***

B. The project cycle

- 3.6 Program activities in each municipality will start with activities to inform the municipal government, and a meeting with community bodies for project prioritization and selection. Formal agreements will be signed by the municipal authorities, the participating organizations and representatives of the program. The community strengthening and participation plans must also be approved by the Municipal Planning Councils, in order to ensure that they are consistent with other training and capacity building activities in the same municipality.
- 3.7 These agreements will include the basic social infrastructure projects initially proposed by the communities and local governments. Capacity building projects for communities and local governments will be formulated with the support of the RSS, based on its own experience with similar projects.
- 3.8 Basic social infrastructure projects will be examined by the PEU to ensure that they meet the program's eligibility criteria. In the case of physical works, the final sites will be selected by the local authorities and validated through on-site visits by experts from the PEU and participating bodies, who will confirm and supply the technical assistance and consulting needs for finalizing the designs. The final

designs of the physical works will be approved by the central government ministries and agencies involved in their execution, in accordance with their own sector standards.

- 3.9 To ensure greater participation on the part of municipalities and communities, they will be expected to meet certain conditions. Municipalities must undertake to: (i) improve access to social infrastructure replaced, rehabilitated or constructed; (ii) share infrastructure maintenance with the community; (iii) allocate the necessary human resources to operate the social infrastructure (for schools and health centers, in coordination with the respective sectors); (iv) and, in the case of greenfield construction, the municipality must show that it is the legal owner of the lot, and that it is delivering it free of any lien or mortgage. The community would be expected to: (i) help with the maintenance of social infrastructure; and (ii) in the case of recreational facilities, undertake to keep the project in operation. In all cases, supplementary works may be financed to establish or facilitate access to infrastructure (electrical connection or water supply, for example), provided this does not exceed 15 percent of the total value of the work.
- 3.10 Calls for proposals or bids and the awarding of contracts will be done by the PEU which, given the high volume of contracts, may call upon specialized and decentralized consulting firms to help in the preparation of tender calls and in the review of bids. These procedures will be supervised by private auditors specifically contracted by the PEU, in the case of physical works, and by the RSS in the case of community and institutional capacity-building projects. Once the works and training are completed, the CSOs contracted to oversee local management strengthening and infrastructure use will provide continuing technical assistance to the communities in the design and implementation of maintenance activities.
- 3.11 Program activities will be carried out in accordance with the annual work plan. This plan will be updated annually. At the end of each year of the program, the PEU, with the help of specially contracted international consultants, will examine: (i) the results of the previous six-month period; (ii) details of activities to be undertaken in the next six months; (iii) changes in annual targets; (iv) inclusion of new municipalities or exclusion of those that have failed to comply with program eligibility criteria; (v) expenditure management and reporting; (vi) the annual execution and disbursement timetable and contracting schedule, with the respective costs and terms of reference; (vii) the activities envisaged for monitoring the operation and maintaining the works and (viii) the activities planned for monitoring the impact indicators included in the logical framework for the program. These reports will be submitted to the Bank and to the Advisory Council within 60 days after the end of each year of the program. The AWP for year one of the program will be agreed on with the Bank, and will encompass the activities to be conducted under the various components, together with their costs and implementation schedule.

C. Implementation mechanisms

- 3.12 Actions relating to management capacity building and infrastructure use will be contracted to civil society organizations in the program intervention area, to be selected by competitive tendering. The terms of reference and contracts for these services will be agreed with the municipal authorities and discussed with the community organizations that took part in drawing up the agreements.
- 3.13 The physical works within the social infrastructure component will be undertaken by local private firms and contractors selected by the PEU through competitive tendering. Designs will be standard, simple and adapted to local climatic and topographical conditions. Private engineering and architecture firms will be selected and contracted by the PEU for supervision and inspection of the progress and quality of these physical works.
- 3.14 The program will be monitored on the basis of the management information system of RSS, to assess progress with the projects and the capacity-building activities for communities and local governments. Use will also be made of reports produced by participating entities of the federal and municipal governments and local community organizations. Evaluation and monitoring reports will be prepared on a quarterly basis by independent international consultants contracted for this purpose, and sent to the program Advisory Council for consideration and analysis. These reports will be used to prepare the AWP and for rescheduling targets and adjusting execution mechanisms, as well as for decision-making by the PEU and monitoring by the government and the Bank.

D. Operating Regulations

- 3.15 Operating regulations (OR) have been prepared for the program, with detailed information on responsibilities at each level of execution; municipal selection and project eligibility criteria and disbursement mechanisms; and rules for rendering accounts on individual projects. The OR include targeting criteria for selecting municipalities and spell out the different types of physical works projects and eligibility criteria, as described in previous sections of this document, for each of the program components. The Operating Regulations include provisions relating to municipal government intervention and project approval and specific criteria to be applied in each sector, with respect to coverage, staffing and standards of service. *Entry into force of the program Operating Regulations will be a condition precedent to the first disbursement.*

E. Procurement

- 3.16 The limits applicable to Colombia for the procurement of goods and services and for works contracting are US\$350,000 and US\$5 million, respectively. The program does not call for works of this magnitude, however. Procurement for amounts

below these limits will be conducted in accordance with national legislation; the system of price shopping is recommended for works contracts below US\$250,000, and for goods procurement below US\$100,000. An ex post review will be conducted of works and services contracts for which bids or proposals are called, for amounts below the limits applicable to international competitive bidding, and in the case of contracts with consulting firms and individual consultants, in an amount less than US\$100,000 or US\$50,000, respectively. All contracting will be done in accordance with procedures acceptable to the Bank, as established in Annexes B and C of the loan contract. Annex III-1 to shows the Tentative Procurement Schedule.

F. Financial control

- 3.17 The PEU will be responsible for the administration of works contracting and the procurement of goods and services financed by the program, and for paying contractors and goods and services suppliers. The PEU will keep detailed accounts and documentation on costs and expenses for each activity, as well as overall accounts for the program, in accordance with an accounting plan approved by the Bank. Payments to contractors and suppliers will be made directly by the PEU, after verification by: (i) the regional offices of the RSS, in the case of goods and services under component I; and (ii) by the auditors contracted for works under component II.
- 3.18 Because the program will generate a great body of documentation, the ex ante review approach will be impractical, and disbursements will therefore be reviewed on an ex post basis. Advances from the revolving fund will be disbursed upon presentation of supporting documentation showing the expenses incurred and amounts recognized during the period in question. The PEU will maintain full accounts for each operation that has generated an expenditure. Each unit will keep its supporting documentation in a manner satisfactory to the Bank, and will make it available to the Bank and the external auditors for review as necessary. The Bank will confirm that the information system is operating in accordance with the flow charts, and that supporting documentation is being kept in a manner consistent with the Bank's financial management procedures.

G. Operation and maintenance

- 3.19 The national government will provide funding for the operation and maintenance of the program's physical works, through the entities responsible for each program sector. The borrower, through the executing agency, undertakes to ensure that program works and equipment are properly maintained by the beneficiary municipalities and departments, in accordance with generally accepted technical standards. If the Bank finds, through its own inspections or through other reports, that maintenance is falling below the agreed standards, the borrower and the executing agency will take steps to correct the situation. For works and equipment,

the borrower, through the executing agency, will sign agreements with the relevant municipal departments to operate the works and ensure that they are maintained. Accordingly, the PEU will submit to the Bank within 90 days after the close of each year of the program, an annual report on the status of the works and equipment financed based on a representative sample of projects.

H. Disbursement schedule

- 3.20 Program funds will be disbursed over a period of no more than 4 years from the date the loan contract enters into force. The disbursement schedule is shown below, and is based on the executing capacity of the responsible entities and the availability of counterpart funding.

Table III-1
Disbursement schedule
(in US\$ millions)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
IDB	18.9	25.2	12.6	6.3	63.0
LOCAL	8.3	10.6	5.1	3.0	27.0
TOTAL	27.2	35.8	17.7	9.3	90.0

I. Advance of funds

- 3.21 A revolving fund will be established for making program disbursements, to an amount of 5 percent of the Bank loan. Semi-annual status reports on the revolving fund will be submitted within 60 days after the close of each six-month period.

J. Recognition of expenses and retroactive financing

- 3.22 The Bank may recognize as part of the local counterpart funding expenses to a maximum of US\$2 million equivalent incurred since 1 October 2001 provided that requirements substantially similar to those of the Bank have been fulfilled. In addition, with the Bank's acceptance, a maximum of US\$4 million equivalent may be drawn on the loan to reimburse eligible expenses incurred in connection with program activities between the aforesaid date and the date on which the loan was approved.

K. Program monitoring

1. Periodic evaluations

- 3.23 The Bank and the borrower have agreed on a system of periodic evaluations using the indicators in the logical framework to measure the progress of the program and its impact on the beneficiary communities. During the first year, two semi-annual meetings will be held, and an annual meeting will be held in each of years 2, 3 and 4. The dates of these meetings will be agreed between the Bank, the DNP and the executing agency, based on the AWP and the program monitoring reports and the recommendations of CASC. The meetings will review and update execution targets and indicators for measuring the program's progress and outcomes in the beneficiary municipalities. The results of these evaluations will be forwarded to the Advisory Council.

2. Mid-term evaluations

- 3.24 The borrower and the Bank will conduct a mid-term evaluation of the program when 50 percent of the loan has been committed, or 24 months into execution, whichever comes first. This review will examine the progress and results of technical assistance and training activities with a particular focus on the following topics: (i) achievements in increasing levels of community participation; (ii) compliance with the requirements set out in the program Operating Regulations; (iii) compliance with the specific targets in the AWP, and the major obstacles encountered; (iv) functioning of the execution system; (v) changes in the institutional setting; (vi) creation and functioning of mechanisms for participation; and (vii) outcomes in terms of supporting and strengthening local governments. If this evaluation reveals significant shortcomings in program execution, the Bank may refuse to authorize the commitment to further funds until corrective measures have been taken.

3. Final evaluation

- 3.25 A final evaluation will be conducted after 95 percent of program funds have been disbursed. This evaluation will assess the program's institutional and socioeconomic results, against an established baseline. It will pay particular attention to indicators of process, results and impact, and especially the following: (i) project objectives and design; (ii) execution of mechanisms designed, with a particular emphasis on the performance of training and technical assistance activities for strengthening communities and local governments; (iii) impact in terms of community organization; (iv) impact on the strengthening of local governments; (v) compliance with the maintenance and operating requirements for program of works; and (vi) progress made with systems of citizen control and accountability. ***Within four months after entry into force of the loan contract, the Bank will receive the following: (i) the baseline; (ii) the indicators to be taken into consideration for***

the midterm evaluation; and (iii) a description of the procedure to be used in compiling and processing annual data for comparison against the baseline during the final evaluation.

L. Auditing and control

- 3.26 The borrower will hire an independent firm of auditors acceptable to the Bank to perform a financial and operating audit of the program, under terms of reference previously approved by the Bank. The audit will include a review of the documentation supporting disbursement requests. Semi-annual technical and operating audit reports will be submitted within 60 days after the close of the period, and the annual audit report within 120 days after the end of the fiscal year, during execution. The Bank may authorize 18 months after start up of the program, based on the findings of an evaluation of the first three technical and operating audits of the program, that such audits be performed, and the reports submitted, annually in accordance with the terms and conditions previously agreed on with the Bank. Audit costs will be covered by the program, from the Bank's loan.

IV. FEASIBILITY, BENEFITS AND RISKS OF THE PROGRAM

A. Feasibility

- 4.1 The program's preparation and design reflects the preliminary results of the pilot experiment that was financed with local resources in 21 of the eligible municipalities. It also draws upon lessons learned in the execution of social projects in the country, the Bank's own experience, and other similar programs undertaken in other countries.
- 4.2 The dimensioning of the program is compatible with the execution capacity of the participating entities, which have acquired considerable experience in implementing externally funded operations and have built up a highly effective professional team for administering operations of this kind.
- 4.3 The execution scheme is based on the use of existing institutional resources in the intervention zone (such as independent professional engineers) instead of creating new government bodies or agencies, as a way of reducing project execution times. Great stress has been placed on involving the communities in decisions on the projects to be financed by the program, as well as on the use of standardized designs that are adapted to the geographic characteristics of the various areas involved, and that can make maximum use of readily accessible materials and local labor, and on financing for the staffing and equipment necessary to ensure the provision of services. The execution scheme also calls for outsourcing technical assistance to take advantage of existing resources in the communities themselves, and it delegates execution, control and monitoring responsibilities for most of the works to nongovernmental organizations and the communities. It has been confirmed that the local counterpart resources are available for the first year of execution.
- 4.4 In terms of responsibility and accountability, the program includes mechanisms for works inspection and oversight bodies specially trained for this task, which will be undertaken by the RSS. There are also mechanisms for social control by the communities themselves, which will report to the PEU through the municipal authorities. The PEU will have the necessary supervisory and monitoring tools to render accounts to the Bank and the borrower. Semi-annual operating audits and administration missions have also been instituted to ensure proper monitoring and accountability.
- 4.5 The monitoring and evaluation system will allow for continuous review and adjustment of execution criteria and the content of activities, as the program proceeds.

B. Benefits

- 4.6 The program is part of a series of efforts undertaken by the Government of Colombia and the international community to rebuild the country's social capital, restore social infrastructure damaged by the conflict, and ***enhance the presence of the State*** in target municipalities. The program will benefit the 252 poorest municipalities with medium and low violence indices. It will help to improve living conditions and enhance the presence of the State.
- 4.7 The program will also ***improve equity***, reinforce social organization and improve basic social infrastructure, encourage cultural and recreational activities, and in this way help to restore the social fabric. Training and technical assistance for communities will provide them with the knowledge needed to strengthen their decision-making and self-management capacity.
- 4.8 **Greater participation** by community players will serve to: (i) encourage project designs that are better adapted to community needs and demands, and will help to empower communities; (ii) enhance the transparency of resource use; (iii) reduce construction costs; (iv) encourage greater use of local labor and materials; (v) reinforce community management capacity; and (vi) enhance the sustainability and impact of projects.
- 4.9 As well, the decentralized approach, including the outsourcing of program execution, and the planned institutional adjustments ***will make the country's decentralization process more efficient and solid.***

C. Sustainability

- 4.10 Special attention has been paid to sustainability in the design of the program. Mechanisms will be established for maintaining social infrastructure, to ensure that communities will identify with the projects and feel a sense of ownership over them, and will participate together with local government in sustaining them. During program implementation, training and monitoring activities will be conducted and consultation meetings will be held to ensure this participation.
- 4.11 During the social infrastructure work cycle, nongovernmental organizations will provide training for the communities in project administration, maintenance and sustainability of social infrastructure works. Once the works are completed, the communities will be given technical assistance in making proper use of them. The monitoring system will provide information for deriving knowledge and lessons from the experience. The communities themselves, with the support of the local authorities, will be responsible for designing community projects and ensuring the sustainability of works, in particular those in the culture and recreation fields. This will generate a high degree of ownership over the program's activities on the part of the beneficiary population.

- 4.12 No additional recurrent expenses are anticipated, since the works will not imply any increase in staffing or other recurrent expenditures for the agencies responsible for providing services. In the specific case of schools and health centers, there will be no new works, but merely replacement and rehabilitation. Culture and recreation works will be administered by the community itself, with minimum maintenance expenses.

D. Environmental and social review

- 4.13 Given the nature and objectives of the proposed operation, it qualifies as a poverty-targeted investment. The beneficiaries will be the communities living in the 252 selected municipalities (see paragraph 2.3). These municipalities have an average Quality-of-Life Index (QLI) of 51.7, while the national average is 75.7. The average QLI in municipalities where more than 20 percent of the population is indigenous is 40.8, and the average in municipalities where more than 30 percent of the population is Afro-Colombian is 45.6. The proportion of the population living below the poverty line in the selected municipalities is 57.5 percent, which means that the program classifies as a PTI, against both the geographic and headcount criteria.
- 4.14 The program will facilitate participation by ethnic community organizations and women-oriented NGOs, by enlisting their cooperation in projects and activities of interest to them. Women's participation will be encouraged, especially in projects relating to culture and recreation. The program will also help to foster a culture of gender equality, improve health conditions, and provide assistance to female heads of household with school-age children. Program activities will also take specific account of the conditions and needs of indigenous and Afro-Colombian communities in the intervention zone, and will adapt materials and training accordingly.
- 4.15 No significant environmental impacts are expected. Engineering works will generally be minor and will include the necessary precautions to avoid, mitigate or correct any possible negative impact on the environment, especially in the case of rehabilitation or replacement. The RSS has adequate environmental management tools, approved by the Bank, which will be reviewed and adjusted as necessary.

E. Risks

- 4.16 **Risk:** the major risks that could affect program implementation relate to politicization and lack of transparency in resource allocation. **Mitigating condition:** to strengthen transparency, an Advisory Council will be set up with representatives of CSOs (civil society organizations) and public entities, responsible for monitoring program execution and outcomes. As well, municipalities have been selected for participation on the basis of a transparent mechanism that uses the QLI to target the poorest communities. The priority accorded to financing projects with

community and local government participation will reduce political interference. Independent evaluations during program execution, the hiring of private engineering firms to inspect and supervise the works, and the contracting of independent auditors to review operations and program accounts will significantly reinforce the accountability and transparency of resource allocation.

- 4.17 **Risk:** there is a risk of possible modifications to the classification strategy in the country as a result of the change of administration following the next elections, and this could affect program execution. **Mitigating condition:** given its focus on poverty and violence, however, the program is unlikely to suffer major changes. The project team held a meeting with CSO representatives, mayors, NGOs and government officials, where all participants recognized the importance of the activities planned, the need to support the poorest municipalities by strengthening community self management capacities and improving social infrastructure, as well as the significance of enhancing the presence of the State in the selected zones. Recent statements by the major political groups have reiterated the need to enlist the international community's full support for the peace process, especially in providing social services for the neediest groups.
- 4.18 **Risk:** a further risk to the program is its complexity. **Mitigating condition:** to attenuate this risk: (a) the Program Executing Unit (PEU) will be created and in operation before the program begins, and it will be assisted by specialized consultants in preparing calls for tender and receiving and analyzing bids; (b) the Bank will confirm that the executing agency's information systems are functioning properly and that timetables and documentation needs are being met; and (c) monitoring and supervision procedures have been simplified to avoid delays in contracting and disbursement procedures without jeopardizing accountability to the government and to the Bank.

**SOCIAL INFRASTRUCTURE AND COMMUNITY MANAGEMENT FOR PEACE PROJECT
(CO-0234)
LOGICAL FRAMEWORK**

INITIATIVE SUMMARY	VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	MAJOR ASSUMPTIONS
When the peace process by living conditions in the municipalities affected by conflict	1.1. Greater levels of confidence and cooperation among local authorities, communities and national government	1.1. Annual survey to measure indices of State presence, institutional presence and levels of cooperation between community and local government	1.1. The situation of armed conflict will not worsen and government will make progress in the peace process 1.2. Municipalities that have been affected by guerrilla attacks will not again be affected
When the organizational management capacity of communities and local authorities	1.1. At least 90% of schools have organized a parents' association by the end of the program. 1.2. The number of people served at health centers increases by 20% over the base year by the end of the program. 1.3. At least 50% of cultural and recreational project maintenance costs in beneficiary communities are assumed by ad-hoc community organizations at the end of the program. 1.4. The number of sporting and cultural events is 20% higher than the base year at the end of the program. 1.5. Representation of indigenous and Afro-Colombian people on the governing boards of community organizations is 30% higher than the base year at the end of the program.	1.1. Semiannual reports from regional offices of the Solidarity Network. 1.2. Ministry of Health reports 1.3. Computerized information systems and program evaluation reports 1.4. Semiannual reports from regional offices of the Solidarity Network. 1.5. Community organizations registry and program monitoring and evaluation system.	1.1. The local counterpart organization will be available on time

ATIVE SUMMARY	VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	MAJOR ASSUMPT
MENTS			
<p>ent capacity building unities and local nts</p> <p>hening community ations and local ment</p> <p>training and technical ce to improve nity organization ented</p> <p>training and technical ce in support of local tration implemented</p> <p>nfrastructure and ent</p> <p>of training in the operation of basic nfrastructure and proper quipment implemented</p>	<p>1a1.1 At the end of the program, 1,100 community leaders have been trained and 15,000 manuals on community organizations and 10,000 manuals on social control distributed.</p> <p>1a2.1 500 local officials have been trained in land use planning and 252 computers delivered and in operation at the end of the program.</p> <p>1b1.1 500 health workers, 800 teachers, 250 parents' associations, 500 community members and 2,500 mothers have been trained and 50,000 support manuals distributed.</p>	<p>1a1.1 Semiannual reports of regional offices of the RSS and registry of participants.</p> <p>1a2.1 Semiannual reports of regional offices of the RSS and registry of participants.</p> <p>1b1.1 Semiannual reports of regional offices of the RSS and registry of participants.</p>	<p>1a1.1 There are sufficient tr entities interested in p</p> <p>1a2.1 Local governments a communities particip in training activities.</p> <p>1b1.1 There are no problem contractual procedure transfers that would I training.</p>
<p>al infrastructure</p> <p>al infrastructure projects nd in operation</p>	<p>2.1 At the end of the program, 1,260 works completed (replacement, rehabilitation or new) with appropriate staffing and equipment, in 252 municipalities (8 with 20% or more indigenous population and 33 with 30% or more Afro-Colombian population).</p>	<p>2.1 Program information system and semiannual reports of regional offices of the Solidarity Network.</p>	<p>2.1 Communities and loc governments remain fulfill their commitm execution of the work</p>
<p>monitoring and</p> <p>g and evaluation system n</p>	<p>3.1. Recommendations in the program AOPs implemented after the first year.</p>	<p>3.1. Reports from external consultants and semiannual reports of the PEU.</p>	<p>3.1. External consultants' performed on time.</p>

SOCIAL INFRASTRUCTURE AND COMMUNITY MANAGEMENT FOR PEACE PROJECT
TENTATIVE PROCUREMENT SCHEDULE

MAJOR PROCUREMENT ITEMS	VALUE (US\$000)	NUMBER OF PACKAGES	IDB LOAN (US\$000)	LOCAL COUNTERPART (US\$000)	METHOD	6-MON
Infrastructure Works						
Projects	9,652	42	6,756	2,896	PS	
Projects	9,652	42	6,756	2,896	PS	
Projects	7,144	31	5,000	2,144	PS	
Projects	7,144	31	5,000	2,144	PS	
Projects	7,144	31	5,000	2,144	PS	
Projects	7,144	31	5,000	2,144	PS	
Equipment	2,500	3	1,750	750	ICB	IL
Building materials	3,800	10	2,660	1,140	ICB	IL
Community center equipment	5,700	5	3,990	1,710	ICB	IL
Community center equipment	500	3	350	150	LCB	IL
Community center equipment	200	5	140	60	PS	IL
Community and sporting center facilities	3,195	10	2,236	959	ICB	IL
Technical assistance						
International consultant (individual)	1,464		1,025	439	PS / LCB	IL
Local consulting services	3,805	16	2,663	1,142	LCB	IL
	12,000	50*	8,400	3,600	LCB	IL
Workshops, seminars, events etc	2,216	580	1,577	631	PS	IL
Operations						
Materials on maintenance, teaching, land-use planning, health care, national control, etc.	200	1	175	25	LCB	IL
Operating Unit						
Operating Unit	1,792		1,100	692	PS	IL
	85,503	456	60,173	25,330	PS / CB / ICB	IL

(ilities) **ICB** International competitive bidding **LCB** Local competitive bidding **LCP** Local call for proposals **ICP** International call for proposals
PS Price shopping

PROPOSED RESOLUTION

COLOMBIA. LOAN ____/OC-CO TO THE REPUBLIC OF COLOMBIA
(Program of Social Infrastructure and Community Management for Peace)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative **as** he shall designate, is authorized, in the name **and** on behalf of the Bank, to enter into such contract or contracts **as** may be necessary with the Republic of Colombia, **as** Borrower, for the purpose of granting it a financing to cooperate in the execution of the Program of Social Infrastructure and Community Management for Peace. Such financing will be for an amount of **up** to sixty-three million dollars of the United States of America (US\$63,000,000) from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Financial Terms and Conditions" and the "Special Contractual Conditions" of the Executive Summary of the **Loan** Proposal.