

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

COLOMBIA

**PROGRAM TO SUPPORT THE MINISTRY OF FINANCE IN THE
IDENTIFICATION AND SELECTION OF PUBLIC PRIVATE
PARTNERSHIP (PPP) PROJECTS**

(CO-M1031)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Rodolfo Huici (INE/TSP), Project Team Leader; Alejandro Taddia (INE/TSP); Daniel Torres Gracia (TSP/CCO); Sergio Deambrosi (TSP/CCO); Giovanna Mahfouz (INE/TSP); Javier Jiménez and Liza Lutz (LEG/SGO); David Bloomgarden (MIF); and Kurt Morrisen (MIF/ DEU).

CONTENTS

I.	EXECUTIVE SUMMARY.....	1
II.	BACKGROUND.....	2
	A. Development of private sector participation.....	2
	B. Colombia's strategy for developing public-private partnership projects	3
	C. The Bank's country strategy and the MIF	4
III.	OBJECTIVES AND BASIC COMPONENTS	4
	A. Objectives.....	4
	B. Description	4
	C. Components and activities	5
	D. Program compatibility and relationship with other Bank activities	7
	E. Expected outcomes	7
	F. Program sustainability.....	7
IV.	COST AND FINANCING.....	8
	A. Cost and financing	8
V.	EXECUTING AGENCY AND EXECUTION MECHANISM.....	8
	A. Executing agency	8
	B. Execution period	9
	C. Procurement	9
	D. Revolving fund.....	9
VI.	MONITORING AND EVALUATION.....	10
	A. Monitoring and supervision of activities	10
VII.	ENVIRONMENTAL AND SOCIAL IMPACT	10
	A. Benefits.....	10
	B. Beneficiaries.....	10
	C. Risks	11

ANNEXES

Annex I	Logical framework
Annex II	Itemized budget

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE PROGRAM FILES

Annex III Procurement plan

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1364744>

Annex IV Institutional evaluation

<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1364726>

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/res/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

CONPES	Consejo Nacional de Política Económico y Social [National Council on Economic and Social Policy]
DNP	National Planning Department
ESR	Environmental and Social Impact Review Secretariat
INCO	Instituto Nacional de Concesiones [National Concessions Institute]
MHCP	Ministry of Finance
PPP	Public private partnership
PUK	Partnership UK

COLOMBIA
PROGRAM TO SUPPORT THE MINISTRY OF FINANCE IN THE IDENTIFICATION AND
SELECTION OF PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECTS
(CO-M1031)

I. EXECUTIVE SUMMARY

Executing agency:	The Ministry of Finance (MHCP), through the Public Debt Directorate and the National Treasury (Investment Banking Operations Division)		
Direct beneficiaries:	(i) the Ministry of Finance (MHCP); (ii) the National Planning Department (DNP); and (iii) the line ministries and subnational governments.		
Financing:	MIF:	US\$497,487 ¹	
	Local counterpart:	<u>US\$317,000</u>	
	Total:	US\$814,487	
Objectives:	The program objective is to expand the supply of public services and infrastructure through private sector participation, improving the quality and efficiency of public resource allocation.		
Classification:	Infrastructure and Public Services/Public-Private Sector Partnership (INF/PPPA)		
Financial terms and conditions:	Execution period:	12 months	
	Disbursement period:	15 months	
Special contractual conditions:	None		
Exceptions to Bank policy:	None		
Environmental and social review:	The ESR reviewed this operation by simplified procedure at meeting 39-07 and gave its clearance.		
Benefits:	This operation will help strengthen the organizational structure and develop the technical expertise of the MHCP and the DNP, substantially improving the identification and selection of PPP projects and their fiscal, financial, and risk management.		

¹ This includes US\$20,000 for activities in the supporting competitiveness through public-private partnerships cluster and US\$2,487 for MIF impact evaluation activities.

Establishing specific regulations and procedures will provide the framework of legal certainty needed to implement these projects, a benefit that will be amplified by the development of a financial plan or model capable of attracting private sector investment and eliciting private sector interest in participating in the provision of public services with high social returns. Efficient, sustained management will guarantee project results and ensure their continuity into the future.

II. BACKGROUND

A. Development of private sector participation

- 2.1 As a result of the 1991 constitutional reform, the State began to decentralize and target activities in its main spheres of action, especially in infrastructure, drafting specific laws and regulations for each sector, such as the Government Procurement Law, which includes infrastructure and services (Law 80 of 1993). The reform also established incentives for participation by the private sector, which has been responsible for 46% of the total infrastructure investment in energy, communications, transportation, and road works, and has also taken part in initiatives in areas and sectors such as education, agriculture, and the environment.
- 2.2 Private sector participation in Colombia takes place under various models, including: (i) service contracts (installation of meters and reduction of losses; commercial management of public services; provision of educational services); (ii) joint ventures (oil pipelines; basic telephony; prospecting); (iii) management or leasing (water supply systems; airports; electric power distribution; hospitals); (iv) concessions (water supply systems; highways; ports; railways; exclusive areas for natural gas distribution; communications licenses; the integrated urban mass transit system; ecotourism services; the national natural parks; educational administration and services; hospitals); and (v) privatization (sales and capitalization in electric power generation and distribution; administration of health insurance—subsidized and contributory plan—pensions, and professional liability insurance).
- 2.3 Mechanisms for private sector participation have evolved over time. The road sector gave rise to the first, second, and third generations of concessions; the fourth generation of concession projects are being implemented in accordance with the policy guidelines set forth in National Council on Economic and Social Policy (CONPES) documents 3045 (1999) and 3413 (2006), which contains the 2006-2014 Highway Concessions Program. Concurrently, a legal and policy framework has been developed to manage the contingent obligations of public agencies and the State's contractual risk management guidelines for private sector participation in infrastructure, through Law 448 (1998) and CONPES documents 3107 and 3133.

- 2.4 The 2006-2010 National Development Plan calls for infrastructure investments totaling Col\$69.14 billion, with the public sector contributing Col\$37.4 billion and the private sector contributing Col\$31.7 billion. This represents considerable growth in private sector participation.
- 2.5 The National Development Plan, “Community-based State: Development for All,” states the following: “... *private sector participation programs will be strengthened in the infrastructure sectors through various mechanisms, such as service contracts, concessions, capitalization of companies, diversification of capital ownership, and sale of assets. Establishing a predictable legal and regulatory environment that protects and promotes competition is a key element in attracting investment in infrastructure assets...*”

B. Colombia’s strategy for developing public-private partnership projects

- 2.6 The Ministry of Finance (MHCP) is developing a new public-private investment strategy to provide public services and execute infrastructure works, through the creation of new financial structures or management models. Despite the progress made on this front, there are weaknesses in the present formulation and degree of institutional consolidation of public-private partnership (PPP) projects, with certain aspects in need of improvement. For example, no progress has been made in developing financial models or innovative structures capable of generating a local market interested in participating in projects associated with sectors or areas of activity that by their nature require State support.
- 2.7 Experience points to certain areas that are worth strengthening, particularly: (i) planning, promotion, and selection of PPP projects; (ii) allocation of risk; (iii) the compensation system; (iv) the distribution of responsibilities; (v) financial aspects; (vi) macroeconomic programming of the projects; (vii) the evaluation of fiscal impact; (viii) protection of the investment; (ix) evaluation and oversight processes and techniques; and (x) legal and procedural aspects.
- 2.8 Against this backdrop, the MHCP believes new strategies and contracting mechanisms for PPP projects must be developed to ensure the projects, in addition to drawing the private investment amounts set in the development plan for the next few years, are selected and evaluated with due attention to fiscal and risk-related considerations.² The MHCP and the National Planning Department (DNP) are attempting to strengthen their organizational capacity to efficiently identify, select, evaluate, and monitor PPP projects, overcoming limitations in the way such projects are presently managed and processed, by creating a specific unit for PPP projects.

² Law 448 (1998) and Regulatory Order 423 (2001), as well as the State’s contractual risk policies (CONPES documents 3107 and 3133 of 2001) delegate to the MHCP the function of setting methodological guidelines for the valuation and administration of contingent liabilities and the procedures and mechanisms for activation of the Contingency Fund for State Agencies.

- 2.9 Because there is no general framework that sets uniform criteria and methodological guidelines for handling projects, and insufficient coordination between the various subnational entities and agencies, the country must optimize its organizational processes and practices, introducing specific regulations and providing technical training and support at the institutional level for the promotion, selection, evaluation, implementation, and supervision of PPP projects, in accordance with the stated objectives of the Public Administration System, created by Law 489 of 29 December 1998.

C. The Bank's country strategy and the MIF

- 2.10 The Bank's country strategy with Colombia has three objectives: (i) to lay the foundations for economic revival and jumpstarting growth; (ii) to foster social progress and make sure the country's most vulnerable citizens are protected; and (iii) to strengthen governance and further modernization of the State. This technical-cooperation operation is consistent with the country strategy inasmuch as it seeks to increase private investment, develop infrastructure works, and boost competitiveness. Furthermore, it meets the eligibility conditions set forth in the Agreement Establishing the Multilateral Investment Fund (MIF) and its general objectives to promote the economic growth of its member countries by spurring private investment and boosting private sector development.

III. OBJECTIVES AND BASIC COMPONENTS

A. Objectives

- 3.1 *General objective.* The objective of this technical-cooperation program is to expand the supply of public services and infrastructure through private sector participation, improving the quality and efficiency of public resource allocation. The operation will help strengthen the capacity of the MHCP and the DNP in terms of organizing the procedures for formulating and regulating PPP projects, developing technical expertise, and providing support to other institutions and levels of government.
- 3.2 *Specific objectives.* The Colombian government, through its policy guidelines and development plans, has created conditions conducive to gradually and sustainably deepening private sector participation in the development of infrastructure and the management of public services. This technical-cooperation operation will help institute PPP models, strengthening institutions with specific responsibilities in these areas and promoting and spurring private sector participation in projects that as yet have not attracted the interest of the private sector but would generate strong returns in the social sector (e.g., education, health) and with other institutional actors (subnational governments).

B. Description

- 3.3 Based on its experience with PPPs, the Colombian government appreciates the need to improve processes and strengthen the institutional framework of agencies with responsibilities in this area. Accordingly, it seeks: (i) the formal establishment of a

PPP unit, through an organizational model equipped with the specific technical resources and skills needed to evaluate, coordinate, and formulate PPP projects uniformly throughout the public sector; (ii) the development of methods and procedures for identifying and selecting PPP projects that help channel private investment, perform efficient fiscal control, and better allocate risk; (iii) the implementation of a procedural and regulatory framework for the formulation of PPP projects; and (iv) the promotion of PPP projects for implementation at the national and subnational levels, furthering their dissemination and spurring private sector participation in the development of infrastructure and the provision of services.

C. Components and activities

1. Component I. Strengthening of the Ministry of Finance and the National Planning Department for PPP projects

- 3.4 This component will: (i) design, develop, and consolidate the organizational and institutional model for a specialized technical unit that will formulate PPP projects; (ii) provide support, through the aforementioned unit, to the line ministries and subnational governments; and (iii) provide this unit with the specific technical capacities needed to identify and evaluate projects that will expand the stock of basic economic and social infrastructure, particularly infrastructure that is physically and economically accessible to low-income groups.
- 3.5 The following activities are planned: (i) define the institutional model and set up the operational and technical structure of the PPP unit, establishing guidelines and rules of procedure for its work and its coordination of PPP processes with other administrative agencies and entities; (ii) train MHCP and DNP staff assigned to the PPP unit, equipping it with the necessary technical resources; (iii) strengthen the MHCP's institutional capacity to participate in the implementation of these processes; and (iv) identify contract administration and monitoring methods.

2. Component II. Regulations and implementation of the PPP methodology

- 3.6 The goal is to provide the PPP unit with the institutional and policy instruments that allow for a widely applicable PPP methodology. This will entail preparing manuals and technical handbooks on PPPs and/or concessions, to assist national and subnational entities with implementation. To that end, the following activities are planned: (i) plan the technical, economic, financial, fiscal, accounting, and any other elements of the regulatory framework for PPP projects; (ii) prepare terms of reference, general guidelines, and standard procedures for the development and implementation of PPP projects in the different sectors or services; (iii) set the technical, legal, and financial criteria for identifying projects at the national and/or subnational level that are well suited for PPPs; (iv) prepare the bidding conditions applicable to the selection of the private partner and the draft contract; (v) determine the minimum financial and risk allocation terms for these types of projects; and (vi) develop mechanisms for the promotion of private sector participation locally and abroad.

3. Component III. Fiscal and financial analysis of PPPs

- 3.7 This component will develop the operating procedures for handling the fiscal and financial aspects of PPP projects. The following activities are planned: (i) establish: (a) the methodology for evaluating and selecting the best option using comparative models; (b) interagency coordination mechanisms; and (c) the approval and implementation procedure; (ii) design a PPP model that attracts the interest of the private sector, by addressing the development conditions and characteristics of each sector, and has a financing structure that enables the development of a local market based on interest in long-term investments; (iii) identify the need for public sector contributions and develop a method for determining amounts and a plan for allocating and disbursing the resources; (iv) develop mechanisms for evaluating and projecting the fiscal impact, as well as a procedure for supervising and overseeing the implementation of PPP projects and a method for evaluating project outcomes; and (v) develop effective systems for reflecting these projects in the fiscal accounts and budget.

4. Component IV. Strengthening of the analysis of risks, guarantees, and contingent liabilities

- 3.8 This component aims to strengthen the methods and procedures used for effectively allocating risk and to create a suitable mechanism for monitoring guarantee and contingent liability arrangements. The following activities are planned: (i) conduct a diagnostic assessment and make recommendations on the risk allocation policy; (ii) analyze and evaluate regulatory procedures for issuing guarantees; (iii) develop effective methods for the valuation of contingent liabilities and other factors: (a) valuation methods for contingent liabilities in infrastructure projects; (b) traffic, demand, and pricing models; and (c) exchange risk model; (iv) review and develop the risk allocation and contingent liability strategy and implement procedures for properly monitoring, in each phase of operation, the infrastructure projects that are paying into the fund for contingencies and guarantees; and (v) review and determine the way in which contingent liabilities will be handled in the government's fiscal accounts.

5. Component V. Documentation and dissemination of the program

- 3.9 The objective of this component is to systematize and disseminate the knowledge acquired as a result of this program, in order to identify lessons learned that can be applied to future infrastructure and services projects executed under this modality. This component calls for: (i) activities related to the compilation of baseline indicators (system performance, environmental, fiscal, and socioeconomic impact indicators) for program monitoring and evaluation; (ii) strategy for communicating and disseminating the completion of projects and their outcomes; (iii) dissemination of outcomes at seminars and workshops, with at least two workshops held to present the outcomes of this technical-cooperation program—one in Colombia, since one of the markets to be developed is the market for PPP projects involving subnational entities, and another outside Colombia to disseminate outcomes

internationally; and (iv) program dissemination via conferences, the media, and Internet websites.

D. Program compatibility and relationship with other Bank activities

- 3.10 The activities and goals of program CO-M1004 (ATN/MT-9636-CO), which is being executed by the National Concessions Institute (INCO), do not overlap with those of the proposed operation. The INCO program was basically designed to boost public and private investment in the reconstruction and rehabilitation of the road network and was conceived in the framework of programs and actions to support the Initiative for the Integration of South American Regional Infrastructure, to promote activities that lead to the development of integration and development projects and resolve regulatory issues, specifically in connection with the road sector. The proposed technical-cooperation operation will help expand the array of sectors and activities in which the private sector can make infrastructure investments, while helping other government agencies and levels build their capacities, avoiding duplication of efforts and learning costs.

E. Expected outcomes

- 3.11 The expected outcomes are: (i) a new public-private investment strategy to provide public services through a procurement modality that, without undermining traditional public works and concession systems, introduces designs for management and financial models that provide access to national and international capital markets, spurring competition and expanding the supply of financing mechanisms; (ii) sound business structures capable of mobilizing strategic partners such as pension funds, commercial banks, multilateral banks, and institutional investors interested in long-term investments; and (iii) the blueprint for a regulatory framework for infrastructure and public service projects that creates an enabling environment, under relatively stable macroeconomic conditions, for the development of a domestic capital market capable of and interested in participating in PPPs, including in areas or sectors that do not tend to attract private investment but yield strong social returns.

F. Program sustainability

- 3.12 The program is sustainable from a technical, institutional, and financial perspective inasmuch as it will: (i) strengthen the institutional framework and provide training to the technical teams; (ii) establish a legal framework by introducing specific regulations for PPP projects and the steps to follow to implement them; and (iii) develop a financial and management model that attracts private sector investment and elicits private sector interest in participating in the provision of public services.
- 3.13 The Bank conducted an institutional analysis of the MHCP's capacity to execute this operation, with satisfactory results.

IV. COST AND FINANCING

A. Cost and financing

- 4.1 The program will have a total cost of US\$814,487. The MIF will contribute US\$497,487 in nonreimbursable resources. The MHCP will contribute the balance of US\$317,000, at least half of which will be in cash. The itemized budget is attached as Annex II. The MIF contribution includes financing for PPP cluster activities (US\$20,000) and impact evaluation activities (US\$2,487, equivalent to 5/1000 of its contribution).

Component	MIF	Local Counterpart	Total
Strengthening of the MHCP and the DNP	125,000	30,000	155,000
Regulations and implementation of the PPP methodology	60,000	25,000	85,000
Fiscal and financial analysis of PPPs	65,000	25,000	90,000
Analysis of risks, guarantees, and contingent liabilities	150,000	100,000	250,000
Documentation and dissemination	50,000		50,000
Midterm and final evaluations	15,000		15,000
Audits	10,000		10,000
Technical and logistical support		137,000	137,000
SUBTOTAL	475,000	317,000	792,000
Cluster activities	20,000		20,000
Impact evaluation	2,487		2,487
TOTAL	497,487	317,000	814,487

The Bank will administer US\$20,000 equivalent to perform cluster monitoring activities in the MIF supporting competitiveness through public-private partnerships cluster (MIF/GN-107), in accordance with document MIF/GA-14-1.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing agency

- 5.1 The executing agency will be the Ministry of Finance (MHCP), through the Public Debt Directorate and the National Treasury (Investment Banking Operations Division).

B. Execution period

- 5.2 The program will have an execution period of 12 months, and a disbursement period of 15 months.

C. Procurement

- 5.3 Program goods, studies, and technical assistance services will be procured in accordance with the “Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank” (document GN-2349-7, as updated), the “Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank” (document GN-2350-7, as updated), and the provisions contained in the technical-cooperation agreement and the procurement plan.
- 5.4 For the execution of component I, Strengthening of the MHCP and the DNP for PPP projects, a consulting firm with extensive experience in the international market and specific expertise in institutional creation, development, and training will be required. The MHCP has expressed interest in directly contracting Partnership UK (PUK) to implement the component, in light of its valuable experience with respect to the services to be contracted, particularly in Colombia, and its important understanding of the institutional policies the Colombian government seeks to implement with these reforms, which would significantly reduce execution periods and lighten the MHCP’s burden in terms of guiding the execution of component activities. PUK is a company legally constituted under British law to assist governments and public agencies with the development and implementation of privately financed projects and PPP projects, an area in which it has extensive international experience. Initially part of the British Treasury, PUK has been directly involved in the development of approximately 860 PPP projects, 675 of which are in operation. It has experience providing advisory services to governments and public agencies, including the governments of Colombia, Mexico, and Brazil in Latin America. It has worked most extensively in the health, education, communications, transportation, defense, and environmental sectors. The consulting contract would have a cost of up to US\$100,000 and would be subject to the Bank’s policies on the direct contracting of consulting firms.
- 5.5 During the time in which this proposal is being considered for approval, up to the signing of the technical-cooperation agreement, the MHCP may initiate the procurement of consulting services and award consulting contracts. With the acceptance of the Bank, expenditures of up to US\$60,000 on these contracts may be reimbursed or retroactively recognized against the local counterpart contribution, provided requirements substantially analogous to the requirements contained in the technical-cooperation agreement have been met.

D. Revolving fund

- 5.6 A revolving fund of US\$95,000, equivalent to 20% of the MIF’s contribution, will be established for program disbursements and administered by the MHCP. The

MHCP will control use of the fund, prepare disbursement requests, and deliver semiannual reports to the Bank on the status of the fund within 60 days after the end of each six-month calendar period.

VI. MONITORING AND EVALUATION

A. Monitoring and supervision of activities

- 6.1 The Bank will monitor program activities and provide technical support for the studies, in coordination with the MHCP and the DNP, which will supervise them. During execution of the technical-cooperation operation, the MHCP will report to the Bank on aspects related to monitoring and completion of the work plan, and will deliver evaluations and recommendations on reports prepared by the consultants.

VII. ENVIRONMENTAL AND SOCIAL IMPACT

- 7.1 To ensure that the potential environmental and social impacts of PPP projects are properly addressed and steps are taken to mitigate them, the program will allocate resources to develop effective management frameworks and methodologies for these projects and conduct any environmental and social impact assessments required by Colombian law or applicable Bank policies.
- 7.2 Based on the Bank's Environment and Safeguards Compliance Policy (OP-703), the nature and objectives of the technical-cooperation operation, and its environmental and sociocultural impacts and risks, this program has been classified as a Category "C" operation. The ESR reviewed this operation by simplified procedure at meeting 39-07 and gave its clearance.

A. Benefits

- 7.3 This operation will help strengthen the organizational structure and develop the technical expertise of the executing agency, bringing about substantial improvements in the identification and selection of projects and in fiscal, financial, and risk management. Establishing specific regulations for PPP projects and the procedures for implementing them will provide the framework of legal certainty needed to implement them, a benefit that will be amplified by the development of a financial plan or model that attracts private sector investment and elicits private sector interest in participating in the provision of public services with high social returns. Efficient, sustained management will guarantee project results and ensure their continuity into the future, producing ongoing and enhanced benefits for a long time to come.

B. Beneficiaries

- 7.4 The direct beneficiaries of this technical-cooperation program will be: (i) the Republic of Colombia; (ii) the MHCP; and (iii) the DNP. The indirect beneficiaries will be: (iv) the line ministries and subnational governments; (v) the Colombian people, who will have access to a greater supply of higher quality, more efficient

public services and infrastructure; and (vi) the private sector, which will have more business opportunities and access to projects that are better structured.

C. Risks

- 7.5 No serious risks are associated with this operation. Foreseeable risks are associated with: (i) the development of a new institutional framework within the MHCP to handle PPP projects; (ii) the need to coordinate with the DNP; (iii) acceptance of the PPP model by other public entities, private companies, and the general public; and (iv) fiduciary management. Mitigating measures include: (i) the high degree of institutional and political commitment demonstrated by MHCP authorities; (ii) the close cooperation between the MHCP and the DNP; (iii) the interest and enthusiasm elicited by PPP projects in other public agencies, subnational governments, and the private sector; and (iv) the fiduciary monitoring and support that will be provided by the Bank's Country Office in Colombia.

COLOMBIA
Program to Support the Ministry of Finance in the Identification and Selection of Public-Private Partnership (PPP) Projects
(CO-M1031)

Logical Framework

Narrative summary	Indicators	Means of verification	Assumptions
GOAL			
<i>To expand the supply of public services and infrastructure through private sector participation, improving the quality and efficiency of public resource allocation using public-private partnerships (PPPs).</i>	Two years after program completion, new public-private investment strategies have been developed to provide public services through a procurement modality that spurs competition and expands the supply of financing mechanisms.	<ul style="list-style-type: none"> * Reports from each of the consulting assignments. * Policy guidelines set based on program outcomes. 	<ul style="list-style-type: none"> * There are national and international private entities that are sound enough and meet the conditions for partnering with the State on investment projects. * Socioeconomic conditions are conducive to the development of infrastructure projects in the country's various sectors.
PURPOSE			
<i>To strengthen the capacity of the Ministry of Finance (MHCP) in terms of organizing procedures for formulating and regulating PPP projects, developing technical expertise, and providing support to other institutions and levels of government.</i>	<p>By the end of program execution:</p> <ul style="list-style-type: none"> (a) Manual on PPP projects that establishes the basic rules, specific techniques, and general guidelines for putting together a PPP. (b) PPP methodologies with regard to: (i) fiscal aspects; (ii) accounting aspects; and (iii) strengthening of analyses of risk and contingent liabilities. (c) CONPES policy documents on PPPs in Colombia. 	<ul style="list-style-type: none"> * Manual of procedures for the development/implementation of PPP projects. * Evaluation report by an independent consultant. * Final reports by external consultants for the development of PPP methodologies. * Draft policy prepared by the national government. 	<ul style="list-style-type: none"> * Corporate interest in participating in PPPs increases. * Colombia establishes a legal and financial framework for PPPs.
COMPONENTS			
<i>COMPONENT I. Strengthening of the Ministry of Finance and the National Planning Department for PPP projects</i>	<p>By the end of program execution:</p> <ul style="list-style-type: none"> (a) The organizational/institutional model for formulating PPP projects has been designed and consolidated. (b) The MHCP/DNP technical teams have received training on the technical, legal, and financial aspects of PPP projects. 	<ul style="list-style-type: none"> * Results of the consulting assignment on the institutional framework of the MHCP and DNP and on best practices in PPPs. * Workshops and seminars for the technical teams on economic, financial, and fiscal analysis and the structural framework of PPP projects. 	<ul style="list-style-type: none"> * There is a commitment to and capacity for institutional change. * Resources are available to organize the workshops and seminars.

Narrative summary	Indicators	Means of verification	Assumptions
<i>COMPONENT II. Regulations and implementation of the PPP methodology</i>	By the end of program execution: (a) A standard PPP methodology has been established to help public and subnational entities implement these projects. (b) The manual of procedures for setting up a PPP is available.	* Consultant's final report on a standard PPP methodology. * Manual of procedures for setting up a PPP.	* There are state executing agencies that have experience and expertise with PPP models but need to standardize procedures and conditions for establishing PPPs.
<i>COMPONENT III. Fiscal and financial analysis of PPPs</i>	By the end of program execution: (a) Operating procedures for managing fiscal, accounting, and financial aspects of PPP projects have been designed.	* Consultant's final report on operating procedures for fiscal, accounting, and financial aspects of PPP projects.	* The fiscal, accounting, and financial structure of the institutions allows for the pertinent modifications.
<i>COMPONENT IV. Strengthening of the analysis of risks, guarantees, and contingent liabilities</i>	By the end of program execution: (a) At two months, a diagnostic assessment of the operating practices and tools for risk appraisal used by the Contingent Liabilities Group of the Risk Division has been conducted. (b) At four months, the Contingent Liabilities Group has three risk appraisal methodologies for infrastructure projects, an automotive traffic model, and exchange risk. (c) At six months, a strategy for monitoring infrastructure projects has been developed.	* Review and update of the risk appraisal methodologies used/evaluated in the framework of PPP projects. * Diagnostic assessment report presented by the external consultant on the status of tools used for risk appraisal. * Report on the strategy for monitoring infrastructure projects.	* The MHCP is interested in conducting better monitoring of projects that could be implemented under the PPP model. * There are a variety of methods for calculation and valuation of the risks associated with PPP models.
<i>COMPONENT V. Documentation and dissemination of the program</i>	By the end of program execution: (a) Program evaluation documents and documents on lessons learned during implementation are available.	* Delivery of final reports on components I to IV, prepared by experts in each area.	* The program produces visible results and attracts the interest of other public entities.
ACTIVITIES			
<i>COMPONENT I</i>	(a) Develop the model for the PPP unit and establish it, setting guidelines and rules of procedure for its work and its coordination of PPP processes with other administrative agencies and entities. (b) Train MHCP and DNP staff assigned to the unit, equipping it with the necessary technical resources.	* Consultant's final report on the institutional models to implement. * Regular progress reports on the program. * Outcome of the seminars and workshops. * Organizational design of the unit. * Publication of program outcomes on the Investment Banking Operations Division page of the MHCP website.	* Unit staff show real interest in training, as well as in the outcomes achieved during the process. * The program produces visible results and attracts the interest of other public entities.

Narrative summary	Indicators	Means of verification	Assumptions
<i>COMPONENT II</i>	<ul style="list-style-type: none"> (a) Plan the technical, economic, financial, fiscal, accounting, and any other elements of the framework for implementing PPP projects. (b) Prepare terms of reference, general guidelines, and standard procedures for the development and implementation of PPP projects in the different sectors or services. (c) Prepare the bidding conditions for the selection of the private partner and the draft concession contract (d) Develop procedures for promoting, within the subnational governments, the participation in PPPs of microenterprises with enough potential to use industrial information and technology. 	<ul style="list-style-type: none"> * Draft policy on the PPP project framework developed by the national government. * Consultant's final report on a standard methodology for PPP projects. * General manual of procedures for setting up a PPP. 	<ul style="list-style-type: none"> * There is a commitment to and capacity for institutional change and in the legal framework of the public institutions. * State executing agencies have experience and expertise with PPP models but need to standardize procedures and conditions for establishing PPPs.
<i>COMPONENT III</i>	<ul style="list-style-type: none"> (a) Develop a methodology for evaluating and selecting the best option using comparative models, the interagency coordination mechanisms, and the approval and implementation procedure. (b) Design a PPP model that attracts the private sector, by addressing the development conditions and characteristics of each sector, and has a financing structure that enables the development of a local market based on interest in long-term investments. (c) Identify the need for public sector contributions and develop a plan for allocating and disbursing the resources. (d) Develop mechanisms for evaluating and projecting the fiscal impact, as well as a procedure for supervising and overseeing the implementation of PPP projects and a method for evaluating project outcomes. 	<ul style="list-style-type: none"> * Preliminary and/or regular reports on the operating procedures for fiscal, accounting, and financial management. * Design of a PPP model that addresses the characteristics of each sector in order to establish a general methodology. * Establishment of the formalities needed to implement each project, taking into account the corresponding budgetary allocations. * Results of the mechanisms for evaluating and projecting fiscal impact. 	<ul style="list-style-type: none"> * Socioeconomic conditions are conducive to the development of public-private investment projects. * National and international private investors are drawn to infrastructure investment projects under the PPP model. * Resources are specifically allocated in the National Budget for infrastructure projects. * The mechanisms for evaluating fiscal impact are efficient and effective, and there is effective supervision of the implementation of PPP projects.

Narrative summary	Indicators	Means of verification	Assumptions
<i>COMPONENT IV</i>	<ul style="list-style-type: none"> (a) Conduct a diagnostic assessment and make recommendations on the risk allocation policy. (b) Analyze and evaluate regulatory procedures for issuing guarantees. (c) Develop effective methods for the valuation of contingent liabilities. (d) Review and develop the risk allocation and contingent liability strategy and implement procedures for properly monitoring, in each phase of operation, the infrastructure projects that are paying into the fund for contingencies and guarantees. 	<ul style="list-style-type: none"> * Consulting report by the risk expert on valuation methods. * Establishment of specific valuation methods for the three most important categories of risk associated with infrastructure projects (contingency valuation methods for infrastructure projects, automotive traffic model, and exchange risk models). * Efficiency in the identification and management of the different types of risk associated with PPP models. 	<ul style="list-style-type: none"> * The MHCP is interested in conducting better monitoring of projects that could be implemented under the PPP model. * There is sufficient operating capacity and human capital within the institutions to monitor the risk valuation methods. * There are a variety of methods for calculation and valuation of the risks associated with PPP models.
<i>COMPONENT V</i>	<ul style="list-style-type: none"> (a) Compile baseline indicators (system performance, environmental impact, fiscal, and socioeconomic indicators) for program monitoring and evaluation. (b) Disseminate program information at seminars and workshops, with at least two workshops held to present the outcomes of this technical-cooperation program—one in Colombia, since one of the markets to be developed is the market for PPP projects involving subnational entities, and another in Washington to disseminate outcomes internationally. (c) Disseminate program information via conferences, the media, and Internet websites. 	<ul style="list-style-type: none"> * Final consulting reports on the outcomes of each component. * Records of proceedings of seminars and workshops held during the program. * Regular progress reports for each component. * Visible links to program updates on the Investment Banking Operations Division page of the MHCP website. 	<ul style="list-style-type: none"> * There are no delays in the presentation of reports or in scheduled seminars, workshops, and/or events. * Website coverage facilitates access to program information and communication with potential investors. * Private sector interest in participating in PPPs increases. * There is willingness on the part of institutions to adapt to projects under the PPP model.

COLOMBIA (CO-M1031)
PROGRAM TO SUPPORT THE MINISTRY OF FINANCE IN THE IDENTIFICATION AND SELECTION OF PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECTS

ITEMIZED BUDGET: BY QUARTER

FIGURES IN U.S. DOLLARS

	ACTIVITIES	Quantity	Cost/unit	MIF	LOCAL	Q1 2009	MIF	LOCAL	Q2 2009	MIF	LOCAL	PROGRAM TOTAL
1	COMPONENT I. Strengthening of the Ministry of Finance and the National Planning Department for PPP projects			0	0	0	0	0	0	125,000	30,000	155,000
1.1	Train PPP unit personnel and technical teams at the Ministry of Finance and the National Planning Department.			0	0	0	0	0	0	55,000	0	55,000
	• Official trips									0	0	0
	• Per diem (4)	15	840			0			0	12,600	0	12,600
	• Travel	4	1,600			0			0	6,400	0	6,400
	• Training	4	9,000			0			0	36,000	0	36,000
1.2	Design and organize the institutional model for the PPP unit.			0	0	0	0	0	0	70,000	30,000	100,000
	• Contract consultant to develop the model.									70,000	30,000	100,000
2	COMPONENT II. PPP methodology			0	0	0	0	0	0	60,000	25,000	85,000
	• Contract consultant to develop general concessions manual.									60,000	25,000	85,000
3	COMPONENT III. Fiscal and financial analysis of PPPs			0	0	0	0	0	0	65,000	25,000	90,000
	• Contract consultant to conduct study.									65,000	25,000	90,000
4	COMPONENT IV. Analysis of risks, guarantees, and contingent liabilities			0	0	0	0	0	0	150,000	100,000	250,000
	• Contract consultant to develop risk models.									150,000	100,000	250,000
5	COMPONENT V. Documentation and dissemination of the program			17,400	0	17,400	32,600	0	32,600	50,000	0	50,000
5.1	Consolidate program information and outcomes. (Baseline)			10,000	0	10,000	10,000	0	10,000	20,000	0	20,000
	• Contract personnel to document the outcomes.			10,000		10,000	10,000		10,000	20,000	0	20,000
5.2	Hold workshop to publicize and present the program.			7,400	0	7,400	22,600	0	22,600	30,000	0	30,000
	• Rental space and services for workshop in Bogotá, Colombia (100 people)			7,400		7,400			0	7,400	0	7,400

[illegible]

COLOMBIA (CO-M1031)
PROGRAM TO SUPPORT THE MINISTRY OF FINANCE IN THE IDENTIFICATION AND SELECTION OF PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECTS

ITEMIZED BUDGET: BY QUARTER

FIGURES IN U.S. DOLLARS

	ACTIVITIES	Quantity	Cost/unit	MIF	LOCAL	Q3 2008	MIF	LOCAL	Q4 2008
1	COMPONENT I. Strengthening of the Ministry of Finance and the National Planning Department for PPP projects			90,000	15,000	105,000	35,000	15,000	50,000
1.1	Train PPP unit personnel and technical teams at the Ministry of Finance and the National Planning Department.			55,000	0	55,000	0	0	0
	• Official trips								
	• Per diem (4)	15	840	12,600		12,600			0
	• Travel	4	1,600	6,400		6,400			0
	• Training	4	9,000	36,000		36,000			0
1.2	Design and organize the institutional model for the PPP unit.			35,000	15,000	50,000	35,000	15,000	50,000
	• Contract consultant to develop the model.			35,000	15000	50,000	35,000	15000	50,000
2	COMPONENT II. PPP methodology			30,000	12,500	42,500	30,000	12,500	42,500
	• Contract consultant to develop general concessions manual.			30,000	12500	42,500	30,000	12500	42,500
3	COMPONENT III. Fiscal and financial analysis of PPPs			32,500	12,500	45,000	32,500	12,500	45,000
	• Contract consultant to conduct study.			32,500	12500	45,000	32,500	12500	45,000
4	COMPONENT IV. Analysis of risks, guarantees, and contingent liabilities			75,000	50,000	125,000	75,000	50,000	125,000
	• Contract consultant to develop risk models.			75,000	50,000	125,000	75,000	50,000	125,000
5	COMPONENT V. Documentation and dissemination of the program			0	0	0	0	0	0
5.1	Consolidate program information and outcomes. (Baseline)			0	0	0	0	0	0
	• Contract personnel to document the outcomes.					0			0
5.2	Hold workshop to publicize and present the program.			0	0	0	0	0	0
	• Rental space and services for workshop in Bogotá, Colombia (100 people)					0			0
	• Rental space and services for international workshop (100 people)					0			0

	ACTIVITIES	Quantity	Cost/unit	MIF	LOCAL	Q3 2008	MIF	LOCAL	Q4 2008
	• Official travel					0			0
	• Per diem (6 officials*3 days)	6	600			0			0
	• Travel	6	1,500			0			0
6	MIF evaluation activities			0	0	0	12,500	0	12,500
6.1	Audits					0	5,000		5,000
6.2	Midterm and final evaluations					0	7,500		7,500
7	Technical and logistical support (in kind)				34,250	34,250		34,250	34,250
	TOTAL			227,500	124,250	351,750	185,000	124,250	309,250
	Cluster activities		20,000						
	Impact evaluation		2,487						