

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**COLOMBIA**

**SUSTAINABLE AND RESILIENT GROWTH PROGRAM II**

**(CO-L1274)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Carlos Salazar (RND/CCO), Project Team Leader; Juan Manuel Murguía (RND/CCR), Alternate Project Team Leader; Yolanda Valle and María Margarita Jiménez (CSD/RND); José Manuel Sandoval (CSD/CCS); Alejandro Rasteletti (IFD/FMM); Alexandra Planas and Álvaro Mejía (INE/ENE); Paula Cruz, Fanny Bertossi, and Laureen Montes (INE/TSP); Fernando Vargas (IFD/CTI); Omar Villacorta (IFD/CMF); Manuel Navarrete, María del Rosario Navia, and Magda Carolina Correal (INE/WSA); Diana Bocarejo and Carmen Martín (SCL/GDI); Carlos Rojas and Priscilla Gutiérrez (CAN/CCO); Eugenio Hillman, Claudia Cárdenas, Jorge Hernán Saldana, and Ernesto Crausaz (VPC/FMP); Natalia Almeida (LEG/SGO); and Heleno Barbosa (ORP/REM).

In accordance with the Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

## CONTENTS

<b>PROGRAM SUMMARY .....</b>	<b>1</b>
<b>I. DESCRIPTION AND RESULTS MONITORING .....</b>	<b>1</b>
A. Background, problem addressed, and rationale.....	1
B. Objectives, components, and cost .....	14
C. Key results indicators .....	17
<b>II. FINANCING STRUCTURE AND MAIN RISKS .....</b>	<b>19</b>
A. Financing instrument .....	19
B. Environmental and social risks .....	19
C. Fiduciary risks .....	20
D. Other key issues and risks.....	20
<b>III. IMPLEMENTATION AND MANAGEMENT PLAN .....</b>	<b>21</b>
A. Summary of implementation arrangements .....	21
B. Summary of arrangements for monitoring results .....	21
<b>IV. POLICY LETTER .....</b>	<b>22</b>

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Policy Matrix
Annex III	Results Matrix

REQUIRED LINKS	
1.	<a href="#">Policy letter</a>
2.	<a href="#">Means of verification matrix</a>
3.	<a href="#">Monitoring and evaluation plan</a>

OPTIONAL LINKS	
1.	<a href="#">Comparative matrix PBP I and PBP II</a>
2.	<a href="#">Sector policy frameworks</a>
3.	<a href="#">Definitions</a>
4.	<a href="#">Gender for sustainable, resilient, and inclusive growth</a>
5.	<a href="#">Bank technical knowledge</a>
6.	<a href="#">Summary of related technical cooperation operations</a>
7.	<a href="#">Strategic alignment</a>
8.	<a href="#">Evidence of policy effectiveness</a>
9.	<a href="#">Public Utilities Policy compliance analysis</a>
10.	<a href="#">PBP I loan proposal (5398/OC-CO)</a>
11.	<a href="#">References</a>

ABBREVIATIONS	
CABEI	Central American Bank for Economic Integration
CAF	Andean Development Corporation/Development Bank of Latin America and the Caribbean
CGR	Office of the Comptroller General
CNCC	National Climate Change Council
CONPES	Consejo Nacional Política Económica y Social [National Economic and Social Policy Council]
CREG	Energy and Gas Regulatory Commission
DANE	National Administrative Department of Statistics
DNP	National Planning Department
E2050	Long-term Decarbonization Strategy of Colombia
ECG	Evaluation Cooperation Group
ECLAC	Economic Commission for Latin America and the Caribbean
FAO	United Nations Food and Agriculture Organization
FINAGRO	Fondo para el Financiamiento del Sector Agropecuario [Financing Facility for the Agriculture Sector]
IEEM	Integrated economic-environmental modeling
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau [KfW Development Bank]
MADR	Ministry of Agriculture and Rural Development
MADS	Ministry of Environment and Sustainable Development
MADS-ONV	Ministry of Environment and Sustainable Development, Green Business Office
MHCP	Ministry of Finance
MINT	Ministry of Transportation
NAMA	Nationally appropriate mitigation action
NCRE	Nonconventional renewable energy
NDC	Nationally determined contribution
OECD	Organisation for Economic Co-operation and Development
OMECS	Other Effective Area-based Conservation Measures
PBP	Policy-based programmatic loan
PCDGSB	National Policy on Deforestation and Sustainable Forest Management
PEFA	Public Expenditure and Financial Accountability
PIGCCT	Regional Comprehensive Plan for Climate Change Management
PIGCCS	Sector-specific Comprehensive Plan for Climate Change Management
PNCC	National Policy on Climate Change
PND	National Development Plan
RUEA	Registry of Agricultural Extension Service Users
RUNAP	Master Registry of Protected Areas (Colombia)
SDGs	Sustainable Development Goals
SGR	General Royalties System
SIN	National Interconnected System
SINAP	National System of Protected Areas
SOFR	Secured Overnight Financing Rate
UNFCCC	United Nations Framework Convention on Climate Change
WCMC	World Conservation Monitoring Centre

**PROGRAM SUMMARY**

**COLOMBIA**

**SUSTAINABLE AND RESILIENT GROWTH PROGRAM II**

**(CO-L1274)**

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of Colombia			Amortization period:	19 years
Executing agency:			Disbursement period:	1 year
Ministry of Finance (MHCP)			Grace period:	6.5 years <sup>(b)</sup>
Source <sup>(c)</sup>	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital):	300 million	100	Credit fee:	<sup>(d)</sup>
			Inspection and supervision fee:	<sup>(d)</sup>
Total:	300 million	100	Weighted average life:	12.62 years
			Approval currency:	U.S. dollar
Program at a Glance				
<p><b>Program objective/description:</b> The general objective is to contribute to sustainable, resilient growth. Colombia's economic growth amid the COVID-19 health emergency will be supported through three specific objectives: (i) to strengthen the Colombian government's capacity to plan, manage, and finance climate action; (ii) to foster economic opportunities based on the sustainable use of natural capital and the development of circular economy models; and (iii) to promote the energy transition.</p> <p>This is the second in a programmatic series of two contractually independent, technically related policy-based loan operations, in accordance with the document Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2).</p>				
<p><b>Special contractual conditions precedent to the first and only disbursement of the loan:</b> The first and only disbursement of the loan proceeds will be contingent upon fulfillment of the policy reform conditions, as established in the policy matrix (Annex II), the policy letter (<a href="#">required link 1</a>), and other conditions in the loan contract (paragraph 3.2)</p>				
<p><b>Exceptions to Bank policy:</b> None.</p>				
Strategic Alignment				
Challenges: <sup>(e)</sup>	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
Crosscutting themes: <sup>(f)</sup>	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

<sup>(c)</sup> The Bank will provide US\$300 million in financing from the Ordinary Capital resources. Complementing the financing will be four sources of parallel financing from: Agence Française de Développement, €200 million; Kreditanstalt für Wiederaufbau (KfW) Development Bank, €200 million; the Development Bank of Latin America (CAF), US\$300 million; and the Central American Bank for Economic Integration (CABEI), US\$250 million (see paragraph 1.49).

<sup>(d)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

<sup>(e)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(f)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 The Colombian government has requested the Bank's support to assist in its economic recovery following the COVID-19 crisis and to promote sustainable and resilient growth in Colombia through a programmatic policy-based series of two loans, this being the second loan operation of the series. The United Nations defines [sustainable growth](#) as that which "meets the needs of the present without compromising the ability of future generations to meet their own needs." This calls for harmonizing three development dimensions, namely: (i) economic growth; (ii) social inclusion; and (iii) environmental protection. The program supports policy reforms that leverage the opportunities provided by an economically inclusive and resilient recovery, such that economic growth does not deteriorate the dimensions observed before the pandemic.
- 1.2 **Effects of COVID-19 on economic growth in Colombia.** In 2019, before the impact of COVID-19, the economy posted growth of 3.2%; the fiscal deficit was 2.5% of GDP; and the debt level stood at 48.4% of gross domestic product (GDP). In 2020, however, with the onset of the pandemic and in line with what was occurring in the emerging markets, the country's economy contracted by 7%, the fiscal deficit increased by 7.8% of GDP, and its debt grew to 64.8% of GDP. As a consequence, Colombia lost its investment-grade rating. However, it still has access to international financing, having reached a new US\$9.8 billion agreement with the International Monetary Fund (IMF) in April 2022 through that institution's Flexible Credit Line (LCF). In 2021, the economy grew by 10.6% and the beginnings of a fiscal recovery were observed. The fiscal deficit decreased by 7.1% of GDP and the debt level closed the year at 63.8% of GDP.<sup>1</sup> The national government projects growth of 5% in 2022, whereas the World Bank and IMF projections are 4.4% and 5.8%, respectively. Due to the recovery of economic activity and global geopolitical events, inflation stood at 9.23% in April 2022, giving rise to increases in the interest rate, which currently stands at 6%.
- 1.3 **Impacts of COVID-19 on social inclusion in Colombia.** Colombia's gaps between vulnerable groups—women, young people, and rural workers—and the rest of society widened significantly due to the economic crisis caused by the COVID-19 pandemic ([DANE, 2020](#)). Monetary poverty increased from 35.7% in 2019 to 42.5% in 2020, while extreme poverty rose from 9.6% to 15.1% ([DANE, 2021](#)). In 2021, the poverty rate dropped to 39.3%. Unemployment peaked in May 2020 (21.4%) and gender gaps deepened, as 2.5 million women lost their jobs at the onset of the pandemic. This caused their employment rate to drop to 27%—a 9 percentage-point larger drop in employment than for men ([DANE, 2020](#)). The business fabric has also been hurt. According to the [Superintendency of Corporations](#), business liquidation and insolvency and/or reorganization applications increased by 42% from 2019 to 2020 ([Social Pulse Survey 2021](#)). Owing to the economic recovery and progress made on the vaccination front ([optional link 3](#)), unemployment as of March 2022 stood at 12.1%, reflecting a gap of more than 400,000 jobs to recover. Colombia will need to step up investment and secure productivity gains if it is to close this gap against a

---

<sup>1</sup> MHCP [2021 Financial Plan 2021](#).

backdrop of continued uncertainty due to the COVID-19 variants. Several of these efforts are being implemented with resources from the tax reform approved by the Congress in 2021 with the "[Social Investment Act](#)."

- 1.4 **Gender equity for sustainable, resilient, and inclusive growth.** A number of different government agencies are taking steps to close women's socioeconomic gaps. One of the priorities for rural women is to close the gap in access to agricultural extension services. According to data of the agricultural census on all productive units, women decision-makers accounted for only 18.7% of productive units that received technical assistance, compared with 25.5% for men<sup>2</sup> ([DANE, 2016](#)). Similar results have been observed in areas such as access to credit and financing ([FINAGRO, 2018](#)). In terms of access to markets, for instance, the results of sales to government agencies show that those made by men can account for as much as 3.5 times the sales made by women producers (authors' calculations based on the [2014 National Agricultural Census](#); [optional link 4](#)).
- 1.5 **Environmental protection and the post-COVID-19 economic recovery.** Colombia has seen a downward trend in [adjusted net savings](#) since 2016, below that of other countries in the region, due to economic growth with a low degree of sustainability ([World Bank, 2018](#); [optional link 3](#)). The [Organisation for Economic Cooperation and Development \(OECD\)](#) and [other experts](#) say that some public policies—such as those aimed at supporting the transition to clean energy, strengthening sustainable agrifood systems, and promoting ecosystem restoration—can contribute to the economic recovery by promoting sustainable growth and addressing climate change, and thus help improve the country's adjusted net savings. Colombia has the opportunity to leverage the comparative advantages afforded by its [biodiversity and extensive natural capital](#) that are renewable, recoverable, and grown ([optional link 3](#)), to return to a sustainable economic growth path, diversify the economy, and reduce the country's historic dependence on hydrocarbon exports (oil revenues accounted for [3.7% of GDP in 2019](#)).
- 1.6 **Sustainable growth in Colombia is an innovative development model.** Colombia has committed to environmental management and social inclusion as sustainable development strategies for its policy frameworks, including: (i) the [National Policy on Climate Change \(PNCC, 2017\)](#) and the [Climate Change Act](#); (ii) the [Sustainable Development Goals \(SDGs\) implementation strategy](#); (iii) its [Green Growth Policy](#) (2018); and (iv) its [National Development Plan 2018-2022 \(PND\)](#).
- 1.7 **Colombia included climate action in its public sector agenda and national policy frameworks.** On the heels of the December 2015 signing of the [Paris Agreement](#), the PNCC in 2017 laid out a roadmap to include climate change management in public and private sector decision-making. This policy is built around five strategic areas: rural development; urban development; mining and energy; strategic infrastructure; and ecosystem management and conservation. Actions for each strategic area are identified with the aim of fostering technological development and enhancing production processes that are low in greenhouse gas emissions and/or can be adapted to the effects of climate change. The Climate Change Act also creates an institutional framework for decision-making and

---

<sup>2</sup> In all, men make the decisions for 61.4% of the country's agricultural production units, compared with 38.6% where decisions are made solely by women or in partnership with men.

includes guidelines for comprehensive planning for and management of climate change. For example, it establishes institutional principles and areas of authority at the national and subnational levels, as well as participatory bodies (National Council on Climate Change); it creates Regional and Sector-specific Comprehensive Plans for Climate Change Management (PIGCCTs and PIGCCSs, respectively); and it mandates the creation of the national climate change information system (SNICC).

- 1.8 **Identification of Colombia's commitments for the Sustainable Development Agenda.** CONPES document 3918/18 has informed subsequent strategic frameworks at the national and subnational levels, such as the Green Growth Policy (2018), the Regional Development Plans (2020-2024), and the PND 2018-2022. This document has also become a long-term government policy. It identifies priority areas for meeting the SDGs by 2030 and establishes [156 indicators](#), specific targets, and responsible institutions. Over a 15-year horizon, it establishes targets for achieving universal electricity coverage, increasing the number of electric vehicles from 1,695 to 600,000, increasing the number of protected land areas by 28%, narrowing the monthly income gap between men and women by 2.6 percentage points, and increasing the recycling rate by 9 percentage points.
- 1.9 **The Green Growth Policy is main policy framework guiding actions related to sustainable growth.** The objectives of this policy are to help increase productivity and economic competitiveness in Colombia through the sustainable use of natural capital. It identifies the need to: (i) create conditions that will foster new economic opportunities based on Colombia's wealth of natural capital; (ii) strengthen mechanisms to optimize the use of natural capital and energy in production and consumption; (iii) strengthen the capacity of science, technology, and innovation to promote green growth; and (iv) enhance interagency coordination, information management, and financing to implement the measures outlined in the policy.
- 1.10 **The PND 2018-2022 "Pact for Sustainability: Produce by Conserving, Conserve by Producing."** The Colombian government is seeking a balance between productive development and environmental conservation to fuel new economic opportunities and safeguard natural resources for future generations. Its main targets are to cut greenhouse gas emissions by 36 million metric tons of carbon dioxide equivalent, reduce deforestation by 30%, double the land area with systems for sustainable production to 1.4 million hectares, increase the rate of women's participation in agricultural extension services to 30%, transition to sustainable transportation, and implement the National Strategy on the Circular Economy.
- 1.11 **Sustainable and Resilient Growth Program I.** The first programmatic operation in the series was approved and ended successfully in 2021. It supported 44 measures in three areas that support the second operation. The IDB provided it with US\$800 million in financing and approximately US\$400 million from other financing entities. Its successes include the Colombian government's support for updating its nationally determined contribution (NDC), the issuance of the National Policy on Deforestation and Sustainable Forest Management as well as the rules for the third auction of nonconventional renewable energies (NCREs) ([IDB, 2022](#)). The program was presented at the 2021 United Nations Climate Change Conference (COP 26) as essential support for Colombia's climate agenda. The



lessons learned included the importance of having a government agency to centralize compliance monitoring with the policy conditions, and the need for high levels of coordination to ensure that satisfactory results are achieved, inasmuch as the program involves coordination with nine government agencies, seven IDB divisions, and six financing entities ([optional link 10](#)).

- 1.12 **Challenges in implementing sustainable growth.** The framework policies (PNCC, Green Growth Policy, SDG implementation strategy, and PND 2018-2022) identify structural challenges related to sustainable, resilient growth and set forth priorities, plans, and actions to guide sector policies. These plans face challenges in implementation, and some have incurred delays due to institutional and regulatory obstacles, which have tended to be exacerbated by COVID-19 and its persistence. To confront the crisis, the Colombian government issued its [economic reopening policy](#) in February 2021, supporting measures such as nature-based solutions, sustainable livestock farming, green businesses, the [circular economy](#), and the promotion of NCREs as policy priorities ([optional link 3](#)).
- 1.13 This programmatic policy-based loan will help fulfill the long-term objectives of the strategic policy frameworks and will address a number of the identified challenges.

## **1. Challenges in planning, management, and financing of climate action**

- 1.14 Colombia has reaffirmed its commitment to climate action by making significant strides toward establishing a policy framework for the fight against climate change ([optional link 2](#)) and as an active party to the Paris Agreement. However, persistent challenges in climate planning, management, and financing remain.

### **a. Lack of strategic planning with a long-term vision**

- 1.15 Five years into implementation of the Paris Agreement, it is obvious that the worldwide commitments to reduce greenhouse gas emissions have been insufficient and the pace of their implementation has been slow. The Paris Agreement requires signatory countries to update their emission reduction targets—through their NDCs—and supplement them with long-term decarbonization strategies that will help governments articulate an approach for achieving carbon neutrality and climate resilience, and which will identify critical sectors and considerations for the transformation of production and consumption models by 2050. According to some analyses for Latin America and the Caribbean, updating NDCs with more ambitious targets could save the region some US\$90 billion in stranded assets and US\$100 billion in investment costs in the electricity sector alone ([IDB, 2019](#)).
- 1.16 One of the lessons learned from Colombia's first NDC (2015) was the need for greater clarity in defining specific measures and the responsible parties. Under the first operation of this programmatic series, Colombia achieved a milestone by updating its NDC with the Paris Agreement, increasing its reduction in greenhouse gas emissions target from 20% by 2030 to 51%. It also presented 32 mitigation and 30 adaptation measures and identified the responsible parties at both the sector and regional levels. This commitment will need to be strengthened by enacting a law to make it binding in all of Colombia. Moreover, and in keeping with the commitments assumed under Article 4 of the Paris Agreement, Colombia will need to formalize its long-term decarbonization strategy (E2050, the design of

which was supported by the first operation in the series) with the United Nations Framework Agreement on Climate Change (UNFCCC).

**b. Limited and weak sector-based and regional management of climate change**

- 1.17 Under the Climate Change Act, the [PIGCCS and PIGCCT](#) are among the main tools for climate change management. These plans identify and prioritize the mitigation and adaptation measures and actions for each sector and regional entity, so as to catalyze effective climate action. In light of Colombia's new NDC, it will need to address the challenge of coordinating the agendas and targets of the responsible institutions at the national level, which will in turn coordinate the regional agendas, either updating or preparing the respective plans. With the aim of building capacity at the regional level, issuing specific guidelines to that end will be a priority. The first programmatic loan operation of the series supported efforts to initiate that work by preparing the PIGCCS for the agriculture and industrial sectors, which have been officially adopted in the second operation.

**c. Low levels of interagency coordination**

- 1.18 Although the Colombian government does have coordination bodies, such as the Cross-sector Commission on Climate Change and other committees established under the National Climate Change Decree, they need to be complemented by entities to facilitate coordination between government agencies and the private sector, social organizations, academia, international organizations, and the Congress. To that end, the Climate Change Act calls for creation of the National Council on Climate Change, the regulations for which have yet to be drafted.

**d. Limited mobilization of private sector resources**

- 1.19 Colombia's financing gap for climate change adaptation and mitigation is estimated at US\$860 million per year ([Álvarez-Espinosa, et al., 2017](#)). This gap will widen as the new NDC targets are increased, posing further challenges for the mobilization of economic resources.
- 1.20 Importantly, Colombia prepared its first [national strategy for climate finance](#) in 2017 with the aim of providing guidance for the mobilization of public and private resources. Changing conditions in the financial markets and the greater diversification of financial instruments have made it necessary for Colombia to update its NDC.
- 1.21 While Colombia also has a carbon market strategy ([optional link 3](#)); market expansion is constrained by legal lacunae and obstacles in the procedures and methodologies for projects that generate carbon credits. Consequently, a review of the regulations governing Colombia's carbon market .
- 1.22 Tools such as thematic bonds have also proven to be excellent ways of mobilizing financing for sustainable development and have high growth potential in Latin America and the Caribbean ([Climate Bonds Initiative; IDB, 2021](#)). As part of the first operation, Colombia developed a frame of reference for issuing its first sovereign green bond. The second operation supported the issuance of that bond (October 2021) and the adoption of the first green taxonomy to provide guidance in identifying projects with climate action objectives (April 2022) ([optional link 3](#)).

- 1.23 Lastly, royalties from operations in the extractive and energy sectors have not been used to mitigate environmental impacts in areas where such operations take place. In the first operation of the programmatic series, Colombia took an innovative approach to developing a system of specific allocations, allowing municipios to provide incentives for investment in environmental protection and recovery, thanks to the enactment of the new Royalties Act. Looking ahead, Colombia will have to issue technical criteria for their allocation.

## **2. Challenges related to nature-based solutions, climate-smart agriculture, and the circular economy**

- 1.24 While nature-based solutions, climate-smart agriculture, and the circular economy have a sound policy framework ([optional link 2](#)) and offer Colombia the opportunity of a sustainable growth path ([PND, 2018](#)), they still face challenges:

### **a. Regulatory constraints on the sustainable use of forest resources**

- 1.25 Despite Colombia's low levels of sustainable forestry (less than 1.8% of the commercial potential of all its forestland), deforestation was occurring at a net rate of [more than 170,000 hectares per year](#) between 2018 and 2020 (about 0.3% per year). [Forest economy studies](#) identify institutional barriers to sustainable forest management and utilization in accordance with Colombia's identified potential, namely: (i) the lack of a policy framework with guidelines for coordinating between objectives for deforestation control and sustainable forestry; (ii) the lack of a legal framework for the sustainable use of timber and nontimber forest products; and (iii) the consolidation of economic opportunities for communities, based on the sustainable use of natural resources.
- 1.26 The first operation of the series made headway on establishing a national policy framework for the control of deforestation and sustainable forest management. It also took steps toward issuing a decree on the sustainable use of nontimber forest products. For this second loan, efforts will need to continue on drafting regulations for the sustainable use of nontimber forest products and on promoting incentives and monitoring arrangements for sustainable timber and nontimber commercial activities, especially those that benefit communities.

### **b. Weaknesses in the effective management of protected areas limit the protection of biodiversity**

- 1.27 The [zoonotic](#) origin of COVID-19 underscored the importance of conserving biodiversity worldwide. As the world's second most biodiverse country after Brazil ([Biodiversidad.co](#)), Colombia understands the role it plays in biodiversity and has designated protective status as its main conservation strategy. Nevertheless, it is estimated that at least [6% of the deforestation](#) that has occurred in the last 18 years has been in the National System of Protected Areas (SINAP). This fact points to weakness and that simply designating protected areas is not enough. Promoting more effective management of protected areas will require adopting the SINAP policy initiated during the first operation of the series, which will be used to address challenges associated with limited governance, SINAP planning and financing, and supporting the issuance of other biodiversity protection and conservation measures aimed at meeting the target of expanding areas under protection by 30%, which was proposed at the Convention on Biological Diversity.

### **c. Low productivity for climate-smart agriculture**

- 1.28 Colombia's [land productivity](#) (measured in United States dollars per square kilometer) trails the OECD average by a factor of 5.3, primarily due to sector policies that favor price subsidies to the detriment of the provision of public goods, extension services, and the adoption of environmentally and economically sustainable technologies. Raising total factor productivity may help reduce greenhouse gas emissions from agriculture, forestry, and other land use (AFOLU), which account for 43% of Colombia's greenhouse gas emissions. The livestock sector—accounting for 13 percentage points of this total—cut its emissions by 50% per unit of output between 2001 and 2015, due to a 40% increase in total factor productivity ([Freiría, Nin-Pratt, Muñoz, 2020](#)).
- 1.29 Although the Colombian government, with support from the private sector and international cooperation, has made efforts to enhance the sector's productivity and cut its greenhouse gas emissions through climate-smart agriculture practices ([optional link 3](#)), these programs are insufficient (only 0.1%, or [40,000 hectares](#) of Colombia's land area used for livestock farming are covered by sustainable production programs) and little know-how, an job, and income-earning opportunities reach women ([optional link 4](#)). This is compounded by the need to strengthen climate change adaptation strategies, since, according to estimates for the developing countries, such as Colombia, the agriculture sector absorbs [22% of economic losses caused by natural disasters](#).
- 1.30 During the first operation in the programmatic series, support was provided to create greater market incentives through policies that: (i) promote the restructuring of livestock farming in accordance with sustainability principles; (ii) encourage low-carbon, climate-resilient agriculture programs with a low impact on vulnerable ecosystems; and (iii) strengthen community-based agriculture with greater prospects of market access. The second operation will continue support for these policy lines and promote gender equity measures with the aim of closing gaps in access to knowledge and economic resources for rural women, recognizing the key part they play in galvanizing good and sustainable agricultural practices and their role in family and community agriculture. This will assist in moving forward along a path of sustainable agribusiness; implementing climate change adaptation and mitigation measures in the sector; and expanding opportunities for, and strengthening the capacities of, rural women.

### **d. Green businesses' limited market access and low survival rate**

- 1.31 Green businesses, particularly those linked to the [bioeconomy](#) and nature tourism, have significant [development potential](#) in the Latin America and the Caribbean region. Colombia's bioeconomy accounted for 3.43% of its GDP in 2018 and is projected to grow 10.7% by 2030 (GGGI-Bointropic, 2020). Tourism accounts directly for 1.86% of Colombia's GDP, trailing countries in the region such as Ecuador (2.4%) and Peru (3.8%) ([World Travel and Tourism Council, 2019](#)), although foreign tourism has grown faster in Colombia in recent years than anywhere else in the region (BBVA Research, 2018). Before the COVID-19 pandemic, nature tourism worldwide grew 65%, according to a study by the Adventure Travel Trade Association ([Financiero, 2018](#)), signaling enormous growth potential in Colombia, where nature tourism accounted for only 16% of tourism activities in 2011 ([Colombian government, 2012](#)). Tourism was among the sectors hardest hit by lockdowns during the pandemic. In an effort to promote

sustainable recovery, the first programmatic operation supported the issuance of the [Sustainable Tourism Act](#). The new program will continue to support the drafting of regulations for this law.

- 1.32 In 2020, Colombia had 2,581 green businesses that accounted for over 30,000 jobs (40% of them held by women). In all, 82% of them entail goods and services originating from natural resources, while 18% are categorized as industrial ecoproducts (MADS-ONV, 2020). As a newly emerging area of the economy, however, green businesses still accounted for only a small percentage of all enterprises: only 0.8% of all businesses started in 2019 were green ([optional link 3](#)). Green businesses have vast growth potential but also face huge hurdles with respect to policy-making, access to markets, and business enhancement tools for their scale-up. Accordingly, the first loan supported the registration of a trademark for green businesses, enabling them to differentiate their products and services in the markets. The new program will continue to promote updating of the [National Green Business Plan](#), which was financed by the Bank.

#### **e. Recent integration of the circular economy model into the flow of materials and water**

- 1.33 The circular economy is an approach that alters production and consumption paradigms and contributes to sustainable growth by promoting the efficient use of—and a longer useful life for—materials, water, and energy. Implementing circular economy businesses could save an estimated US\$595 billion to US\$705 billion per year overall. The environmental benefits are the result of less use of materials and resources, which will increase countries' capacity to recover their natural capital. On the social front, the circular economy also carries high potential for entrepreneurship and job creation ([MADS, 2019](#)).
- 1.34 Colombia is pioneering the circular economy in Latin America and the Caribbean, having issued the [National Strategy on the Circular Economy](#) in 2019, but this strategy has only begun to be implemented. The first operation of the programmatic series strengthened provisions on extended producer responsibility and supported the issuance of a national policy that included the circular economy approach to water management. To unlock the potential of the circular economy, the second operation will need to support policy instruments associated with: (i) energy generation from biomass by-products and as agro-inputs, which are at once condemned as sources of greenhouse gas emissions; (ii) construction and demolition waste flows, which call for closing the materials loop; and (iii) water flows upon establishing rules of the game for those who would like to implement the reuse of wastewater ([optional link 3\(vi\), \(xiv\), and \(xv\)](#)).

### **3. Challenges for the energy transition**

- 1.35 Transitioning the transportation and electricity sectors to renewable energies is essential to promoting sustainable growth, as it will help fulfill the target for reduced greenhouse gas emissions and the SDG target of universal access to energy. Colombia's energy sector accounts for 7% of greenhouse gas emissions, compared to 11% for the transportation sector ([third national communication on climate change](#) and [CONPES document 3943 on air quality](#); [Cisneros and Lara, 2020](#)). Colombia's electricity sector has a largely clean generation matrix due to the significant contribution of hydraulic energy (68% of total energy), but because



hydraulic power is vulnerable to hydroclimate events caused by climate change, power sources need to be diversified by leveraging NCREs.

**a. Inadequate regulations with technical guidelines and incentives for adoption of new technologies and development of infrastructure for electric transportation**

- 1.36 While Colombia has a robust policy framework for promoting the use of electric vehicles ([Law 1,964 of 2019](#) and the [National Strategy on Electric Transportation \(2019\)](#) ([optional link 2](#)); the corresponding regulations were still being drafted at the start of the program. This process was accelerated during the first operation in the programmatic series with the issuance of regulations to promote the purchase and use of electric vehicles, as well as facilitating the deployment of charging infrastructure for electric vehicles (which is key to ensuring that they are widely adopted), making important progress toward implementing the National Strategy on Electric Transportation. In this second operation, Colombia will need to continue developing incentives and setting standards to ensure the safe rollout of electric vehicles from the regulatory and interoperability standpoint, and the associated charging infrastructure. This will include regulations governing discounts for technical/mechanical inspections and establish minimum communication and marketing standards for charging stations.

**b. The need for an updated policy framework to reflect transformations in the electricity sector**

- 1.37 Despite technological shifts in the electricity sector brought about by the rise of NCREs, Colombia lacks an updated policy framework ([energy transformation mission, 2020](#)). Since the passage of Law 143 of 1994, Colombia has not updated its regulatory framework with a roadmap for addressing challenges such as the decarbonization of the economy, reducing gaps in access to electricity service, and, recently, the need to contribute to the economic reopening. Consequently, support was provided in the first operation of the programmatic series to carry out an “energy transformation mission” to put forward a strategy for modernizing the sector and to publish its recommendations. For purposes of continuity, these recommendations will need to be implemented in accordance with an implementation roadmap.

**c. Limited inroads of NCREs in the Colombian market**

- 1.38 The Colombian government has focused on eliminating barriers to the entry of NCREs into the market by auctioning long-term contracts and including a provision in the PND to require vendors to draw 8% to 10% of their electricity from renewable sources. These strategies have been implemented in various countries ([IDB, 2020](#)) and are designed to facilitate access to financing, as the cost of capital has been identified as one of the main barriers to entry for such initiatives ([Seetharaman et al., 2019](#)). The first programmatic loan in the series provided support to prepare guidelines for the third NCRE auction. The new program will provide support for that auction. With the entry of new NCRE projects, the resilience of the energy matrix will increase, competition will be promoted in the formation of prices, and a reduction in greenhouse gases will occur.

**d. Limitations in rules for management of available transmission infrastructure**

- 1.39 To manage the available power transmission infrastructure, upgrades are needed for the increase in projects awaiting connection to the National Interconnected System (SIN). According to the [Mining and Energy Planning Unit \(2022\)](#), an average of 41 new generation projects per year were registered between 2010 and 2015, and this figure rose by 417% between 2016 and 2021. However, the approval process for connection to the SIN continues to be on a first-come, first-served basis (Resolution CREG 106 of 2006): any generation project seeking connection must wait for any pending applications to be resolved before its application can be reviewed and approved, and the entry of new projects can be blocked by delays in the entry of existing projects ([Energy and Gas Regulatory Commission \(CREG\) and Household Utilities Administration, 2020](#)). This results in a system with blockages, bottlenecks, and inefficiencies. The first loan in the programmatic series provided support to issue regulations that provide guidelines for implementing the single window to evaluate and assign new projects for connection to the SIN. With this second loan, a resolution will be adopted establishing the procedure, obligations, and criteria for projects in order to be connected to the SIN.

**e. Opportunities for the use of hydrogen**

- 1.40 The Colombian government has the opportunity to explore the potential of hydrogen as an alternative energy source. According to the [International Energy Agency \(2019\)](#), hydrogen has potential uses in the electricity and transportation sectors through processes that would reduce greenhouse gas emissions, and a growing number of countries are adopting targets, commitments, and incentives to support deployment of this new technology. With IDB support, consulting services were engaged in 2021 to prepare a [roadmap for the production and use of hydrogen in Colombia](#). The roadmap will be adopted by the Colombian government as part of the second operation in order to begin its implementation thereafter.

**f. Weaknesses in the delivery of energy services by private operators to areas not connected to the SIN**

- 1.41 Currently, 3.11% of Colombians lack access to electricity service in areas not connected to the SIN ([Energy Hub Latin America and the Caribbean, 2021](#)), causing severe health impacts on the population from the use of firewood to prepare meals ([Mining and Energy Planning Unit, 2019](#)). One of the main challenges in expanding coverage is providing incentives for private distributors, as 100% coverage requires some US\$2 billion in investment, far exceeding the government's budget ([energy transformation mission, 2020](#)). Power in areas not connected to the SIN is provided by small enterprises with low operational capacity, largely in the informal sector. These areas, as a result, receive service that falls short of the required minimum quality, their electricity infrastructure suffers from a lack of operation and maintenance work, and they experience metering and billing problems ([Energy Hub Latin America and the Caribbean, 2021](#)). Colombia needs to make strides in offering incentives to organizationally and financially sound private sector providers that are interested in entering these markets and have the capacity to perform ongoing administrative, operational, and

maintenance work. In the first loan of the programmatic series, progress was made on establishing a rate formula to compensate energy service providers with solar solutions in areas not connected to the SIN, incentivizing the use of clean technologies in outlying areas. The next step will be to develop a methodology to standardize rates, which take into account the specific features of the type of solution installed, service site, and mapping of network operators' areas of influence.

**g. Limited deployment of distributed generation and self-generation of clean energy**

- 1.42 The Colombian government should focus on promoting distributed energy resources ([optional link 3](#)), which would promote the development of local infrastructure for renewable generation, the deployment of storage systems, and rise of the concept of the “prosumer” (electricity exchanges between users who generate their own electricity, depending on need and price). A precondition for the deployment of distributed energy resources is the widespread use of advanced metering infrastructure to promote energy efficiency, responsiveness to demand, and time-based rate-setting models and to incorporate electrical systems such as distributed generation and electric vehicles. Although this technology is available and has been deployed in other countries, Colombia's current regulations fail to offer enough incentives to make it widely available ([Ministry of Mines and Energy, 2021](#)). The technical procedures will need to be adjusted for connection and the standardization of procedures for the promotion of distributed generation. Accordingly, a roadmap is needed to deliver this technology to 75% of SIN users by 2030 ([CREG-175, 2020](#)). In the first operation, progress was made on a draft resolution. This effort is expected to culminate with its adoption.
- 1.43 **Rationale.** This program helps promote sustainable, resilient growth in Colombia. Through regulatory and policy measures, it promotes areas prioritized by the government in its most relevant policy frameworks (PNCC, Green Growth Policy, SDG implementation strategy, PND, economic reactivation policy) to foster the development of new sectors and economic activities based on the sustainable use of natural capital and to strengthen existing ones in order to achieve environmentally friendly growth with [high demand for green jobs](#) and a decisive transition toward decarbonization in Colombia.
- 1.44 **Proposed intervention.** The Colombian government requested support from the Bank and from strategic partners for the second programmatic operation. The program was designed jointly, but consists of parallel operations (paragraph 1.49).
- 1.45 **Effectiveness of sector policy reforms.** The measures established in each component aim to contribute to the program's general objective by: (i) decreasing greenhouse gas emissions; and (ii) adding green jobs (Annex III). [Optional link 8](#) presents a detailed analysis on the effectiveness of the measures financed by the operation. By way of example, evidence is being presented regarding the global impact that compliance with the NDC and long-term decarbonization strategy targets will have in terms of reducing emissions and the importance of strengthening these planning instruments through the implementation of national legal frameworks ([Benveniste, 2018](#); [ECLAC et al., 2020](#)). Similarly, case studies are being presented that show the effectiveness of such measures as protected areas, which, when combined with a model of sustainable use, operate as a mechanism to mitigate emissions by having more control over deforestation



([IKIAM, 2017](#); [Note et.al, 2013](#)) and the creation of jobs and income from tourism activities and the utilization of forest products to benefit communities ([World Bank, 2021](#)). With respect to the energy sector, one of the measures supported by this programmatic policy-based loan have been regulations to promote smart metering. A review of the literature shows that smart metering is the first step toward greater deployment of smart networks in Colombia ([Parrado, 2018](#)) and could potentially reduce annual carbon dioxide equivalent by between two and three million metric tons by 2030 as a result of greater energy efficiency ([IDB, Government of Colombia, 2016](#)), and would also create jobs as a result of the deployment of this technology ([Ibid](#); [ISTAS-CCO](#)).

- 1.46 **Synergies.** The Bank has extensive knowledge of the sectors involved in the program, thanks to its ongoing support for the policies of the Colombian government and others in Latin America and the Caribbean through various programs. Specifically, this operation has synergies with the following operations in execution: Financing for the Design and Implementation of the Nationally Determined Contributions and Strengthening of the Management and Monitoring of Climate Action, for US\$1.5 million (ATN/MC-17416-RG and ATN/OC-18128-CR); Sustainable Colombia Program, for US\$100 million (4424/OC-CO); Financing to Support Colombia's Energy Transition, for US\$47.1 million (5460/TC-CO); Strengthening of Forestry Governance, for US\$1.5 million (GRT/CM-17201-CO); Social and Economic Entrepreneurship in Sustainable Production Projects, for US\$2.4 million (GRT/CM-18495-CO); country dialogues and programming of proposals for the Infrastructure Program and Decarbonization through Hydrogen: Pathways for Green Recovery Program, for US\$1 million and US\$1.4 million, respectively (ATN/PI-17108-RG, ATN/SX-19067-RG); Inclusive Circular Economy in the Pacific Alliance, for US\$500,000 (ATN/OC-18546-RG); and the Strategy for the Decarbonization of the Capital Cities of Colombia, for US\$200,000 (ATN/OC-18771-CO). [Optional link 5](#) offers details of the complementarities between the program and the operations mentioned herein.
- 1.47 **Additionality.** The Bank has been a key partner in financing operations that have contributed to the success of the reforms subscribed in the program. Some 20 operations were identified that made contributions in this regard ([optional link 5](#)), including: (i) Informing the Design of Long-term Decarbonization Strategies, for US\$1 million (ATN/FR-18228-RG) in support of the development of the country's E2050 (2.1.2.1.); (ii) Regional Green Bonds Program for Latin America and the Caribbean, for US\$1.9 million (ATN/OC-17317), as a contribution to preparation of the Framework for the Issuance of Sovereign Green Bonds (2.2.3.1. and 2.2.3.2.); (iii) Coordination and Implementation of the Joint Declaration of Intention, for US\$1.1 million (ATN/CM-17268-CO), which provided evidence for the preparation of guidelines on sustainable livestock farming (3.2.1.1.); and (iv) strengthening of the institutional capacities of Colombia to integrate nonconventional energy resources, for US\$1 million (ATN/PI-17372-CO), to support publication of the roadmap for implementing the recommendations of the energy transformation mission (4.2.1.1.). By executing three technical-cooperation operations for up to US\$1.6 million, the Bank will promote the measures of the second operation in the series ([optional link 6](#)).
- 1.48 **Lessons learned.** The Bank's support for policy reform programs in Latin America and the Caribbean has yielded lessons that figured into the design of this program:

(i) policy outcomes are more likely to be achieved if there is effective alignment with government priorities [Program to Deepen Fiscal Reform in Colombia (3284/OC-CO) and Program to Deepen Fiscal Reform in Colombia II (4552/OC-CO)]; the program's components are aligned with Colombia's strategic policy frameworks; (ii) responsibilities should be coordinated and allocated between the entities involved in designing and implementing the reforms, particularly for multisector programs [Program to Support a Fair, Clean, and Sustainable Energy Transition (5278/OC-CH)]; to this end, the National Planning Department has been designated as the program's technical coordinator, and the entities responsible for each policy commitment have been identified; and (iii) successful implementation of reforms hinges largely on strengthening the institutional capacities of the relevant entities [Productive Economy and Creative Economy Support Program (5053/OC-CO)], support which is provided through technical cooperation resources.

1.49 **Coordination with other donors.** The Bank will provide US\$300 million in financing from its Ordinary Capital resources. Additionally, this financing will be complemented by three parallel cofinancing operations:<sup>3</sup> (i) a loan from Agence Française de Développement for €200 million under the modality of parallel cofinancing without services, to be signed between that institution and the Colombian government and which is covered by the Partnership Framework Agreement signed with the Bank; (ii) a loan from KfW Development Bank for €200 million, to be signed between that institution and the Colombian government and which is covered by the memorandum of understanding entered into with the Bank in 2018; (iii) a loan from the CAF for US\$300 million; and (iv) a loan from CABI for US\$250 million. With respect to the latter two institutions, the Colombian government requested the financing from them directly. The Bank will maintain an open dialogue with them for purposes of good coordination, thereby benefiting the program. The operation benefited from a joint design in which each financing entity provided technical knowledge in their core areas of expertise. Coordination of the nonreimbursable technical-cooperation operations was also promoted to reduce overlaps in financing and facilitate the development of instruments and joint forums for dialogue with the Colombian government. This facilitated the development of comprehensive and differentiated policy and results matrices that share core policy commitments, providing each financing entity with the possibility of selecting the one it considers most important, in accordance with the standards of and requirements for approval. This model of multiple financing entity interface is attributable to IDB leadership in the advance coordination and mobilization of resources during the first operation. These efforts will continue during the second operation of the series and lead to economies of scale for the Colombian government in the design and approval processes, as well as strengthen the negotiation position of the financing entities.

1.50 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2), as it is aligned with the general objective of achieving sustainable growth in Colombia over the short, medium, and long terms, as well as with the following development challenges: (i) social inclusion and equality, by devoting more resources to sustainable development

---

<sup>3</sup> When the Bank and the cofinancing entity establish separate financial mechanisms for the same program, each party disburses and reimburses funds independently (document GN-2911, "Guidelines to Register and Report Co-financing").

and helping small-scale producers gain access to new economic opportunities (2.2.1.1., 2.2.1.2., 3.1.1.1., 3.1.1.2., 3.1.2.2., 3.1.3.1., 3.2.2.1., 3.2.2.2., 3.2.2.3., 3.2.2.4., 3.2.2.5., 3.2.3.1., 3.2.3.2., 3.3.1.2., 3.3.2.1.); (ii) productivity and innovation, by helping foster innovation through an improved regulatory framework to facilitate the development of products and services that will reduce environmental impact (3.3.2.2., 3.3.3.1., 3.4.1.1., 3.3.1.1., 4.2.1.1., 4.2.4.1., 4.3.3.1., 4.3.4.1.); and (iii) economic integration, by encouraging production in the agriculture sector and new businesses providing nature-based solutions with potential for entering regional and global markets (3.2.1.1., 3.2.1.2., 3.3.1.1., 3.3.2.1., 3.3.2.2., 3.3.3.1.). The program is consistent with the sector frameworks documents—nine in all ([optional link 7](#), paragraph 1.6)—and with the following crosscutting themes: (i) climate change and environmental sustainability, by supporting climate-resilient development with low greenhouse gas emissions, having scored 100% in accordance with the [multilateral development banks' joint methodology for tracking climate finance](#); (ii) institutional capacity and rule of law, by promoting policies to strengthen the government's efforts for sustainable growth and for the transparency and effectiveness of public expenditure on projects that invest in the environment and sustainable development (2.1.4.1., 2.2.1.1., 2.2.1.2., 2.2.2.1., 2.2.3.1., 2.2.3.2., 2.2.4.2., 2.2.4.3.); and (iii) gender, by providing women in the agriculture sector with economic opportunities and the ability to serve in decision-making positions (3.2.2.5., 3.2.3.2.) ([optional link 4](#)). In addition, the program contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) with direct contributions to several indicators included in the results matrix, the main one being the cumulative reduction in greenhouse gases measured by the country (see [optional link 7](#), Table 1). The program is also included in the 2022 Operational Program Report (document GN-3087) and is consistent with the IDB Group Country Strategy with Colombia 2019-2022 (document GN-2972), by supporting sustainable growth with an emphasis on: (i) economic productivity; (ii) public management effectiveness; and (iii) social mobility and consolidation of the middle class. The program is aligned with Vision 2025, by: (i) promoting measures aimed at incorporating small and medium-sized enterprises into the green businesses niche, including the tourism sector; (ii) safeguarding access to quality public services, promoting measures to improve electricity service connections in areas not connected to the grid; and (iii) incorporating measures that contribute to the crosscutting approach to climate change and gender equality.

- 1.51 **Consistency with the Public Utilities Policy.** The program is consistent with the objectives of the Public Utilities Policy (document GN-2716-6, Section IV). It complies with the policy's principles related to economic evaluation and financial sustainability and contributes to the technical, operational, and financial sustainability of the energy sector by encouraging competition in the domestic and regional markets and enhancing rate-setting systems and processes. For purposes of this PBP, cost-benefit and cost-efficiency estimates of the program's proposed reforms were carried out, along with a financial sustainability analysis ([optional link 9](#)).

## **B. Objectives, components, and cost**

- 1.52 **Objective of the PBP.** The general objective is to contribute to sustainable, resilient growth. Colombia's economic growth amid the COVID-19 health emergency will be supported through three specific objectives: (i) to strengthen the

Colombian government's capacity to plan, manage, and finance climate action; (ii) to foster economic opportunities based on the sustainable use of natural capital and the development of circular economy models; and (iii) to promote the energy transition.

- 1.53 **Components.** The policy matrix (Annex II) establishes the sequence of commitments for the program, which are structured through the components described below. All the policy commitments of the first operation (5398/OC-CO, 5399/KI-CO) were satisfactorily fulfilled. As regards the policy measures for the second operation, [optional link 1](#) describes the original and current commitments, including references to adjustments and modifications. The changes are generally attributable to the inclusion of analogous and complementary measures, or advanced measures in the event the original commitments require adjustment. These changes have been evaluated and are expected to help fulfill the program's objectives. In fact, the agreed-upon changes tend to strengthen commitments in the areas of climate change, biodiversity, and gender. Each component highlights the most significant changes and provides details on each measure available in [optional link 1](#). Inasmuch as this is a programmatic policy-based instrument, the second operation incorporates horizontal logic through commitments to provide continuity to the development of the regulatory and policy agendas. However, the need for implementation measures that take the program's sustainability into account is acknowledged. These include: the sovereign green bond issue and its taxonomy (2.2.3.1. and 2.2.3.1.); preparation of action plans for the National Bioeconomy Strategy (2020) and the biomass waste roundtable (3.3.3.1. and 3.4.1.1.); and publication of the roadmap to implement the recommendations of the energy transformation mission and the use of hydrogen as an alternative energy, and publication of the results of the NCRE auction (4.2.1.1., 4.2.3.1., and 4.2.4.1.).
- 1.54 **Component I. Macroeconomic stability.** The objective of this component is to maintain an appropriate macroeconomic policy framework that is consistent with the program objectives as set forth in the policy matrix (Annex II).
- 1.55 **Component II. Planning, management, and financing of climate action.** The objective of the proposed reforms is to strengthen the Colombian government's capacity to plan, manage, and finance climate action. This second operation of the series will build on the progress made during the first. Accordingly, the most substantive policy commitments include: (i) approval and publication of the Climate Action Law, through which the NDC of Colombia will be adopted and strategies for compliance with its contributions will be defined; (ii) presentation of Colombia's E2050 long-term Decarbonization Strategy to the UNFCCC; (iii) publication of the resolutions adopting the PIGCCS for the agriculture and agribusiness sectors during the first operation of the programmatic series; (iv) issuance of the sovereign green bond (2.2.3.1.), the issuance framework for which was financed under the first operation of the series, and its supplementation with the publication of a green taxonomy to identify projects (2.2.3.2.); and (v) issuance of guidelines and rules for specific environmental allocations under the new Royalties Act (2.2.1.1. and 2.2.1.2.). The most significant changes include the elimination of NDC regulations; preparation of a roadmap to implement and issue sector guidelines for preparing PIGCCS, which are covered by the approval of Law 2,169 of 2021 on climate action, and are subject to the new provisions of that law, which was added as a new commitment (2.1.1.1). One of two sets of carbon market regulations were also

eliminated because the regulatory framework (Resolution 1447/18) was the subject of a lawsuit for procedural failures related to its approval. Consequently, no adjustments can be made until the controversy is resolved. In short, the balance of commitments accounting for the elimination or incorporation of analogous or complementary measures are 95% fulfilled with respect to those preidentified in the first operation. The proposed instruments consolidate the contribution to strengthening the medium- and long-term regulatory and policy frameworks for climate action, the expansion of regional and sector management of climate change, and greater mobilization of public and private resources for climate change mitigation and adaptation with the aim achieving Colombia's target of reducing its greenhouse gas emissions by 51%.

- 1.56 **Component III. Economic opportunities based on the sustainable use of natural capital and the development of circular economy models.** The objective of this component is to increase the sustainable use of natural capital and develop circular economy models. In the second operation of the programmatic series, the policies financed with the first will be finalized. The most relevant commitments in the utilization of forest products and support for the conservation and protection of biodiversity include: (i) publication and public consultation on the regulations of Decree 690 of 2021 on nontimber forest products (3.1.1.2.); (ii) issuance of the policy on the National System of Protected Areas (3.1.3.1.); and (iii) publication of four sets of regulations aimed at expanding protected areas and the protection of biodiversity (3.1.3.2. through 3.1.3.5.). The main climate-smart agriculture measures involve: (i) approval of the nationally appropriate mitigation actions (NAMA) for sustainable livestock farming by the NAMA Committee (3.2.1.2.); (ii) publication of regulations for public consultation governing the formalization of agroclimate technical councils, to help increase producers' resilience to climate variability (3.2.2.4.); and (iii) issuance of the updated National Policy on Gender Equity, to include a component focusing on rural women (3.2.2.5.)<sup>4</sup> ([optional link 4](#)). With respect to the consolidation of green businesses: (i) issuance of the regulations establishing ecotourism and agro-tourism parks as new providers of tourism services in the context of the Sustainable Tourism Act that was supported by the first operation of the series (3.3.1.2.); (ii) publication of the updated classification of green businesses and financial and nonfinancial instruments to strengthen them (3.3.2.2.), as a result of the updated policy framework for these businesses, which the Bank is supporting. Lastly, with regard to the circular economy: the issuance of regulations that modify Resolution 1207 of 2014 on the reuse of treated wastewater (3.4.2.1.). The most significant changes include the reduction in the number of commitments in subcomponent 3.1 on sustainable forest products development, which were discussed with the Colombian government with a view to replacing them with measures to strengthen the conservation and protection of biodiversity (3.1.3.2. through 3.1.3.5). Moreover, in subcomponent 3.2 (climate-smart agriculture) the reduction in the commitments associated with sustainable livestock farming, covered by the issuance of the Sustainable Livestock Farming Guidelines 2021-2050 and by the inclusion of additional commitments in the area of sustainable agriculture, which, among others, includes the preparation of a draft resolution to regulate high-impact activities in the moorlands (3.2.2.2) [supported with Bank

---

<sup>4</sup> The expected results of this policy include benefiting rural women in Colombia with agricultural extension services, to be measured by indicator 2.2.3. of the results matrix.

technical cooperation resources], and the focus on rural women through the update of the Gender Equity Policy (3.2.2.5). With respect to subcomponent 3.2 on the circular economy, the Colombian government requested that the bill on the integrated management of solid waste be withdrawn inasmuch as it contained economic instruments that the MHCP felt were not in keeping with the context of economic and social reactivation. With respect to the number of measures, it is concluded that the commitments, modifications, and replacements remain unchanged as they comply with the program's objectives. The measures of this component will help meet the sector target of reducing greenhouse gas emissions in agriculture, forestry, and other land uses (11.15 metric tons of carbon dioxide equivalent by 2030) to progress toward the target of net-zero deforestation by 2030, and have 30% of the national territory under protection and conservation.

1.57 **Component IV. Energy transition.** The objective of this component is to support Colombia's energy transition. This second operation builds on the commitments of the first with regard to promoting electric transportation, by encouraging diversification of the energy matrix with NCREs and clean sources of electricity generation at the local level. The main measures include: (i) issuance of regulations for the discounted technical/mechanical inspection for electric vehicles (4.1.1.1.) and (ii) the establishment of requirements for charging infrastructure; (4.1.1.2); (iii) publication of the roadmap to implement the recommendations from the energy transformation mission (4.2.1.1.); (iv) publication of the hydrogen roadmap (4.2.4.1.); and (v) issuance of the regulations establishing the conditions for the implementation of advanced metering infrastructure (4.3.3.1). Among the most significant changes are the exclusion of two commitments—i.e. issuance of regulations governing low-carbon and zero-emissions vehicle technologies and the formulation of the National Policy on the Energy Transition—because it was determined that these policies were not fully aligned with Colombia's decarbonization approach, which was laid out in its E2050. The balance with respect to the number of commitments sustained between the first and second operations of the series stood at 71% fulfillment. The commitments assumed in this component will help stimulate the enabling conditions and incentives to help double the number of electric vehicles on Colombian roads; increase access to energy in rural areas to achieve the country target of 100% electricity coverage; promote and strengthen the appropriate calculation of electricity rates, and diversify the energy matrix by expanding installed NCRE capacity and incorporating new energy sources, such as hydrogen, thereby ensuring that the percentage of NCREs in Colombia's energy matrix increase from 0.2% in 2018 to 16% by 2023.

1.58 The program contributes to closing the gaps identified in each component; nevertheless, it will still need to address the challenges associated with sustainability and fulfillment of the ambitious measures, in view of the country's upcoming elections and the brief period of time between the two operations of the series. Paragraph 2.5 presents the risk analysis and response plan. The IDB Group is making its technical knowledge and financial flexibility available to the Colombian government in order to continue promoting the strategic sectors addressed by the operation during the transition.

#### **C. Key results indicators**

1.59 The operation has a results matrix that includes indicators to measure the achievement of the program's general and specific objectives. The main impacts



of the program include the expectation of sustainable growth in Colombia, together with an increase in the number of green jobs created.

**Table 1. Main indicators**

Commitment to reduce greenhouse gas emissions
Planted forest area for commercial purposes
Hectares of protected areas
Verified green businesses
Women producers enrolled in and receiving services from the registry of agricultural extension service users (RUEA)
Electric vehicles registered in Colombia
NCREs as a percentage of Colombia's energy matrix

- 1.60 **Economic evaluation.** Based on the recommendations of the Office of Evaluation and Oversight in its 2011 Evaluability Review of Bank Projects<sup>5</sup> and the results of the Review of Good Practice Standards for the Evaluation of Policy-based Lending, prepared by the Evaluation Cooperation Group (ECG)<sup>6,7</sup> comprised of the independent evaluation offices of multilateral development banks, as described in paragraph 1.3 of the Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations (document GN-2489-10), indicating, *inter alia*, that there is no need to include an analysis of efficiency in the use of financial resources,<sup>8</sup> it was decided not to perform an economic analysis for loans of this type, as reported to the Bank's Board of Executive Directors. Consequently, this operation does not include an economic analysis and is therefore not considered for purposes of measuring the evaluability score in this program's development effectiveness matrix. Nonetheless, the economic analysis prepared for the first operation of the series was updated in the Integrated Economic-Environment Modeling (IEEM) platform, which confirms that the program is economically viable, with a net present value of US\$6,020,400 and an internal rate of return of 23.4% ([required link 3](#)).
- 1.61 **Beneficiaries.** Society at large will benefit from a reduction in net greenhouse gas emissions that will help mitigate climate change, reduce air pollution caused by internal combustion vehicles, and develop a diversified, cleaner, and more resilient energy matrix with a [potential 20 gigawatts](#) of generation capacity from NCREs. The universe of agricultural producers (approximately 2 million) will potentially benefit from the knowledge transfer for improved productivity with the inclusion of principles of climate-smart agriculture and good practices for climate change resilience; specifically, the rate of rural women beneficiaries of agricultural extension services will increase to 30% ([National Agricultural Survey, 2020](#);

<sup>5</sup> Document RE-397-1: "Currently, the economic analysis section is computed as the maximum between the cost-benefit analysis and the cost-effectiveness analysis. Yet neither a cost-benefit analysis nor a cost-effectiveness analysis is applicable to PBLs."

<sup>6</sup> The ECG consists of the independent evaluation offices of multilateral development banks.

<sup>7</sup> "Good Practice Standards for the Evaluation of Public Sector Operations." Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

<sup>8</sup> The Evaluation Cooperation Group calls for policy-based loans to be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a policy-based loan is related to a country's financing gap, independent of the program's benefits.

RUEA); the creation of 14,000 new jobs will be promoted, 40% of which will benefit women with policies that stimulate the creation of more than 1,200 new green businesses (MADS-ONV, 2021). Endemic tree and shrub species (566 of them, equivalent to 45% of Colombia's endemic species) with the ability to capture carbon could be saved from extinction through measures promoted for the protection of biodiversity (Alexander von Humboldt Biological Resources Research Institute, 2020). Seven government agencies will benefit from the strengthening of their policy frameworks and technical support for their teams.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instrument**

- 2.1 This is the second loan of the policy-based programmatic series, consisting of two contractually independent but technically linked operations in accordance with guidelines and directives established in the lending framework (document GN-2200-13) and in the document "Policy-based Loans: Guidelines for Preparation and Implementation. Update" (CS-3633-2). The programmatic modality is justified by: (i) the complex and progressive nature of the reforms; (ii) different timing for implementing the reforms; (iii) coordination among the institutions involved; (iv) support for policy dialogue in the country; (v) tracking required for implementation of the reforms, as well as their monitoring feedback on their outcomes. The second loan of the series will continue the work of designing and consolidating policy guidelines, as well as the institutional and regulatory changes initiated in the first operation, which are necessary to achieve the program objective. It also includes the challenges of promoting sustainable and resilient growth in Colombia with environmental, agricultural, industry, finance, energy, transportation, and water measures, making it possible to achieve substantive reforms during the 2021-2023 period. The Bank's financing resources for this operation account for 1.2% of Colombia's 2022 financing needs and 4.8% of its external disbursements for 2022. Although Colombia's debt has increased in order to respond to the pandemic, it is within sustainable levels and is expected to decrease due to greater economic growth.
- 2.2 **Scale of the operation.** According to the provisions of paragraph 3.27(b) of the document "Policy-based Loans: Guidelines for Preparation and Implementation (new version, document CS-3633-2), the scale of the operation was determined based on the country's needs for fiscal resources. An amount of US\$300 million in financing for this operation will be charged to the Ordinary Capital, to be released in a single disbursement in 2022. The joint operation with other financing entities will make it possible to increase its financing by up to US\$1.3 billion. According to the 2022 Financial Plan updated by the MHCP, the projected financing needs for the Colombian government are US\$29.076 billion in 2022, equivalent to 8.6% of GDP. The programmatic series accounts for 1.2% of Colombia's financing needs and 4.8% of its external financing needs for 2022.

### **B. Environmental and social risks**

- 2.3 In its preliminary analysis, the Bank found that the proposed policy and/or institutional reforms supported by the programmatic series will not pose any significant direct negative impacts on the environment or Colombia's natural and environmental resources. Lastly, according to paragraph 4.7 of the Environmental



and Social Policy Framework (document GN-2965-23), this programmatic series of policy-based loans falls outside the framework's scope of application.

### **C. Fiduciary risks**

- 2.4 According to the [Public Expenditure and Financial Accountability \(PEFA\)](#) assessment,<sup>9</sup> Colombia's public financial management system is a mature system with satisfactory performance in most areas and is reasonably aligned with good international practices. In late 2018, the update to the evaluation of Colombia's country subsystem for accounting and reporting (Integrated Financial Information System, or "SIIF Nación II")—Pillar III of the Bank guidelines for determining the level of development and usage of public financial management systems—found that the subsystem is at a high level of development. This subsystem allows for financial reporting as required by the Bank, but it is tied to the project execution system inasmuch as the executing agency must be included in the national budget and be part of the central government without posing a risk in this subsystem. In a March 2019 update to the evaluation of the external control subsystem—Pillar V of the Bank guidelines for determining the level of development and usage of public financial management systems—the Office of the Comptroller General (CGR) was found to have a broad legal mandate that allows it to remain independent, with no outside interference in its work as an oversight entity, and its technical and operational structure was found to be appropriate. The CGR audits government entities on a selective, ex post basis, and it verifies regulatory compliance, proper use of resources, observance of processes and procedures, and fulfillment of targets and objectives, *inter alia*. As for the use of country systems, 100% of the loan portfolio uses the budget, treasury, and accounting subsystems, which reduces fiduciary risks related to payment management, cash flow management, reconciliations, and accounting records. Colombia has experience managing external loan resources, and no financial management risks are anticipated.

### **D. Other key issues and risks**

- 2.5 The operation has a low level of risk, as it is supported by a reform process that is necessary to sustainable, resilient growth in Colombia. The following additional risks were identified: (i) the discontinuance of policy implementation attributable to the change in government (medium-high); and (ii) noncompliance of the policy measures due to the brief period of time between the execution of the first and second programmatic operations (medium-high). To mitigate this first risk, the program's design was based on long-term strategic policy frameworks and international commitments. A robust monitoring agreement was concluded with the participation of all financing partners for the following two-year period and supported with technical cooperation resources, which should enable the outgoing government achieve its objectives and facilitate policy dialogues with the new government on positioning the issues of the programmatic policy-based loan. With respect to the second risk, the DNP assumed the role of technical coordinator from the program's inception, resulting in compliance with 100% of the policy conditions for the first loan in the programmatic series. This arrangement will remain in place for the second operation of the series and will strengthen the capabilities of the

---

<sup>9</sup> Public Expenditure and Financial Accountability is an international tool that serves as a framework of reference for the evaluation of public financial management; The most recent PEFA assessment for Colombia was conducted in October 2016.

DNP through the engagement of a consultant by the government to support monitoring of the ministerial agreements for the second operation of the series, which will be financed by one of the financing partners.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Summary of implementation arrangements**

- 3.1 The borrower will be the Republic of Colombia. The executing agency will be the Ministry of Finance (MHCP), which will implement the program in coordination with the National Planning Department (DNP), which will serve as technical coordinator, and other entities involved in execution. In coordination with the DNP, the executing agency will: (i) promote actions related to the achievement of the policy objectives; (ii) provide evidence that the policy conditions have been fulfilled; and (iii) will compile and submit to the Bank any information that will enable the borrower and the Bank to monitor and evaluate program results. The financing entities share an implementation arrangement that calls for standardizing procedures and tools, and preparing and conducting joint missions (paragraph 1.49)
- 3.2 **Special contractual conditions precedent to the first and only disbursement of the financing. The first and only disbursement will be contingent on fulfillment of the policy reform conditions set forth in the policy matrix (Annex II), the policy letter, and other contractual conditions set forth in the loan contract ([required link 1](#)).**

#### **B. Summary of arrangements for monitoring results**

- 3.3 The policy matrix (Annex II), the means of verification matrix ([required link 2](#)), and the results matrix (Annex III) set the parameters for program monitoring and evaluation. The DNP, along with participating government entities, will fulfill the policy conditions. The Government of Colombia, the Bank, and the financing partners have agreed to monitor the program in a coordinated manner. Joint results matrices and monitoring reports will be prepared under the same format, which will include the needs and requirements of each of the financing entities. Annual monitoring meetings are also planned, to be presided by the DNP. These meetings will serve as a forum for continuing the policy dialogue.<sup>10</sup>
- 3.4 The purpose of the project evaluation is to verify whether the anticipated outcomes and impacts were achieved once the period for their fulfillment established in the project monitoring and evaluation plan has ended ([required link 3](#)). A project completion report will be prepared by the project team at the end of the second operation, applying the IDB's current guidelines, within a period of no more than two years after the disbursement for the final operation

---

<sup>10</sup> Ministry of Environment and Sustainable Development; Ministry of Agriculture and Rural Development; Ministry of Mines and Energy; Ministry of Finance; Ministry of Transportation; Ministry of Housing and Urban and Regional Planning; Ministry of Commerce, Industry, and Tourism; Ministry of Science, Technology, and Innovation; and the National Planning Department.

#### **IV. POLICY LETTER**

- 4.1 The policy letter ([required link 1](#)) sent by the borrower describes the macroeconomic and sector policies being implemented by the Colombian government that are consistent with the policy measures to be supported through this program. The letter ratifies the Colombian government's commitment to implement the agreed-upon conditions set out in the program's policy matrix.

Development Effectiveness Matrix		
Summary		CO-L1274
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to energy services (#) -Jobs supported (#) -Enterprises provided with technical assistance (#) -Farmers with improved access to agricultural services and investments (#) -Women beneficiaries of economic empowerment initiatives (#) -Emissions avoided (annual tons CO2 equivalent) -Habitat that is sustainably managed applying ecosystem-based approaches (ha) -Installed power generation capacity from renewable sources (MW)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	(i) productivity of the economy; (ii) effectiveness of public management; and (iii) social mobility and consolidation of the middle class
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Partially Evaluable
3. Evidence-based Assessment & Solution		7.6
3.1 Program Diagnosis		1.8
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		2.7
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		5.5
5.1 Monitoring Mechanisms		1.7
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Environmental & social risk classification		FI
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical Cooperations: CO-T1610, CO-T1611 y CO-T1633

**Evaluability Assessment Note:** This operation is the second in a programmatic series in support of policy reforms, consisting of two contractually independent and technically linked loans, which seeks to contribute to sustainable and resilient growth in Colombia. The specific objectives are: (i) to strengthen the GoC's capacity to plan, manage, and finance climate action; (ii) promote economic opportunities based on the sustainable use of natural capital and the development of circular economy models; and (iii) promote the energy transition.

The diagnosis presented is adequate and the proposed policy measures generally respond to the deficiencies and opportunities identified. The results matrix exhibits vertical logic with result indicators that allow assessing the achievement of the specific objectives at the closing of the operation. Recommendations are made to improve some of these indicators.

The Monitoring and Evaluation Plan meets the expectations for this type of loan.

## POLICY MATRIX

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
<b>Component I. Macroeconomic stability</b>			
1.1. Macroeconomic stability	1.1.1. Maintenance of an appropriate macroeconomic policy framework that is consistent with the program objectives, as set forth in this policy matrix	1.1.1. Maintenance of an appropriate macroeconomic policy framework that is consistent with the program objectives, as set forth in the policy matrix	Fulfilled
<b>Component II. Planning, management, and financing of climate action</b>			
2.1. Strengthening of capacity to plan and manage climate action (in mitigation and resilience)	2.1.1.1. Publication of the updated nationally determined contribution (NDC) to reflect more ambitious measures for climate change adaptation and mitigation	2.1.1.1. Approval and publication of the Climate Action Law, through which the NDC of Colombia is adopted and strategies for compliance with its contributions are defined	Fulfilled (Q4 2021)
		2.1.1.2. Publication of the National Climate Change Council regulations, for public consultation	Fulfilled (Q2 2022)
		2.1.1.3. Publication of the National Climate Change Information System (SNICC) regulations, for public consultation	Fulfilled (Q2 2022)
	2.1.2.1. Publication of Colombia's E2050 long-term strategy for implementing the Paris Agreement, for public consultation	2.1.2.1. Presentation of Colombia's E2050 long-term climate strategy to the United National Framework Convention on Climate Change (UNFCCC)	Fulfilled (Q4 2021)
		2.1.2.2. Issuance of the guidelines for incorporating the E250 recommendations into the next National Development Plan (PND)	Fulfilled (Q2 2022)
	2.1.3.1. Publication of the draft resolution to adopt the Sector-specific Comprehensive Plan for Climate Change Management (PIGCCS) for the agriculture sector, for public consultation	2.1.3.1. Issuance of the resolution to adopt the PIGCCS for the agriculture sector	Fulfilled (Q4 2021)
	2.1.3.2. Publication of the draft resolution to adopt the PIGCCS for the industrial sector, for public consultation.	2.1.3.2. Preparation of the PIGCCS for the finance sector	Fulfilled (Q2 2022)
		2.1.3.3. Preparation of the PIGCCS for the transportation sector	Fulfilled (Q2 2022)
		2.1.3.4. Preparation of the PIGCCS for the industrial sector	Fulfilled (Q4 2021)
		2.1.3.5. Issuance of the resolution adopting the update of the PIGCCS for the energy sector, in view of the new NDC provisions	Fulfilled (Q4 2021)
	2.1.4.1. Preparation of the technical guidelines for preparing the Regional Comprehensive Plans for Climate Change Management (PIGCCT)	2.1.4.1. Publication of the draft resolution to adopt the technical guidelines for preparing the PIGCCT	Fulfilled (Q2 2022)

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
2. 2. Financing climate action, resilience, and green investment	2.2.1.1. Issuance and publication of the law reforming the General Royalties System (SGR), which allocates public resources to finance investment projects for the environment and sustainable development	2.2.1.1. Issuance of guidelines for viability of investment projects for the environment and for development of sources of royalties	Fulfilled (Q3 2021)
	2.2.1.2. Issuance and publication of the decree regulating the SGR reform law	2.2.1.2. Publication of rules and areas of authority for local investment in the environment and sustainable development of sources of royalties	Fulfilled (Q1 2022)
	2.2.2.1. Issuance and publication of the resolution on the system for monitoring, reporting, and verifying nationally appropriate mitigation actions (NAMAs) for the carbon market 2.2.2.2. Issuance and publication of the decree for accreditation of entities to verify reduced emissions and removals from the carbon market	2.2.2.1. Preparation of regulations to adjust tax-related aspects of the "no causation" procedure for monitoring (and other provisions) of the carbon market	Fulfilled (Q2 2022)
	2.2.3.1. Publication of the framework for issuing the sovereign green bond	2.2.3.1. Issuance of sovereign green bond 2.2.3.2. Issuance of Colombia's green taxonomy to facilitate identification of projects with climate action objectives	Fulfilled (Q4 2021) Fulfilled (Q2 2022)
	2.2.4.1. Publication of the methodological guidelines for tracking brown investments in order to strengthen climate finance	2.2.4.1. Preparation of the updated National Strategy on Climate Finance 2.2.4.2. Publication of methodological guidelines determining the cost of adaptation measures for Colombia's NDC 2.2.4.3. Preparation of methodological guidelines for preparing analyses of public expenditure effectiveness in the environmental sector for climate change and biodiversity	Fulfilled (Q2 2022) Fulfilled (Q3 2021) Fulfilled (Q2 2022)

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
<b>Component III: Economic opportunities based on the sustainable use of natural capital and the development of circular economy models</b>			
3.1. Sustainable forest use and management for the conservation and protection of biodiversity	3.1.1.1. Issuance and publication of the National Policy for Deforestation Control and Sustainable Forest Management  In development of the National Policy for Deforestation Control and Sustainable Forest Management:	3.1.1.1. Preparation of technical and operational guidelines strengthening the community-based forestry program	Fulfilled (Q2 2022)
	3.1.1.2. Issuance and publication of the decree for the sustainable management of wild flora and nontimber forest products	3.1.1.2. Publication of the regulations of Decree 690 of 2021 on sustainable management of wild flora and nontimber forest products, for public consultation	Fulfilled (Q2 2022)
	3.1.1.3. Issuance and publication of the resolution providing for the viability of investments for environmental compensation, directed toward sustainable alternatives to natural forestland	3.1.1.3. Publication of the draft resolution establishing improvements to the reporting and monitoring systems for collecting compensation for forest use, for public consultation	Fulfilled (Q2 2022)
	3.1.1.4. Approval and publication of the technical guidelines for awarding contracts for the use of reserve areas		
	3.1.2.1. Issuance and publication of the decree regulating the forest incentive certificate, in order to include policies on forest plantings for commercial purposes and promote direct investments in new protective plantings	3.1.2.1. Issuance of the administrative act clarifying and standardizing procedures for forest activity in regions, for public consultation  3.1.2.2. Issuance of the administrative act promoting the development of planted forests, with an emphasis on areas hardest hit by violence and poverty through the forest incentive certificate	Fulfilled (Q2 2022)  Fulfilled (Q4 2021)
	3.1.3.1. Collaboration on the action and monitoring plan for the National System of Protected Areas (SINAP)  3.1.4.1. Registration in the MADS management systems of guidelines for the use of Other Effective Area-based Conservation Measures (OMECS)	3.1.3.1. Issuance of the SINAP Policy 3.1.3.2. Signature by the Colombian government of the joint declaration of the governments of Costa Rica, Ecuador, and Panama for the conservation and mapping of ecosystems in the Eastern Tropical Pacific Marine Corridor 3.1.3.3. Publication of the resolution through which Serranía de Manacacias National Nature Park was declared, reserved, and its boundaries defined, and for public consultation  3.1.3.4. Issuance of the resolution to adopt the environmental zoning plan described in item 1.1.10 of the Final Peace Accord 3.1.3.5. Issuance of the resolution adding the hippopotamus to the list of exotic invasive species, prohibiting their propagation, and ordering the development of prevention, control, and management measures	Fulfilled (Q3 2021) Fulfilled (Q4 2021)  Fulfilled (Q2 2022)  Fulfilled (Q4 2021)  Fulfilled (Q1 2022)

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
3.2. Promotion of climate-smart agriculture	3.2.1.1. Issuance of guidelines based on evaluation of implementation of the Comprehensive Program for Restructuring Production and Environmental Efforts for Livestock Farming for development of the Action Plan for Sustainable Livestock Farming	3.2.1.1. Issuance of the resolution adopting the guidelines of the Sustainable Livestock Farming Policy 2021-2050	Fulfilled (Q2 2022)
	3.2.1.2. Preparation of the technical documents on NAMAs for sustainable livestock farming	3.2.1.2. Approval by NAMA committee of technical document on NAMAs for sustainable livestock farming	Fulfilled (Q3 2021)
	3.2.2.1. Publication of the draft resolution to adopt guidelines for agriculture with low environmental impact in moorlands, for public consultation	3.2.2.1. Issuance of the administrative act adopting guidelines for agriculture with low environmental impact in moorlands 3.2.2.2. Preparation of the regulations to adopt guidelines for agriculture with low environmental impact in moorlands 3.2.2.3. Issuance of the National Policy on Climate Variability 3.2.2.4. Publication of regulations governing the formalization of agroclimate technical councils, to help increase producers' resilience to climate variability, for public consultation 3.2.2.5. Issuance of the updated National Policy on Gender Equity with a component for rural women	Fulfilled (Q4 2021)  Fulfilled (Q2 2022)  Fulfilled (Q4 2021)  Fulfilled (Q2 2022)  Fulfilled (Q2 2022)
	3.2.3.1. Issuance and publication of Law 2,046 of 2020, which allows for greater participation by local small farmers and campesino, family-based, and community-based agriculture in public markets that sell foodstuffs	3.2.3.1. Issuance of Decree 248 of 2021, which regulates Law 2046 of 2020 3.2.3.2. Issuance of the regulations establishing a national domestic public procurement roundtable to promote gender parity in the election of representatives of small producer organizations and the campesino family-based, and community based and community based agriculture that comprise them	Fulfilled (Q1 2021)  Fulfilled (Q2 2022)



Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
3.3. Support for strengthening green businesses	3.3.1.1. Issuance and publication of the Sustainable Tourism Act, which includes measures for the sustainable use of natural capital and for the promotion of nature tourism	3.3.1.1. Issuance of the decree adopting the sustainable tourism public policy "United for Nature." 3.3.1.2. Issuance of the decree establishing eco- and agro-tourism parks as new providers of tourism services.	Fulfilled (Q4 2021)  Fulfilled (Q4 2021)
	3.3.2.1. Preparation and filing of guidelines on use of the registered trademark for green businesses.	3.3.2.1. Adoption of the ["País"] trademark, enabling green businesses to differentiate their goods and services 3.3.2.2. Publication of the adjusted classification of green businesses and financial and nonfinancial instruments, in order to strengthen them, within the framework of the update to the National Plan on Green Businesses	Fulfilled (Q3 2021)  Fulfilled (Q2 2022)
	3.3.3.1. Publication of the guidelines for the call for support for research, development, and innovation programs and projects related to bioeconomy	3.3.3.1. Preparation of the Action Plan for the National Bioeconomy Strategy 2020	Fulfilled (Q2 2022)
3.4. Circular economy	3.4.1.1. Collaboration between the Ministry of Environment and Sustainable Development and the Ministry of Housing, City, and Territory on the draft legislation on integrated solid waste management	3.4.1.1. Issuance of the action plan of the Biomass Waste Roundtable	Fulfilled (Q1 2022)
	3.4.2.1. Issuance and publication of the resolution amending Resolution 1407 of 2018 for environmental management of waste consisting of packaging and containers made of paper, cardboard, plastic, glass, and metal. 3.4.2.2. Issuance and publication of the National Plan on Sustainable Management of Single-use Plastics	3.4.1.2. Issuance of regulation amending Resolution 0472 of 2017 on construction and demolition waste	Fulfilled (Q4 2021)
	3.4.3.1. Issuance and publication of the National Policy on the Circular Economy for management of clean water services and wastewater management	3.4.2.1. Issuance of the regulations amending Resolution 1207 of 2014 on reuse of treated wastewater	Fulfilled (Q4 2021)
	3.4.3.2. Publication of the draft amendment to Resolution 1207 of 2014 with provisions on the use of treated wastewater, for public consultation	3.4.2.2. Issuance of the National Plan for Municipal Wastewater Management 2021-2050	Fulfilled (Q2 2022)

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
<b>Component 4: Energy transition</b>			
4.1. Promotion of alternative energies in the transportation sector	4.1.1.1. Publication of the draft resolution for the Ministry of Transportation to regulate low- and zero-emissions vehicle technologies, for public consultation	4.1.1.1. Issuance of regulations on discounts for the technical and mechanical inspection for electric vehicles	Fulfilled (Q3 2021)
	4.1.1.2. Issuance and publication of the resolution providing incentives for the establishment and use of hybrid stations with charging spots, to allow for regulated marketing of electric charging of hybrid and electric vehicles	4.1.1.2. Issuance of regulations establishing minimum standardization and market conditions for electric vehicle charging infrastructure	Fulfilled (Q3 2021)
	4.1.1.3. Issuance and publication of the decree on preferential parking for electric vehicles		
4.2. Diversification of the energy matrix with nonconventional renewable energies (NCREs)	4.2.1.1. Approval and publication of the Energy Transformation Act by the Congress of the Republic	4.2.1.1. Publication of the roadmap for implementation of recommendations from the energy transformation mission	Fulfilled (Q4 2021)
	4.2.1.2. Publication of the report on recommendations from the energy transformation mission		
	4.2.1.3. Preparation and publication of the guidelines for gender mainstreaming in the energy sector		
	4.2.2.1. Issuance and publication of the final version of Resolution 075 of 2021, with procedures for allocating transmission capacity in the National Interconnected System (SIN) while facilitating and optimizing the use of connection points for NCRE projects	4.2.2.1. Issuance of the regulations establishing the procedure for requesting connection to the SIN, provisions on the allocation of transportation capacity and the operating parameters of the single-stop window (in development of Resolution 075 of 2021)	Fulfilled (Q4 2021)
	4.2.3.1. Issuance and publication of the resolution with guidelines for the third NCRE auction	4.2.3.1. Publication of the outcomes of third NCRE auction	Fulfilled (Q4 2021)
	4.2.4.1. Publication of the hydrogen roadmap, for public consultation	4.2.4.1. Publication of the hydrogen roadmap	Fulfilled (Q4 2021)
4.3. Expansion of distributed generation and self-generation with renewable energy sources	4.3.1.1. Publication of Draft Resolution 137 of 2020, which establishes the general rate-setting formula to determine compensation for energy service provision, with individual photovoltaic solar solutions in areas not connected to the SIN, for public consultation	4.3.1.1. Publication of the draft resolution establishing the rate-setting methodology for energy service provision with individual photovoltaic solar solutions in areas not connected to the SIN	Fulfilled (Q1 2022)
	4.3.2.1. Issuance and publication of the decree ordering the identification of areas of influence for onboarding of users by grid operators 4.3.2.2. Issuance and publication of the resolution setting rates for service delivery in grid operators' areas of influence	4.3.2.1. Publication of the draft resolution identifying the areas of influence of grid operators	Fulfilled (Q2 2022)

Components/ Policy objectives	Policy conditions for programmatic operation I	Policy conditions for programmatic operation II	Fulfillment status of programmatic loan II conditions*
	4.3.3.1. Publication of the draft resolution establishing conditions for implementation of advanced metering infrastructure in the SIN, for public consultation	4.3.3.1. Issuance of the regulations establishing conditions for implementation of advanced metering infrastructure in the SIN	Fulfilled (Q1 2022)
	4.3.4.1. Publication of the draft resolution to regulate small-scale self-generation and distributed generation in the SIN, while simplifying and creating incentives for distributed generation, for public consultation	4.3.4.1. Issuance of regulations to promote simplification and incentives for distributed generation	Fulfilled (Q4 2021)

\* This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.

## RESULTS MATRIX

<b>PROGRAM OBJECTIVES:</b>	General objective: The general objective is to contribute to sustainable, resilient growth. Specific objectives: The specific objectives are (i) to strengthen the Colombian government's capacity to plan, manage, and finance climate action; (ii) to foster economic opportunities based on the sustainable use of natural resources and the development of circular economy models; and (iii) to promote the energy transition.
----------------------------	---

## EXPECTED IMPACT

Indicators	Unit of measurement	Baseline	Baseline year	Final target	Final target year	Means of verification	Comments
<b>GENERAL OBJECTIVE 1. To contribute to sustainable, resilient economic growth</b>							
<b>Indicator 1.</b> Adjusted net savings, including harm caused by particulate emissions (% of gross national income)	Percentage of gross national income	2.9%	2019	3%	2023	<a href="#">World Bank data</a>	Average sustainable growth measuring sustainable wealth accumulation in a country, expressed in net savings plus expenditure on education, minus depletion of energy sources, minerals, forest resources, and harm from particulate and carbon dioxide emissions. Published annually; two-year lag. Target projected through integrated economic-environmental modeling (IEEM).
<b>Indicator 2.</b> Green jobs	Number of jobs	85,722	2019 (p)	9,683	2023	<a href="#">National Administrative Department of Statistics (DANE):</a> Environmental and economic report on environmental activities and related transactions	This refers to jobs aimed at reducing pressure on natural capital by protecting, conserving, and using it in all production processes for goods and services (environmental reports). Unlike environmental jobs, they include considerations related to workers' welfare ("decent work" dimension): fair wages, upholding of workers' rights, and social protection ( <a href="#">DANE, 2020</a> ). Published annually (September); nine-month lag. Target projected through IEEM.
<b>Indicator 3.</b> Cumulative reduction of greenhouse gas emissions	Millions of metric tons of carbon dioxide equivalent (CO <sub>2</sub> eq)	37.09	2020	52.28	2023	Ministry of Environment and Sustainable Development (MADS), through the <a href="#">National Planning Department (DNP):</a> Sinergia	

## EXPECTED OUTCOMES

Indicators	Unit of measurement	Baseline	Baseline year	Final target	End of program	Means of verification	Comments
<b>Specific objective 1. To Strengthen the Colombian government's capacity to plan, manage, and finance climate action</b>							
<b>EXPECTED OUTCOME 1.1. Increased ambition for reducing greenhouse gas emissions in Colombia</b>							
<b>Indicator 1.1.1.</b> Percentage reduction in greenhouse gas emissions	Millions of metric tons of CO <sub>2</sub> eq	37.09	2020	52.28	2023	MADS, through the <a href="#">DNP</a> : Sinergia	
<b>EXPECTED OUTCOME 1.2. Increased financial resources for environmental sustainability projects and programs</b>							
<b>Indicator 1.2.1.</b> Proceeds from royalties allocated directly to the environmental budget	Colombian pesos	0	2020	98,186,584,212	2023	Ministry of Finance (MHCP), DNP, General Royalties System (SGR)	
<b>Indicator 1.2.2.</b> Reduced CO <sub>2</sub> emissions traded on the domestic voluntary carbon market (to avoid incurring taxes)	Millions of metric tons of CO <sub>2</sub> eq	10	2020	32	2023	MADS, <a href="#">World Bank</a>	The baseline calculation measures the reduction in CO <sub>2</sub> emissions using the 2020 "no causation" mechanism, which was the basis for projections through 2030. The target is based on the baseline calculation plus the projected reduction in CO <sub>2</sub> emissions using "no causation" mechanisms for 2021-2023.
<b>Specific objective 2. To foster economic opportunities based on the sustainable use of natural capital and the development of circular economy models</b>							
<b>EXPECTED OUTCOME 2.1. Increased sustainable use of forests and the conservation and protection of biodiversity</b>							
<b>Indicator 2.1.1.</b> Area under sustainable conservation systems (restoration, agroforestry systems, sustainable forest management)	Hectares	896,711	2020	1,438,017	2023	MADS, through the <a href="#">DNP</a>	Published semiannually; 90-day lag. National Development Plan (PND) target contributes to the nationally determined contribution (NDC) target.

Indicators	Unit of measurement	Baseline	Baseline year	Final target	End of program	Means of verification	Comments
<b>Indicator 2.1.2.</b> Area of planted forest area for commercial purposes	Hectares	527,169	2020	665,743	2023	MADR, through the <a href="#">DNP</a>	Published semiannually; 60-day lag. PND target; contributes to NDC target.
<b>Indicator 2.1.3.</b> Percentage total area of Colombia under protection and conservation	Percentage	15.17%	2021	30%	2023	MADS, <a href="#">Master Registry of Protected Areas (RUNAP)</a> , and reporting of Other Effective Area-based Conservation Measures (OMECS) to the World Conservation Monitoring Centre (WCMC)	The target is 30%, which was discussed at the Convention on Biological Diversity and includes areas under protection and conservation (with other special conservation measures).
<b>EXPECTED OUTCOME 2.2. Increased knowledge and use of climate-smart agriculture principles<sup>1</sup></b>							
<b>Indicator 2.2.1.</b> Areas with sustainable cattle-raising systems	Hectares	89,807	2020	174,300	2023	<a href="#">Ministry of Agriculture and Rural Development (MADR)</a> through the DNP	Areas on which pastureland was improved and/or renovated, or pasture management was carried out (including silvopastoral systems to improve beef and cow's milk production and reduce the seasonal impact of climate variability). <b>Technical file available.</b> Semiannual publication; 30-day lag. Targets are based on MADR projection of sector actions for fulfilling the NDC target by 2030.
<b>Indicator 2.2.2.</b> Departments with agroclimate technical councils	Number of departments	11	2020	27	2023	MADR	An initiative led by the <a href="#">U.N. Food and Agriculture Organization (FAO)</a> in various countries in Latin America and the Caribbean at the local level to provide information—particularly to small-scale producers—on expected changes in the region's climate, how these changes may impact their crops, and what they can do to reduce the negative impacts.

<sup>1</sup> An approach for developing agricultural strategies to secure sustainable food security under climate change. It aims to tackle three main objectives: sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions ([FAO, 2021](#))

Indicators	Unit of measurement	Baseline	Baseline year	Final target	End of program	Means of verification	Comments
<b>Indicator 2.2.3.</b> Women producers enrolled in Registry of Agricultural Extension Service Users (RUEA) and receiving its services	Percentage	30%	2021	30%	2023	MADR	
<b>EXPECTED OUTCOME 2.3. Increase in the number of green businesses</b>							
<b>Indicator 2.3.1.</b> Verified green businesses	Number of businesses	1,270	2020	2,135	2023	DNP: <a href="#">Sinergia</a>	Economic activities providing goods or services that generate positive environmental impacts and incorporate good environmental, social, and economic practices, using a lifecycle approach, thereby helping to conserve the environment as natural capital in support of territorial development (MADS). The outcomes refer to implementation of the green business program of the MADS. Semiannual publication; 30-day lag.
<b>Indicator 2.3.2.</b> Women employed at verified green businesses	Percentage	35%	2019	41%	2023	MADS Green Business Office	
<b>EXPECTED OUTCOME 2.4. Increased recovery of solid waste</b>							
<b>Indicator 2.4.1.</b> Recycling rate	Percentage	11.1%	2018 (p)	12.3%	2023	DNP: <a href="#">Sinergia</a> DANE: <a href="#">Economic environmental report on environmental flows</a>	Recycled or reused solid waste divided by the total supply of solid waste or waste products. Published annually (August); lag of 1 year and 8 months.

Indicators	Unit of measurement	Baseline	Baseline year	Final target	End of program	Means of verification	Comments
<b>SPECIFIC OBJECTIVE 3. TO PROMOTE THE ENERGY TRANSITION</b>							
<b>EXPECTED OUTCOME 3.1. Increased number of electric vehicles in Colombia</b>							
<b>Indicator 3.1.1.</b> Electric vehicles registered in Colombia	Number of vehicles	4,259	2020	8,451	2023	Ministry of Transportation (MINT), Consolidated National Traffic Registry. <a href="#">DNP</a>	Target 2030: 600,000. The 2024 target is calculated by applying the historic growth coefficient for 2018-2021 (0.28%) to the target of 6,600 for 2022 (IDB, MINT).  Published annually; 30-day delay.
<b>Indicator 3.1.2.</b> Public rapid-charging stations operating in Colombia	Number of stations	17	2020	23	2023	MINT	Baseline was calculated using data from network operators as of September 2020. Targets are projected in accordance with Law 1964: five in special municipios (Cali, Medellín, Barranquilla, Cartagena, Bucaramanga) plus 20 in Bogotá (IDB, MINT).
<b>EXPECTED OUTCOME 3.2. Diversification of energy matrix with nonconventional renewable energies (NCREs)</b>							
<b>Indicator 3.2.1.</b> NCREs as a percentage of Colombia's energy matrix	Percentage	0.2%	2018	11%	2023	Ministry of Mines and Energy (MME), Mines and Energy Planning Unit (UMPE), <a href="#">XM</a>	Revised targets. <sup>2</sup>  <b>Numerator:</b> NCRE installed capacity as of December 2021 plus installed capacity awarded by the 2019 and 2021 NCER auctions (total of 2,400 megawatts (MW)).  <b>Denominator:</b> Colombia's installed capacity as of December 2021 (17,761 MW), plus installed capacity awarded by the 2019 and 2021 NCER auctions (2,084 MW), plus the projection of conventional energies that may come online in 2023 (1,457 MW) <sup>3</sup> (total of 21,302 MW).

<sup>2</sup> The Bank team revised the targets for indicators 3.2.1 and 3.3.1 based on the suggestions received from the Strategy Development Division (SPD) during the quality and risk review and the response analysis of implementation projections awarded by the NCER auctions and the projection for new conventional energy projects.

<sup>3</sup> Taken from the UPME [Progress Report on Generation Projects \(March 2022\)](#).



Indicators	Unit of measurement	Baseline	Baseline year	Final target	End of program	Means of verification	Comments
<b>EXPECTED OUTCOME 3.3. Expansion of distributed generation and self-generation of energy from NCREs</b>							
<b>Indicator 3.3.1.</b> NCRE installed capacity in the National Interconnected System (SIN)	Megawatts	30	2018	2,400	2023	<a href="#">MME-UPME, XM</a>	The revised target corresponds to installed capacity as of December 2021 per XM's report plus that awarded at the 2019 and 2021 NCRE auctions (2,084 MW)
<b>Indicator 3.3.2.</b> NCRE installed capacity in areas not connected to the SIN	Megawatts	21.29	2020	30.61	2023	MME, UPME-PIEC	Targets: National Electrification Plan

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/22

Colombia. Loan \_\_\_\_/OC-CO to the Republic of Colombia  
Sustainable and Resilient Growth Program II

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 Sustainable and Resilient Growth Program II. Such financing will be for the amount of up to US\$300,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2022)