Independent Country Program Review

Colombia
2019-2022
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Acknowledgements

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Acronyms and Abreviations

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFD</td>
<td>French Development Agency</td>
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<tr>
<td>CAF</td>
<td>Corporación Andina de Fomento/Banco de Desarrollo de América Latina [Andean Development Corporation]</td>
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<td>CAN</td>
<td>Country Department Andean Group</td>
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<tr>
<td>CCLIP</td>
<td>Conditional credit line for investment projects</td>
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<td>CDC</td>
<td>Country Development Challenges</td>
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<td>CICP</td>
<td>Comisión Interparlamentaria de Crédito Público [Inter Parliamentary Commission on Public Credit]</td>
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<tr>
<td>CONPES</td>
<td>Consejo Nacional de Política Económica y Social [National Council on Economic and Social Policy]</td>
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<td>CPD</td>
<td>Country program document</td>
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<td>CPE</td>
<td>Country program evaluation</td>
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<td>CS</td>
<td>Country strategy</td>
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<td>DIAN</td>
<td>Dirección de Impuestos y Aduanas Nacionales [National Tax and Customs Bureau]</td>
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<td>DNP</td>
<td>Departamento Nacional de Planeación [National Planning Department]</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>ICPR</td>
<td>Independent Country Program Review</td>
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<td>ICT</td>
<td>Information and communication technologies</td>
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<td>IDB</td>
<td>Inter American Development Bank</td>
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<td>IGR</td>
<td>Investment grant</td>
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<td>IIC</td>
<td>Inter American Investment Corporation</td>
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<td>Acronym</td>
<td>Description</td>
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<td>INV</td>
<td>Investment loan</td>
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<tr>
<td>IPSE</td>
<td>Instituto de Planificación y Promoción de Soluciones Energéticas para Zonas No Interconectadas [Institute for the Planning and Promotion of Energy Solutions for Off grid Areas]</td>
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<tr>
<td>LBR</td>
<td>Results based loan</td>
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<td>NR</td>
<td>Nonreimbursable</td>
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<td>NSG</td>
<td>Nonsovereign guaranteed</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OMV</td>
<td>Observatorio Colombiano de Migración desde Venezuela [Colombian Observatory of Migration from Venezuela]</td>
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<td>OVE</td>
<td>Office of Evaluation and Oversight</td>
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<td>PBP</td>
<td>Programmatic policy-based loan</td>
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<td>PISA</td>
<td>Programme for International Student Assessment</td>
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<td>PMR</td>
<td>Progress monitoring reports</td>
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<td>PND</td>
<td>National Development Plan</td>
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<td>PPP</td>
<td>Public-private partnership</td>
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<td>ReTS</td>
<td>Evaluation Recommendation Tracking System</td>
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<td>SG</td>
<td>Sovereign guaranteed</td>
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<td>SIIF</td>
<td>Integrated Financial Information System</td>
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<td>SPTS</td>
<td>Strategic Public Transportation Systems</td>
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<td>TCP</td>
<td>Technical cooperation projects</td>
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<td>TSCF</td>
<td>Trade and Supply Chain Finance</td>
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<tr>
<td>ZNI</td>
<td>Zonas no interconectadas [Off grid areas]</td>
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Executive Summary

Purpose. This Independent Country Program Review (ICPR) analyzes the Inter American Development Bank (IDB) Group’s country strategy and country program with Colombia for the 2019-2022 period. The ICPR seeks to reinforce the accountability of the IDB Group’s work in the country, providing the Board of Executive Directors with useful information to consider for the next country strategy and inviting Management to incorporate its findings for the benefit of the new country strategy and program. The ICPR is based on an exhaustive desk review and triangulation of information from more than 60 key respondents, including IDB Group specialists and counterparts in the country.

Country context. Colombia has made strides that paved the way for it to become a member of the Organisation for Economic Co-operation and Development (OECD), the third country in Latin America and the Caribbean to do so. The economy has grown faster than the average for Latin America and the Caribbean, sustaining a rising middle class. However, this growth has been volatile, subject to the price of oil (the country’s main export) and external shocks. Colombia continues to be one of the most unequal countries in the world, and the COVID-19 pandemic reversed much of the progress that had been made around poverty reduction. Although the response to the pandemic affected the fiscal accounts, Colombia has a stable macroeconomic framework that continues to give it broad access to the capital markets (though rates are higher than before the pandemic due to global interest rate hikes and a heightened perception of country risk). However, the country’s productivity has stagnated for decades. The lack of confidence in the justice system, a cumbersome bureaucracy, barriers to competition in the domestic markets, an ongoing perception of insecurity (despite notable improvements), and weaknesses in the capacity of the workforce and companies continue to exert a drag on the country’s competitiveness. Lastly, although Colombia has committed to a number of ambitious climate targets, it must contend with challenges that include containing the explosive rate of deforestation that has prevailed since the 2016 Peace Accord in regions previously controlled by guerrilla forces.

Objectives and crosscutting themes. The Bank’s country strategy with Colombia identified 10 strategic objectives and 16 expected outcomes in three priority areas: (i) increase economic productivity; (ii) improve public management effectiveness; and (iii) increase social mobility and
consolidate the middle class. The country strategy also proposed the incorporation of five crosscutting themes into the program: gender and diversity; climate change; economic integration; immigration; and digital economy.

<table>
<thead>
<tr>
<th>Strategic objectives of the Bank's country strategy</th>
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<tr>
<td><strong>Priority area 1: Increase economic productivity</strong></td>
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<tr>
<td>1. Spur innovation and development in business and agriculture</td>
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<tr>
<td>2. Improve the quality of education</td>
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<tr>
<td>3. Raise the quality of infrastructure and urban development, reduce transaction costs in the economy, and improve the international positioning of goods produced in Colombia</td>
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<td><strong>Priority area 2: Improve public management effectiveness</strong></td>
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<td>4. Support a fiscal compact to improve State revenues</td>
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<td>5. Raise the quality of expenditure and public investment management capacity at all levels of government</td>
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<td>6. Increase the efficiency and quality of justice</td>
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<td><strong>Priority area 3: Increase social mobility and consolidate the middle class</strong></td>
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<td>7. Continue to reduce poverty and eliminate extreme poverty</td>
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<td>8. Reduce informality in the economy</td>
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<td>9. Consolidate a sustainable and inclusive pension and health system</td>
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<td>10. Increase equitable access to quality basic services</td>
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Relevance of the country strategy objectives and design. The objectives were based on the priorities identified in a systematic diagnostic assessment prepared by the IDB Group (CDC, 2018) and were aligned with the national priorities established in the National Development Plan 2018-2022. Although conditions in the country and around the world changed with the pandemic, the development challenges underlying the country strategy objectives and crosscutting themes remained important for Colombia and effectively framed the IDB Group’s response. However, the relevance of the country strategy and its design were affected by five aspects. First, the country strategy was not very selective, failing to set priorities that leveraged the comparative advantages and demonstrated capacity of the IDB Group. Second, the way in which some objectives were formulated made them overly broad and general in scope, mainly in the priority areas of public management and social development. Third, in practice, the country strategy’s crosscutting themes further expanded its scope, acting as quasi objectives that received direct support equivalent to 60% of the amount approved during the period. Fourth, in terms of its design, the country strategy had evaluability weaknesses, with inconsistencies in the vertical logic and problems with some indicators (sources that were not current and inaccuracies in the baseline values). Fifth, the risk mitigation mechanisms proposed by the country strategy were inadequate and insufficiently detailed.
Country program. The country program comprised 275 operations for US$7.535 billion. These included approvals made during the period under review—US$3.711 billion in sovereign guaranteed (SG) loans and US$149 million in nonreimbursable operations, plus US$1.604 billion in nonsovereign guaranteed (NSG) operations—and legacy operations from previous periods—101 operations with US$2.071 billion pending disbursement at the start of the review period. In all, 74% of SG approvals were programmatic loans (PBP); the amount approved for nonreimbursable operations nearly tripled over the previous period; and IDB Invest approvals increased by more than 65% over the previous period. The IDB Group also supported the country through advisory services, with one of the largest country offices in the IDB Group, and with access to other resources through bond issues.

Program alignment. The country program was aligned to varying degrees with the objectives set out in the country strategy: the Office of Evaluation and Oversight (OVE) assessed its alignment as strong with six strategic objectives and as weak with the other four. The alignment weaknesses were due to the fact that several key approvals failed to materialize (e.g., in agriculture and pensions) and several objectives were not supported by operations that were designed to address them directly (e.g., in education and poverty). The crosscutting themes of climate change and gender were mainstreamed in about 34% and 26% of the country program operations, respectively, while those of economic integration, immigration, and digital economy were incorporated at a rate that ranged between 4% and 8% of the operations.

COVID-19 response. The IDB Group was able to support Colombia’s response to the COVID 19 pandemic with 27 operations for US$1.831 billion, without detriment to the country program’s alignment with the country strategy objectives. This was achieved by incorporating elements of the pandemic response into the design of these operations but alongside other elements that addressed the country strategy objectives and reflected the country’s mid and long range priorities. This suggests a possible lesson on how to balance the flexibility needed to address near term priorities with support for a country’s long term needs.

Implementation of the program. In general, the annual programming exercise effectively anticipated the operations, and the planned total amounts were used, which reflects a good dialogue with the counterparts in country. Cancellations represented just 2% of the program total but, along with other modifications to the program, disproportionately affected support for the objectives related to basic services, urban transportation, and fiscal management. With respect to the previous period, SG disbursements remained relatively stable and were mostly channeled through PBP operations (83% of the total), which experienced a moderately accelerated pace of disbursement during the pandemic. Disbursements in the NSG portfolio more than
tripled, driven by IDB Invest’s increased origination capacity following the private sector merge out. IDB Invest had a strong presence in Colombia and expanded its supply of local currency solutions and innovative capital market products, as well as its participation in the financing of public-private concessions. Expenditure on preparation and execution of SG investment loans (INV) increased but was 30% below the IDB average. Preparation times lengthened but execution times (at least in terms of attaining disbursement eligibility) grew significantly shorter. Nearly three fourths of INV operations faced at least one execution challenge, including weaknesses involving the executing agencies (especially at the subnational level), changes in priorities, and external shocks.

**Program contribution to the objectives.** The country program made only medium- or low-level contributions to the country strategy objectives. OVE found that the country program achieved the greatest contributions under the following conditions: (i) when the operations were associated with the country’s long term policies (e.g., in health); (ii) when synergies were created within the IDB Group that promoted a cross-sector approach, including the participation of the private sector (e.g., on road transportation); or (iii) when support was provided for information systems that became pillars of the reform processes (e.g., in tax administration or justice). These factors were present in various operations in the country program, including in the PBPs. For example, the PBP series were associated with long-term policies that the country continued to implement, despite not requesting the second phases for two thirds of them. Meanwhile, the poorest contributions were associated with: (i) a weak alignment of the country program (lack of coverage or feasibility of advancing the objective); (ii) insufficient execution as of the close of this ICPR; or (iii) lack of evidence on outcomes (either because there were none or because no information was reported on them).

**In the priority area of productivity,** the country program made a medium-level contribution to expand private sector access to credit because only around half of the operations—mostly channeled through public and private financial intermediaries—achieved progress. The case was the same with raise the quality of infrastructure, owing to execution-related delays affecting some road operations and partial cancellations affecting urban transportation operations. Meanwhile, the outputs generated to increase total R&D investment did not show evidence of having produced outcomes. The contribution to increase agricultural productivity and improve learning among secondary students was low because the country program only addressed these challenges indirectly, with none of the operations focusing specifically on them.

**In the priority area of public management,** the country program’s contribution to improving State revenues was assessed as low because despite some specific areas of improvement, several operations
providing support for fiscal management at the subnational level were modified such that they no longer supported this area, and other operations at the national level have been slow to execute or are very new. The evaluation of the sole operation to complete execution (electronic invoicing) has not found evidence of any effects on the expected outcome of increase State revenues. The contribution to raise the quality of expenditure and public investment management capacity at all levels of government was assessed as medium. Due to the broad formulation of the strategic objective and one of its expected outcomes (increase public management effectiveness), this contribution manifested in disparate areas. There were contributions to improving State accountability, transparency, and reporting mechanisms, particularly with respect to public investment projects and information management in the mining and energy sector. Through a PBP operation, the Bank supported regulatory enhancements to promote private sector participation in the information and communication technologies (ICT) and creative industries, climate change, and energy sectors. Progress towards increasing the efficiency and quality of justice was low because the operations are either still too new or lack evidence on outcomes.

In the priority area of social development, the country program's contribution to continue to reduce poverty and eliminate extreme poverty was low inasmuch as only three technical cooperation (TCP) operations addressed the issue directly. While these generated relevant analytical inputs, there is no evidence that the inputs have been used to produce a reduction in poverty. With respect to reduce informal employment, the contribution was also low because the operations are still in the early stages of execution. Through a PBP, support was provided for the workforce inclusion of migrants and persons with disabilities, but no development outcomes of these actions have yet been reported. The Bank supported workplace training initiatives with TCPs, but no information has been reported on whether they achieved the objective. Regarding the objective to consolidate a sustainable and inclusive pension and health system, the program made a medium-level contribution, with outcomes in health but not in pensions. In health, the Bank supported, through PBP policy conditions and the disbursement-linked indicators for a results-based loan (LBR), a 1% expansion in health coverage for migrants and persons with disabilities. In pensions, after a planned operation was not approved, there was no significant support. The country program made a medium-level contribution to equitable access to quality basic services. The program was associated with a sizable increase in installed capacity in off-grid areas (ZNI) and made more limited progress in electricity coverage. In terms of water coverage, the country program also logged some achievements in specific areas but experienced delays and adjustments owing to external shocks.
**Conclusions.** The objectives of the Bank’s country strategy with Colombia for 2019-2022 were relevant as a response to Colombia’s development challenges and the country’s priorities. The period under review was marked by a global pandemic that could not have been anticipated at the time of preparation of the country strategy. Nevertheless, the IDB Group demonstrated its capacity to adapt the program by integrating elements of the pandemic response into operations that continued to address the country strategy objectives. This suggests a possible lesson on how to be flexible around short-term priorities without diverting attention from a country’s long-term needs.

The usefulness of the country strategy as an instrument to guide the program was limited by its lack of selectivity. The objectives were not very realistic in terms of what could be accomplished, and the crosscutting themes further blurred the focus of the country strategy. The measures for mitigating identified risks were inadequate. The results matrix was weak in terms of evaluability and was not properly monitored. Despite the fact that the IDB Group demonstrated outstanding capacity for operational programming in Colombia, it could not avoid weaknesses in the program’s alignment with four of the ten strategic objectives. In the case of some objectives, this was because key operations failed to materialize, and in others because operations were not designed to address the objectives.

The IDB Group’s contribution to advancing the objectives was low for six strategic objectives and medium for four. In the case of the objectives where the most progress was made, some key factors were that the program supported the country’s long term policies, and synergies were created within the IDB Group to tackle the problems based on a cross sector approach (including private sector participation and support from technology and information systems). Meanwhile, the objectives that received minimal support were affected their own aforementioned alignment weaknesses, execution problems with investment projects, and lack of evidence on outcomes reported by the operations.
01

Introduction
This Independent Country Program Review (ICPR) analyzes the Inter American Development Bank (IDB) Group’s country strategy and country program with Colombia for the 2019-2022 period. The ICPRs are independent reviews of the most recent country strategy of the IDB Group with a country and the corresponding country program. They assess the relevance of the country strategy and provide aggregate information on the relevance and implementation of the country program. Insofar as the available information allows, the ICPRs also report on the effectiveness of the country program. In accordance with the OVE Country Product Protocol, the ICPRs focus on accountability and therefore do not make recommendations, but rather conclusions, to support the Board of Executive Directors’ consideration of the subsequent country strategy and Management's use of them if it deems them to be useful.

The ICPR is based on an exhaustive desk review and the triangulation of information with IDB Group specialists and external stakeholders. OVE reviewed the Country Development Challenges (CDC) document produced by the IDB Group and the diagnostic assessments prepared by other donors and summarized them in a section on country context. It also assessed the relevance of the objectives established in the 2019-2022 country strategy, described the country program and analyzed its alignment with the country strategy, and examined the implementation of the country program and its contributions to the objectives set out in the country strategy. The ICPR is based on a systematic review of documentation on the operations and inputs derived from a combination of semi-structured questionnaires and virtual interviews of over 60 stakeholders, including all the IDB Group specialists in charge of operations, key counterparts in the Colombian government, and personnel from the executing agencies.
Country Context
2.1 Colombia is a country of great natural wealth and strong demographic growth. With access to both the Pacific Ocean and the Atlantic Ocean and intersected by three mountain ranges of the Andes, Colombia’s rugged terrain boasts abundant rivers and natural resources. A large portion of its population of more than 50 million people is young (40% are under 25), and two thirds reside in towns and cities located throughout the country.\(^1\) In recent years, Colombia has experienced one of the highest rates of population growth in the world (annual growth of nearly 2% in 2018), driven by the arrival of some 1.8 million Venezuelan immigrants.

### A. Macroeconomic situation

2.2 Colombia has outpaced the average rate of growth in Latin America and the Caribbean to become the fourth largest economy in the region. From 2011 to 2019, Colombia’s gross domestic product (GDP) expanded at an average annual rate of growth that outpaced the region (3.6% versus 1.7%, Figure 2.1). In 2020, the pandemic triggered a 7% decline in GDP, but by 2021 the economy had already rebounded, growing at a rate of 10.6% before slowing to a more moderate pace of 5.8% in 2022. With per capita GDP at US$6,131 (2021), above the average for Latin America and the Caribbean, Colombia is an upper middle income country according to the World Bank classification. In 2020, Colombia became the third country in the region to be accepted as a member of the Organisation for Economic Cooperation and Development (OECD), the fruition of reforms launched in 2013.

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\(^1\) Some 70 urban areas have populations of over 100,000 people. The five largest—Bogotá, Medellín, Cali, Barranquilla, and Cartagena—are the seat of highly distinct regions.
2.3 However, growth has been observed to be volatile in response to exogenous factors. GDP performance is strongly correlated with the price of oil. The country is also vulnerable to natural disasters. The lockdown imposed in response to the pandemic in April 2020 and the civil unrest that erupted in May 2020 affected key drivers of growth: private domestic consumption slipped by 8% and exports fell by 25%. The strong response taken by the government and the recovery in the price of oil enabled the country to grow at one of the highest rates in Latin America and the Caribbean in 2021.

2.4 The solid macroeconomic and fiscal policy framework helped to buffer against these external shocks, but the pandemic imposed significant pressures. Colombia has an independent monetary policy, with an inflation targeting regime and a flexible exchange rate, as well as rule based fiscal policy. The fiscal rule was met from the time of its introduction in 2012 until the COVID 19 crisis, when it was suspended for two years (2020-2021). Colombia had moderate fiscal and trade deficits, but these deepened starting in 2020. The trade balance is in deficit, with poorly diversified exports. The fiscal deficit averaged 2.3% of GDP in the 2011-2019 period and climbed to 7.8% in 2020. Public expenditure had been relatively stable prior to the pandemic, with cuts that mostly affected public investment. However, it was characterized by significant inefficiencies, estimated at 5% of GDP (16% of total expenditure), and it was strongly rigid, due in part to obligatory transfers to subnational governments, which execute 32% of government expenditure (compared with an average of 18.6% in Latin America and the Caribbean), despite considerable management weaknesses.

2.5 Public debt has increased, but the country has broad access to financing in the capital markets (though costs are higher than before the pandemic). Gross debt in the nonfinancial public sector was on a gradual upward trajectory before the pandemic, rising from 42.9% of GDP in 2011 to 55.6% of GDP in 2019. In 2021, it ascended to 70.3% of GDP, as a result of the response to the pandemic and the decline in GDP. Even after the

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2 When the price of oil averaged US$95 per barrel, Colombia grew at an average rate of 5.1% (2011-2014), but when oil dropped to an average of US$52 per barrel (2015-2019), growth slowed to less than half that rate (2.4%).

3 Colombia ranks 37th of 180 countries in terms of losses caused by climate related disasters (Germanwatch, 2021; data from 2019). In addition, the country is exposed to low frequency, high impact events, such as earthquakes and volcanic eruptions.

4 The government’s response is estimated to have cost around 10% of GDP.

5 From 2019 to 2021, the trade deficit averaged 6.9% of GDP. Before the pandemic (2019), fossil fuels were the principal export product (43% by value), followed by agricultural and mining products (20% and 10%, respectively). The Growth Lab at Harvard University, 2022.

6 De la Cruz et al. (2020) identified inefficiencies related to public procurement, civil service pay, and screening in social transfer programs.
pandemic, Colombia continued to have favorable access to local and international capital markets. But by late 2022, the cost of external financing had grown significantly on rising global interest rates and an ongoing heightened perception of country risk.

2.6 The tax ratio is insufficient to sustain the necessary level of investment. The tax ratio is lower than the average for all OECD member countries (18% of GDP versus an average 26% of GDP in the OECD) but similar to that of other OECD member countries in the region (Chile, Costa Rica, and Mexico). Compared with other OECD countries, Colombia has: (i) high levels of tax expenditure (estimated at 6.5% of GDP); (ii) low collection from individuals (due to a high filing threshold for individual income tax and a high rate of informality); and (iii) a tax burden concentrated in the business sector (with high nominal tax rates and a plethora of low-yield taxes). The level of investment needed to close the infrastructure gaps with comparable countries is on the order of 30% of GDP. This stands in contrast to actual public investment in infrastructure, which averaged 1.1% of GDP during the 2015-2019 period. In 2012, the country renewed its Framework for Private Participation in Infrastructure, attracting additional private investment that averaged 1.2% of GDP in the same period.

B. Social development

2.7 The economic growth that took place prior to the pandemic, accompanied by active social development policies, translated into a sizable reduction in poverty. Monetary poverty fell from 49.7% in 2002 to 35.7% in 2019, and extreme poverty fell from 17.7% to 9.6%. In 2020, the pandemic drove poverty back up to 42.5% and extreme poverty back up to 15.1%. The subsequent economic recovery and government pandemic-response programs pushed poverty down to 39.3% and extreme poverty down to 12.2%. Among other response measures, the conditional cash transfer program Ingreso Solidario was created, value-added tax rebates were issued, and job subsidies were offered in the formal sector.

2.8 The emerging middle class has proven fragile, and the country remains among the most unequal in the world. The level of inequality in Colombia, as measured by the Gini index, makes the country the most unequal in Latin America and the Caribbean and among the most unequal in the world (0.513 in 2019 and 0.542 in 2020). Sustained growth and proactive public policy

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7 In 2021, Colombia conducted five major bond issues: (i) a 40 year bond for US$1.3 billion at 3.99% (the largest to date); (ii) a 10 year bond for US$1.54 billion at 2.8% (the second lowest rate ever at that term); (iii) an 11 year bond for US$2 billion at 3.356%; (iv) a 20 year bond for US$1 billion at 4.235%; and (v) its first sovereign green bond for Col$750 billion (the second ever of its kind to be issued by a country in Latin America and the Caribbean, following Chile in 2019).
worked to expand the middle class, and in 2014, for the first time ever, there were more Colombians in the middle class than in poverty (30.2% versus 28.5%). However, most of them belonged to a “vulnerable” class (earning income between US$4 and US$10 per day) composed of around 35% of the population in 2019 (DANE).

2.9 Colombia has one of the lowest levels of social mobility in the world, perpetuated by sharp inequalities in access to education and employment. Unequal access to opportunities has created an intergenerational cycle of poverty. Private schools, attended by the wealthiest Colombians, produce better educational outcomes than public schools. The gap in coverage between rich and poor is wide at the preschool and post-secondary levels. Despite efforts by the government, post-secondary enrollment has stalled (53% in 2015 versus 55% in 2019). Job informality and insecurity have also constrained opportunity. Nearly two thirds of workers lack basic benefits, such as participation in a pension plan.

2.10 There are also significant inequalities in access to services such as health, water and sanitation, and digital connectivity. Public spending on health is relatively high (6.3% of GDP in 2019), but one in four people (especially the poorest) have a hard time getting effective access to public health services. Investment in water and sanitation is higher than the average for Latin America and the Caribbean (0.4% versus 0.26% of GDP), but only 40% of rural dwellers have access to improved water services and only 18% have access to improved sanitation services. In 2019, Colombia enacted legislation on information and communication technologies (ICT), but this did not have the effect of lowering the cost of broadband service (which is three times higher than the OECD average), nor did it mitigate the dominant position of the largest operator.

2.11 There are also inequalities based on geographical location, migration status, ethnicity, gender, and disability. There are sharp geographical inequalities, perpetuated by the longstanding armed conflict and the corresponding weak presence of the State in many rural areas. Since 1985, nearly one in six Colombians has experienced forced displacement. The poverty rate among

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8 Among countries that administer the PISA, Colombia has the fifth highest rate of enrollment in independent private schools (17% of 15 year old students) and the fourth largest gap between public and private schools in reading scores (83 points) (World Bank, 2022; OECD, 2020).

9 At the regional level, the per capita GDP in 1950 is strongly correlated with the per capita GDP at present. The 2016 Peace Accord put an end to decades of armed conflict, but the violence in remote areas has increased. In addition, the implementation of commitments under the Peace Accord is behind schedule, particularly the Comprehensive Rural Reform, which was only 4% complete as of 2020.
displaced persons is more than double the national average. The 10% of Colombians who are Afro descendant and the 5% of who are Indigenous continue to be much poorer than the average. Gender inequities includes domestic violence, lower rates of post secondary education, and low rates of representation in politics, business management, and better paid occupations. In addition, an estimated 2.6% of the population has some type of disability and contends with unequal access to employment and services.

C. Productive development

The productivity of the economy has not grown in decades. With economic growth based on increases in the capital base and workforce, total factor productivity fell by nearly 2% between 1987 and 2016 (The Conference Board, 2017). In 2019, Colombia ranked 57th overall among 141 countries, according to the World Economic Forum’s Global Competitiveness Index, moving up by three places from its 2018 position. The index suggests that the areas with the greatest potential for improvement are in strengthening institutions, expanding connectivity and information technology, increasing investment in research and development, and promoting the innovation ecosystem (Figure 2.2).

10 The poverty rate among displaced persons was estimated at 63.8% according to the Survey of Effective Enjoyment of Rights 2013–2014. An estimated 15% of Venezuelan migrants were experiencing extreme poverty in 2021 (DNP, 2022).

11 Women made up 18% of Congress in 2020, one of the smallest proportions in Latin America and the Caribbean. Just 18.9% of companies were under the senior direction of a woman, and just 17.3% were majority owned by women.

12 In the “Institutions” pillar, the lowest scores are in the areas of (perception of) security, (lack of confidence in the) future orientation of government, judicial independence, burden of government regulation, and incidence of corruption. Other areas where there is room for improvement are mobile broadband penetration, Internet use, and investment in research and development, which is 10 times lower than the OECD average (0.29% of GDP versus 2.95% of GDP). The workforce, too, is lagging, in terms of both their current skills (8.3 years of schooling versus nearly 14 in the OECD countries) and their adaptability to future needs (digital skills).
2.13 Despite progress, the country’s productive model perpetuates sustainability challenges. The Climate Action Law (2169/2021) constitutes national progress on the road to climate change mitigation and adaptation.\textsuperscript{13} However, the country’s largest productive sectors (oil, mining, and agriculture) and its high rate of urbanization (82% in 2020) still have a strong impact on the environment. Approximately 60% of rural landholdings lack formal title, with negative repercussions for sustainable management of that sphere. The weak presence of the State in previously contested areas enabled an inordinate increase in deforestation between 2001 and 2020 (4.6 million hectares), setting a pace that has accelerated since 2016. This environmental degradation not only endangers the health of the population and the natural capital reserves of the country but also increases the risk of natural disasters.

\textsuperscript{13} The law calls for a 51% reduction in greenhouse gas emissions by 2030 and carbon neutrality by 2050. It also sets targets by sector and establishes a monitoring system.
03
IDB Group
Country Strategy
The IDB Group’s country strategy with Colombia for 2019-2022 established three areas of priority: (1) increase economic productivity; (2) improve public management effectiveness; and (3) increase social mobility and consolidate the middle class. For each of these areas, the country strategy set strategic objectives—10 in all. And for each strategic objective, it delineated expected outcomes—16 in all—along with indicators to facilitate monitoring. Hereinafter, these strategic objectives and expected outcomes are referred to collectively as the country strategy objectives. Table 3.1 presents the three priority areas, with their respective strategic objectives and expected outcomes.

Table 3.1. Priority areas, strategic objectives, and expected outcomes of the IDB Group Country Strategy with Colombia 2019-2022

<table>
<thead>
<tr>
<th>Strategic objectives</th>
<th>Expected outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority area 1: Increase economic productivity</strong></td>
<td></td>
</tr>
<tr>
<td>1. Spur innovation and development in business and agriculture</td>
<td>1. Increase total R&amp;D investment (public and private)</td>
</tr>
<tr>
<td>2. Improve the quality of education</td>
<td>1.2. Expand private sector access to credit</td>
</tr>
<tr>
<td>3. Raise the quality of infrastructure and urban development, reduce transaction costs in the economy, and improve the international positioning of goods produced in Colombia</td>
<td>1.3. Increase agricultural productivity</td>
</tr>
<tr>
<td><strong>Priority area 2: Improve public management effectiveness</strong></td>
<td></td>
</tr>
<tr>
<td>4. Support a fiscal compact to improve State revenues</td>
<td>2.1. Improve learning among secondary students</td>
</tr>
<tr>
<td>5. Raise the quality of expenditure and public investment management capacity at all levels of government</td>
<td>2.1. Improve learning among secondary students</td>
</tr>
<tr>
<td>6. Increase the efficiency and quality of justice</td>
<td></td>
</tr>
<tr>
<td><strong>Priority area 3: Increase social mobility and consolidate the middle class</strong></td>
<td></td>
</tr>
<tr>
<td>7. Continue to reduce poverty and eliminate extreme poverty</td>
<td>3.1. Strengthen/improve the quality of transportation infrastructure</td>
</tr>
<tr>
<td>8. Reduce informality in the economy</td>
<td>3.2. Increase the use of urban transportation</td>
</tr>
<tr>
<td>9. Consolidate a sustainable and inclusive pension and health system</td>
<td>4.1. Increase State revenues</td>
</tr>
<tr>
<td>10. Increase equitable access to quality basic services</td>
<td>5.1. Increase public management effectiveness</td>
</tr>
<tr>
<td>11. Increase pension system coverage</td>
<td>5.2. Improve State accountability, transparency, and reporting mechanisms</td>
</tr>
<tr>
<td>12. Increase health system coverage</td>
<td>6.1. Improve the quality of justice</td>
</tr>
<tr>
<td>13. Increase electricity coverage among rural households</td>
<td>7.1. Reduce extreme poverty</td>
</tr>
<tr>
<td>14. Increase water coverage among rural households</td>
<td>8.1. Reduce informal employment</td>
</tr>
</tbody>
</table>


The objectives of the 2019-2022 country strategy were identical to those of the 2015-2018 country strategy and similar in breadth to those of the 2012-2014 country strategy. It is unusual...
to retain the same strategic objectives and expected outcomes from one country strategy to the next. However, this continuity is consistent with the diagnostic assessment performed by the IDB that identified development challenges requiring a 20 year horizon to address.\(^{15}\) Consistent with the earlier practice of setting objectives at the sector level, the 2012-2014 country strategy had identified 21 strategic objectives and 34 expected outcomes in 12 sectors. Yet, the scope of that country strategy was not much greater than that of the next two country strategies. With the exception of housing and urban development and risk management, all the previous sector objectives were largely continued under the new cross-sector umbrellas of the 2015-2018 and 2019-2022 country strategies.

3.3 The objectives were relevant to addressing the country’s national priorities and development challenges, covering most of them. The country’s priorities were established in its National Development Plan 2018-2022 (PND) (Box 3.1). The 2019-2022 country strategy was aligned with these priorities, covering nearly all of them.\(^{16}\) Under the priority area of **productivity**, the country strategy set objectives that sought to correct the lack of investment in innovation, the constraints on productive financing, low agricultural productivity, low quality of transportation infrastructure, and the gap in learning at the secondary level. This constituted a multipronged approach to tackling the problem of stagnant productivity, identified in the diagnostic assessment prepared by the IDB Group (CDC) and the PND 2018-2022. Under the area of **public management**, the country strategy set objectives to improve fiscal revenue, the effectiveness of public management, accountability mechanisms, and the quality of justice, which was consistent with the CDC and the PND 2018-2022 in terms of the importance of promoting an increase in fiscal revenue and the quality of justice. Lastly, under the priority area of **social development**, the country strategy set objectives to reduce extreme poverty and informal employment, as well as increase the coverage of health, pension, electricity, and water and sanitation services. The CDC and the PND 2018-2022 both identified reducing inequality as the country’s biggest development challenge. Accordingly, the country strategy was consistent in prioritizing efforts to reduce extreme poverty while increasing access to employment and basic quality services.

\(^{15}\) According to the Country Development Challenges (IDB, 2015), “The nature of the country challenges [required] the formulation and execution of policies spanning more than one term of government.”

\(^{16}\) Concerning the pact for legality (Box 3.1), the country strategy incorporated objectives to improve public management and justice. Regarding the pact for entrepreneurship, it incorporated objectives to improve productivity, infrastructure, formalization, employment, and innovation and it added objectives to address rural productivity and education. Regarding the pact for equity, the country strategy established objectives to reduce poverty, as well as objectives addressing health and basic services. Lastly, of the 14 crosscutting pacts, all but two (mining and peace) were incorporated as objectives or crosscutting themes in the country strategy.
3.4 Despite its alignment with the country’s priorities and challenges, five aspects affected the relevance and design of the country strategy. First, the country strategy was not very selective, with priorities that were not set to leverage the comparative advantages and demonstrated capacity of the IDB Group. The objectives did not reflect a clear division of labor with other development actors. Although the country strategy expected inputs from other donors, it proposed objectives that overlapped with theirs (Box 3.2) without presenting an analysis of the potential synergies and comparative advantages. The objectives were identical to those from the previous period, but there is no indication that an analysis had been conducted to determine what had worked well and what had not, or in which areas the IDB Group had made greater or lesser contributions in the previous period, which could have been used as an input in the selection of objectives. Such an exercise could have drawn, for example, on the previous country program evaluation (CPE) prepared by OVE (document RE-529-3), which showed that the program made better contributions in areas such as increased access to credit for the private sector, fiscal management,

An annex to the country strategy listed the sector presence of other donors, without analyzing potential synergies or duplication of efforts. The country strategy merely anticipated, “close collaboration with the following donors, among others: (i) the United Kingdom, in [...] infrastructure, productivity, [...] private sector [...], and climate change; (ii) Korea, in the information and communication technologies sector; (iii) the French development agency, in policy-based loans; and (iv) multilateral development banks (World Bank and European Investment Bank), in projects such as the Bogotá Metro.” Though unplanned and therefore not related to the definition of country strategy objectives, there were other collaborations during the period, for example, in response to the pandemic.
and social protection, whereas contributions were limited in agriculture and education, sectors that the country strategy continued to support without analyzing how to improve them.

### Box 3.2. Objectives of other donors

| **World Bank Group:** | The Country Partnership Framework for 2016-2021 (CPF) channeled support to three pillars: (i) fostering balanced territorial development by strengthening public management at the territorial level and improving natural resource management; (ii) enhancing social inclusion and mobility through improved service delivery, with a focus on water, sanitation, higher education, and employment; and (iii) supporting fiscal sustainability by improving revenue and expenditure, increasing productivity by improving the business environment, innovation, and access to productive financing, and developing competitive cities, improving their planning capacity and infrastructure services. In the strategy period, Colombia borrowed to support these issues and also the integration of migrants and the COVID-19 response. Over 90% of the resources provided by the World Bank were unrestricted funds. |
| **Latin American Development Bank (CAF):** | The CAF supported the achievement of targets related to climate change, biodiversity, promotion of the orange economy, local infrastructure, and, later, support for the COVID-19 crisis. Over 90% of the resources are unrestricted funds. |
| **German Development Bank (KFW):** | KFW focused on consolidating the peace process and climate-related objectives. Similarly, over 90% of resources were under programmatic arrangements. |
| **French Development Agency (AFD):** | The AFD has also supported the sustainable growth agenda and a local development project. Some 77% of resources were unrestricted funds. |


3.5 Second, the way in which some objectives were formulated made them overly broad and general in scope, mainly in the priority areas of *public management* and *social development*. The structure of country strategy objectives consists of three levels (priority areas, strategic objectives, and expected outcomes), which require an increasing degree of specificity to be able to “guide IDB Group operational support during the CS period” (paragraph 1.1(a), Country Strategy Guidelines, document GN-2468-9). However, even at the more specific level of the country strategy, overly broad expected outcomes were included, such as *increase public management effectiveness*, whose associated progress indicator—the World Bank’s Government Effectiveness Index—encompassed perceptions of the quality of public services, the quality of public administration, the competence of the public officials, the independence of the civil service from political pressures, and the credibility of the government’s commitment to policies. At the intermediate level (strategic objectives), too, objectives like *eliminate extreme poverty* and *reduce informality in the economy* were established, which were too general to guide the program during the horizon
defined by the country strategy, especially given the depth and longstanding nature of the country’s challenges with informality and inequality.

3.6 Third, five crosscutting themes were included, which, in practice, served as quasi objectives and further expanded the scope of the country strategy. The five crosscutting themes in the country strategy were: (i) gender, diversity, and disability, with a focus on reducing social gaps with respect to ethnic minorities, women, and persons with disabilities; (ii) climate change, with a focus on preserving natural capital and reducing deforestation in particular; (iii) economic integration, with a focus on reducing export costs; (iv) immigration, with a focus on promoting the integration of migrants through greater access to health and education services; and (v) digital economy, with a focus on promoting greater use of digital tools in the economy. In practice, some of the largest operations in the country program were designed to directly address these issues. Each crosscutting theme was addressed by at least one major programmatic policy based loan (PBP): one addressed disability (first theme); two addressed climate change (second theme); another focused on foreign trade (third theme); another on migration (fourth theme); and another on digitalization of the economy (fifth theme). In all, these PBPs accounted for 60% of SG approvals during the period.

3.7 Fourth, the country strategy results matrix had some weaknesses in its evaluability. Although the vertical logic between the expected outcomes and strategic objectives was generally adequate, there were weaknesses in terms of formulation and support for some strategic objectives and in the logical order between strategic objectives and their expected outcomes.

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18 For example, the fourth strategic objective was formulated as support a fiscal compact to improve State revenues. The verb support is indefinite in scope and is not an objective per se but rather a means for achieving an objective.

19 For example, in the 2015-2018 country strategy, the third strategic objective focused on the quality of infrastructure and was paired with two expected outcomes, related to road and urban infrastructure. In the 2019-2022 country strategy, the third strategic objective expanded the scope, adding improve the international positioning of goods produced in Colombia (the only change to the strategic objective from the previous country strategy). However, its two expected outcomes were not changed, nor is there evidence that an analysis was done to assess whether they were enough to support the broad scope of the third strategic objective. In fact, the CDC document indicated that in addition to infrastructure, challenges such as tariff and nontariff barriers should be tackled (issues that were not included in the country strategy but that the program did, in fact, address).

20 For example, in education, the expected outcome was improve learning among secondary students, corresponding to strategic objective 2 to improve the quality of education. Although the expected outcome focused adequately on an educational level (secondary), it is a higher order objective than the strategic objective to which it corresponds, since improve the quality of education (the strategic objective) is one of the tools (along with, for example, reducing grade repeat or school dropout rates) that could be used for improving learning (the expected outcome). Similarly, the expected outcome
In addition to these evaluability weaknesses, some indicators were not monitored on the schedule indicated in the Country Strategy Guidelines, flagging problems with several selected indicators only at the end of the period. 21

3.8 Lastly, the risk mitigation mechanisms proposed in the country strategy were inadequate and insufficiently described. 22 In its design, the country strategy identified three risks: (i) macroeconomic shocks; (ii) lack of fiscal resources and capacity to execute public investment; and (iii) risks specific to NSG operations. The country strategy proposed to address the first two risks through the country program’s own operations, which would have been difficult given the lag time between the risk and the results of the operation. For example, to offset near-term shocks such as falling oil prices, the country strategy proposed efforts to “facilitate the entry of Colombian exports into new markets by supporting less-developed sectors (such as agriculture).” Similarly, the “strengthening of DIAN by implementing [...] structural reforms to the institution” could only be effective mitigation measures in the medium term. Concerning the third risk, related to the “management capacities of potential clients and financial entities,” the only indication was that IDB Invest would seek to strengthen them, without providing sufficient detail about the mechanisms to carry out. Lastly, although the pandemic emerged as an unforeseeable risk that might have prompted a redefinition of objectives, there is no indication that an analysis was ever done to assess the need to update the objectives using the available mechanisms for such purpose.

21 For this ICPR, OVE asked Management to update the indicators in the country strategy results matrix. Only at that time was it reported that the baseline values for two indicators were incorrect, up to date values were not available for another two, and the formula used to calculate another had changed due to a sample correction that significantly altered the indicator’s baseline value (see Annex II).

22 Country strategies require “identifying the principal risks that could hinder the achievement of the development objectives of the IDB Group interventions” (emphasis added), paragraph 4.13, Country Strategy Guidelines.
Country Program
A. Description

4.1 The country program consisted in 237 SG operations and 38 NSG operations for a total of US$7.535 billion. During the period under review by OVE, the IDB approved US$3.711 billion in SG loans, surpassing the estimated lending envelope and the approvals from the previous period. It also approved US$148.5 million in nonreimbursable instruments, nearly triple the volume of the previous period (see Box 4.1). For its part, IDB Invest approved US$1.604 billion, a 65% increase over the previous period. In addition to these approvals (145 SG loans and 29 NSG loans), the country program also included 101 legacy operations from previous strategy periods (92 SG loans and 9 NSG loans) that still had undisbursed balances at the start of the review period (with balances totaling US$2.071 billion). The 275 operations in the country program considered in this ICPR are listed in Annex IV.

4.2 The IDB Group also supported the country through modalities not included in the lending program. The clients backed the support and close monitoring provided by the IDB Group’s specialists. The Country Office in Colombia is among the IDB’s largest, with resident specialists in nearly every sector and strong support from staff at Headquarters. In addition, the IDB approved two operations under the modality of fee-based advisory services. IDB Invest made extensive use of these advisory services to

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23 According to OVE’s Country Product Protocol (document RE-348-8), the review period starts with the approval date of the country strategy (31 July 2019) and runs to the cutoff date set by OVE (in this case, 7 August 2022, the last day of the original effective period of the country strategy).

24 The country strategy estimated approvals at US$3.969 billion for the 2019-2022 period (calendar years, which is longer than OVE’s review period). Considering full calendar years, loan approvals for the period 2019-2022 totaled US$4.311 billion, exceeding estimates. During the effective period of the previous country strategy (from 10 November 2015 to 6 August 2018), US$3.109 billion was approved, and that amount was also surpassed in 2019-2022.


26 In accordance with the Country Strategy Guidelines (document GN-2468-9) and the criteria established in OVE’s Country Product Protocol (document RE-348-8), the portfolio includes legacy operations from previous periods, i.e., operations approved before 31 July 2019 that still had an amount pending disbursement as of that date, as well as operations approved and fully disbursed between 31 December 2018 (cut-off date for the 2015-2018 CPE) and 31 July 2019. It also includes IDB Invest operations that prepared (or were to prepare) an expanded supervision report during the review period.

27 In 2022, the Country Office had 127 staff, excluding contractors and consultants, compared with an average of 51 staff at other country offices. The Country Office staff were distributed across all grades of the IDB and IDB Invest technical tracks, with relatively few support staff.

28 In the 2019-2022 period (calendar years), Colombia received the fourth highest number of missions of any IDB borrowing member country (after Brazil, Argentina, and Panama).

29 The fee based advisory services were used primarily to address subnational institutional capacity gaps.
provide client support, conduct research and dissemination (US$1.9 million across 25 consulting assignments), and to a lesser extent, provide operational support (US$151,000 across four assignments). Nearly half (47%) of NSG operations under the country program were supported with nonreimbursable advisory services, which had an average cost of 0.10% of the amount of these transactions.

### Box 4.1. Nonreimbursable financing, concessional financing, and funds under administration

Nonreimbursable financing operations (technical cooperations, investment grants, nonreimbursable investment loans, and nonreimbursable programmatic loans) represent 3.6% of the SG portfolio during the period under consideration (a significant increase over the previous period). As a percentage of the loan portfolio, these operations constituted a larger share than in nearly any Group A or B country (with the exception of Venezuela, which has a limited portfolio) and the majority of Group C countries (except Barbados, Jamaica, and Trinidad and Tobago). Half of the nonreimbursable amount corresponded to 26 investment grants: one complemented a programmatic loan with nearly US$18 million in unrestricted funds, and seven, totaling US$31.4 million, supplemented investment loans. The other half of the nonreimbursable amount corresponded to technical cooperation operations, mainly for client support (71% of the number of operations and 78% of the amount), following by operational support (25% of the number and 20% of the amount) and research and dissemination (with 4% and 2%). Most of this financing (88%) came from third-party funds.

In addition to nonreimbursable financing, Colombia used the IDB as a facilitator to gain access to two trust funds that provided concessional or additional financing for around 3.2% of the loan amount of the SG portfolio, with 2.4% coming from the Korea Infrastructure Development Co financing Facility for Latin America and the Caribbean and 0.8% coming from the Clean Technology Fund. IDB Invest also facilitated access to around US$80 million in additional reimbursable financing, most of which came from the China Co-financing Fund for Latin America and the Caribbean (63%) and the Canadian Climate Fund for the Private Sector in the Americas (25%). The IDB adds these amounts to the respective operations, so they are already included in the country program, whereas IDB Invest records them separately, as resource mobilization.

4.3 The IDB and IDB Invest promoted access to other resources through active support for the issuance of bonds. With IDB support, Colombia was the second country in Latin America and the Caribbean to issue sovereign green bonds. IDB Invest backed five thematic bonds issued by financial institutions (Davivienda, Banco W, La Hipotecaria, Bancolombia, and Bancóldex), including the first gender bonds, sustainable bonds, and creative economy bonds (orange bonds) in the country. It also supported two corporate bonds linked to sustainability and social development. The bonds sought to increase access to financing for projects with positive environmental and social impacts, setting a precedent that would incentivize other market entities to move forward with sustainability targets linked to their funding strategies (document CII/PR-975-2).

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30 The operations that supported this financing strategy were the programmatic policy-based loans (PBP) series CO-L1264 and CO-L1274; CO-L1254; and nonsovereign guaranteed operations 12114-02, 13166-01, 11501-03, 13189-01, 12621-01, 13522-01, and 13522-01/2021.
B. Alignment with country strategy objectives

4.4 The country program was aligned to varying degrees with the country strategy objectives. Table 4.1 (and Annex VI in greater detail) describes the country program’s alignment with the objectives. Of the 10 strategic objectives, OVE assessed the strategy’s alignment with 6 as “strong” and with 4 as “weak.”31 The strategic objectives with the greatest degree of alignment were raise the quality of expenditure and public investment management capacity (strategic objective 5), spur innovation and development in business and agriculture (strategic objective 1), and increase equitable access to quality basic services (strategic objective 10). Although it was not an objective of the country strategy, the COVID-19 response also received significant support under the country program. While SG support was distributed across all objectives, most NSG support was concentrated in the priority area of increase productivity. Lastly, only a small part of the country program (16 nonreimbursable operations for some US$10 million) was not aligned with any of the objectives.

Table 4.1. Program alignment by objective of the country strategy 2019-2022

<table>
<thead>
<tr>
<th>Strategic objectives</th>
<th>Expected outcomes</th>
<th>Legacy portfolio</th>
<th>Approvals 2019-2022</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strong</td>
<td>Weak</td>
<td>SG</td>
<td>NSG</td>
</tr>
<tr>
<td>Priority area 1. Increase economic productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Spur innovation and development in business and agriculture</td>
<td>✔ ✔ ✔</td>
<td>#</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>US$M</td>
<td></td>
<td>452.4</td>
<td>34.2</td>
</tr>
<tr>
<td>2. Improve the quality of education</td>
<td>✔ ✔</td>
<td>#</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>US$M</td>
<td></td>
<td>150.8</td>
<td>1</td>
</tr>
<tr>
<td>3. Raise the quality of infrastructure and urban development, reduce transaction costs in the economy, and improve the international positioning of goods produced in Colombia</td>
<td>✔ ✔ ✔</td>
<td>#</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>US$M</td>
<td></td>
<td>299.1</td>
<td>125</td>
</tr>
</tbody>
</table>

31 Alignment is assessed as “strong” when the program is determined to have had sufficient coverage (relevant operations were deployed for all expected outcomes of the strategic objective) and feasibility (progress was able to be made on all expected outcomes of the strategic objective if these operations were implemented as designed). In contrast, alignment is assessed as “weak” when the program is determined to have a coverage or feasibility weakness affecting at least one of the expected outcomes of the strategic objective. OVE also considers the category “without coverage” in those cases in which the program did not deploy relevant operations for any of expected outcomes of the strategic objective, but this was not a finding in any case in the country program with Colombia.
4.5 The alignment weaknesses were due to the fact that some key approvals did not materialize, and some objectives were not directly addressed. In the six objectives with strong alignment (Table 4.1), the country program deployed enough operations to address them. In contrast, under the strategic objective development in business and agriculture (strategic objective 1), no approval was obtained for the main support that had been planned: an SG investment loan (INV) for US$30 million.\textsuperscript{32} Under the strategic objective pension and health system (strategic objective 9), the investment loan planned to support the transformation of the government pension agency did not materialize either. This weakened the country program’s alignment with those objectives. In the other

\textsuperscript{32} CO-L1247 and CO-T1511 to support the Agricultural Competitiveness Program in Colombia.
two cases, there were not enough aligned operations that had been designed to directly address the strategic objectives or expected outcomes. For example, for the strategic objective *improve the quality of education* (strategic objective 2), despite having in place an INV and related technical cooperation operations (TCP) and a programmatic policy based loan (PBP), the focus of the majority of these operations was not to *improve learning among secondary students* (as established in expected outcome 2.1) but rather to improve rural schools and facilitate access for vulnerable groups, including migrants. Under the strategic objective *continue to reduce poverty and eliminate extreme poverty* (strategic objective 7), although the entire country program could have had an indirect effect on this, only three TCP addressed it directly (seeking to improve operational aspects of the system for addressing poverty).

Lastly, a small part of the country program was aligned with a strategic objective but not with its expected outcomes, failing to support the intervention logic set out in the country strategy.33

4.6 The crosscutting themes were not effectively integrated into the country program (Annex VII). Although the country program included specific operations to address all the crosscutting themes, only the themes of climate change and gender, diversity, and disability were successfully incorporated into a major portion of the country program (34% and 26% of the operations, respectively).34 Even still, these themes were not incorporated into some strategic objectives where they would have been relevant.35 Integration of the themes of immigration, digital economy, and economic integration was minor (8%, 8%, and 4% of the operations, respectively). There were also missed opportunities to incorporate them into the country program: economic integration was only considered in 10% of the operations aligned with strategic objective 1 (productive development), and digital economy was only integrated into 28% of the operations aligned with strategic objective 5 (public management).

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33 Around 3% of program operations (or 4% of the total amount) were aligned with a strategic objective of the country strategy but not with its expected outcomes. By volume, the largest operations in this group were IDB Invest transactions in telecommunications and IDB operations—mostly technical cooperation—in urban development, hotels, mining, early childhood education, and inclusion of people with disabilities.

34 OVE determines that an operation has incorporated a crosscutting theme if the theme has been considered in one or more of the following elements of the operation’s design: (i) diagnostic assessment; (ii) general or specific objectives; (iii) proposed activities; or (iv) results indicators.

35 For example, only 25% of the operations aligned with strategic objective 2 to *improve the quality of education*, and 42% of those aligned with strategic objective 7 to *increase social mobility and consolidate the middle class*, included a gender, diversity, and disability perspective. Only 37% of the operations aligned with strategic objective 3, related to the *quality of infrastructure*, and 49% of those aligned with strategic objective 10, related to *coverage of basic services*, incorporated a climate change perspective.
4.7 The IDB Group was able to support Colombia’s COVID-19 response without prejudice to the country program’s alignment with the country strategy objectives, which offers a lesson about how to balance flexibility with a country’s long-term needs. The IDB Group supported Colombia’s response to the pandemic with 27 operations totaling US$1.831 billion (nearly 25% of the program), which contributed to an increase in disbursements in 2020 and 2021 (Box 4.2). These operations were primarily programmatic policy based loans (PBP) and nonreimbursable instruments that offered rapid and flexible technical and financial support to help the country meet near-term priorities. Despite the magnitude of this response, the country strategy objectives were still addressed. This was achieved by incorporating the pandemic into the design of operations as an element to address but not at the expense of the country strategy objectives, which reflect mid- and long-range priorities. Almost none of these operations were targeted exclusively to COVID-19, and nearly all were successfully aligned to at least one objective. The government counterparts interviewed by OVE cited the Bank’s support and appreciated its adaptability, both in meeting technical needs and in adjusting execution requirements (e.g., extending deadlines, providing access to specialists, finding appropriate solutions, and allowing online bid submittals for procurement processes). This suggests a lesson for the IDB Group, which must often contend with the seemingly competing tasks of offering enough flexibility to respond to countries’ near-term priorities while supporting their medium- and long-term development needs. Colombia’s experience suggests the feasibility of building both considerations into the design stage of projects.

Box 4.2. IDB Group support for the COVID-19 response

The IDB Group supported Colombia’s response to the pandemic with 27 operations totaling US$1.831 billion. This represented nearly 25% of the total program of US$7.535 billion. As of December 2022, disbursements for these operations stood at US$1.8 billion. IDB Group Management identified three PBPs as explicitly in response to COVID-19 (see IDB, 2022a). In addition, OVE identified various pandemic response elements in three other SG operations, two NSG operations, and 19 nonreimbursable operations.

Four PBPs contributed US$1.418 billion in post pandemic budget support. These consisted in budget support explicitly earmarked to support Colombia in the context of the pandemic: the Sustainable and Resilient Growth Program I and II (CO-L1264/2021 and CO-L1274/2022) and the Program to Support Reforms for the Social and Economic Inclusion of the Venezuelan Migrant Population in Colombia (CO-L1272/2021 and CO-J0014/2021) injected US$1.4176 billion in budget support.

Another 23 smaller operations included support for Colombia’s response to the pandemic-related crisis as an objective, but few had it as their primary objective. Together, these operations totaled US$413 million, concentrated in two investment loans (INV) for US$255 million (CO-L1155/2015 and CO-L1248/2020),

36 In 2020 and 2021, sovereign and nonsovereign guaranteed disbursements rose by about 25% over 2019.
the older of which predates the pandemic but was reformulated to finance health infrastructure at the subnational level). Approvals also included two NSG loans (13150-01 and 12114-03) for US$140 million, three investment grants (IGR) for US$7.5 million (CO-G1025/2020, CO-G1019/2020, CO-G1028/2020), and 16 technical cooperation projects (TCP) for US$10.6 million. Of these operations, only one (CO-G1028/2020, for US$3.5 million) was deployed in immediate response to the crisis, to strengthen the delivery of healthcare services in several border departments. The remainder delivered resources to strengthen the hospital network and services for migrants, vulnerable communities, and older adults and provided liquidity for financial intermediaries to support small and medium-sized enterprises affected by the pandemic, but the focus was not on COVID-19 exclusively. The TCPs were focused on generating relevant knowledge vis-à-vis the crisis, with some operations supporting efforts to collect data and track and record transmission (CO-T1591/2020, CO-T1644/2021). Other small technical operation projects were designed to help specific sectors navigate the pandemic.

Source: OVE, based on IDB Group data and counterpart interviews.
Implementation and Results
A. Program implementation

5.1 The annual programming exercise adequately anticipated the operations and used the planned lending envelopes, reflecting a good dialogue with the counterparts in country.\footnote{In line with the guidelines in force, the IDB Group prepares a country program document each November, seeking to anticipate the operations that will be approved in the next calendar year. See Annex VIII for an analysis of the country program documents for the period.} A full 100% of the PBPs and 86% of the INVs anticipated for the period were approved, which compares favorably with the anticipation rates reported by OVE in other countries (on the order of 50%). Even still, some operations that failed to materialize tied up a significant portion of the amounts planned to support certain strategic objectives and expected outcomes.\footnote{As discussed in the previous section, the three strategic objectives that were most affected by planned operations that failed to materialize were those involving business development (US$100 million not approved, 2.8% of the envelope aligned with this strategic objective), infrastructure (US$330 million, 28.6% of the aligned envelope), and basic services (US$368 million, 21.9% of the aligned envelope).} Regarding amounts, the INVs were approved without major changes to the anticipated amounts, but the PBPs were approved for much larger amounts (72% larger, on average). The anticipation rate for TCPs and IGRs was less (67%), and the amount of the average approval was around half of the anticipated amount. Nevertheless, the country program used almost the same volume of resources as originally planned (98.5%) on account of unplanned TCPs and IGRs. Just 40% of the NSG operations that had been preliminarily identified during the programming exercise were approved, claiming less than 15% of the NSG envelope for the period.

5.2 Less than 2% of the country program envelope was cancelled, but the cancellations—and modifications—disproportionately affected support for certain objectives.\footnote{In infrastructure, there were cancellations (nearly US$74 million in the sovereign guaranteed portfolio and US$27 million in the nonsovereign guaranteed portfolio), which affected support for public transportation, urban development, public-private partnerships, and logistics. In basic services, cancellations (US$41 million) affected sovereign guaranteed support for water and sanitation in rural areas. Annex VIII includes a breakdown of the cancellations by strategic objective.} The reasons reported for some of the largest cancellations included low rates of execution and long delays, as well as a desire by the government to scale down the original scope of the operations. There were no reformulations during the period, but two conditional credit lines for investment projects (CCLIP) with the national development bank Findeter were modified, with resources reallocated among the components and support removed for subnational fiscal management (documents PR-4460-1 and PR-4460-2).

5.3 Disbursements of SG loans were primarily through PBPs (83% of the total), and the pace of disbursement was moderately ahead of schedule during the pandemic. Annual average disbursements
for the 2019-2022 period were US$1.119 billion, larger than both the amount estimated in the country strategy (US$1.019 billion) and the annual average amount in the previous period (US$1.034 billion) (Figure 5.1). The share of PBPs in total disbursements increased to 83% from 73% in the 2015-2018 period. In other countries, the estimated lending envelope was exceeded as a result of post pandemic disbursements. However, in Colombia, disbursements only slightly exceeded the planned amount, with a moderate acceleration in 2020-2021 of disbursements scheduled for 2022.

5.4 NSG disbursements more than tripled over the previous period (Figure 5.2). This was related to an increase in IDB Invest’s origination capacity following the merge out of private sector activities.41 In Colombia, IDB Invest stepped up its concessional operations (such as for the 4G highways and the Port of Urabá), support for micro, small, and medium sized enterprises through government and private banking, local currency and capital market operations (including the subscription of the first gender and sustainable bond issues in Colombia), and an operation in the Trade and Supply Chain Finance (TSCF) Program, among others. This enabled it to play a countercyclical role during the pandemic, a role that was also notable for having been forged in coordination with the public sector.

40 As is customary, the country strategy did not estimate a lending envelope for nonsovereign guaranteed operations. However, 2018 was a turning point for nonsovereign guaranteed disbursements in Colombia, which grew from an annual average of US$38 million in 2015-2017 to nearly US$400 million in 2018, a trend that continued in 2019-2022, with nonsovereign guaranteed disbursements averaging US$407 million per year.

41 In 2015, the Boards of Governors of the IDB and the IIC approved a consolidation of IDB Group private sector activities within the IIC (document CII/AG2/15). This merge-out of private sector activities entered into force on 1 January 2016.

42 This operation, in the telecommunications sector, was not aligned with any of the strategic objectives set out in the country strategy.
5.5 In the case of the PBPs, expenditures and times remained relatively stable; for the INVs, expenditures increased, and times appeared to have improved. Expenditures on PBPs remained relatively stable compared with the previous country strategy period and remained below the averages for the Country Department Andean Group (CAN) (see Annex VIII). Preparation times for PBPs shortened (from 14 to 12 months) but were still somewhat longer than for the CAN (9 months). Meanwhile, preparation expenditures on INVs per million approved increased by nearly 30%, and execution expenditures per million disbursed rose by 77%. Preparation times for INVs approved in 2019-2022 also increased (from 13 to 18 months). The average time to eligibility fell from 14 to 5 months for INVs, but it is still too early to evaluate the overall execution times for INVs, since the INVs approved in 2019-2022 are only 35% disbursed on average.

5.6 The Bank, along with the country, continued piloting mechanisms to expedite the preparation and execution of operations. To expedite the preparation of individual INVs, the Bank used three CCLIPs to approve seven INVs with Bancóldex (US$124.3 million), Findeter (US$400 million), and the Ministry of Justice (US$100 million). Country ratification was carried out for each CCLIP and its first operation, obviating the need to repeat this step for subsequent operations. To expedite execution, the Bank approve an INV under the loan based on results (LBR) modality, which was signed in March

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43 On preparation of INVs, total expenditures increased by about 30%, and approval amounts remained relatively constant. On execution of INVs, total expenditures increased by about 15%, but this occurred alongside a decrease in INV disbursements of about 35%.

44 As of October 2022, 16 of the 17 INVs approved during the period had reached disbursement eligibility.

45 Colombia’s regulatory framework requires lengthy preparation processes. For external sovereign guaranteed loan operations, the process includes obtaining the favorable opinion of the National Council on Economic and Social Policy (CONPES) prior to final negotiation of the loan and approval by the Inter Parliamentary Commission on Public Credit (CICP). In the case of specific use loans for decentralized entities (such as Bancóldex or Findeter), also needed are approval by the National Planning Department (DNP) and a counter-guarantee by an entity on behalf of the sovereign.
2021 and finished disbursing in July 2022. Other efforts included the use of an innovative public financing instrument for the execution of an INV. According to interviews, the fund that was used expedited execution by making the associated processes independent of the annual budget cycle and the authorization of future appropriations.\textsuperscript{46}

5.7 Progress was made on implementing the recommendations from the 2015-2018 Country Program Evaluation. In the 2022 review of the Evaluation Recommendation Tracking System (ReTS), OVE found Management’s action plans to be relevant in terms of finding intervention models that were appropriate to the Colombian context of economic growth and greater access to credit markets (recommendation 1) and to the need to close development gaps at the subnational level (recommendations 2 and 3). Concerning recommendation 1, although the country’s trajectory of economic growth changed when the pandemic hit, the type of support requested by Colombia continued to be dominated by PBPs. However, the IDB Group promoted the use of novel instruments with potential savings in transaction costs. IDB Invest’s efforts to increase its business in local currency is a case in point. Concerning recommendations 2 and 3, both the ReTS and the portfolio review conducted as part of this ICPR identified substantial progress, noting an extensive portfolio of operations designed to address subnational development gaps in various sectors. This included operations to support the government in developing a portfolio of projects built on public-private partnerships in subnational contexts. However, the effectiveness of work at the subnational level continues to present a challenge, characterized by significant delays and lack of evidence on results (Annex III).

5.8 In the case of INV operations, problems included weaknesses among executing agencies (especially at the subnational level), shifting priorities, and external shocks. Three fourths of INV operations faced at least one significant execution problem (see Annex VIII).\textsuperscript{47} Over one third were affected directly (and a larger proportion, indirectly) by the pandemic and the steps taken to contain it—including lockdowns and border closures—as well as the challenges that ensued, such as the global supply chain crisis. Construction of infrastructure projects (mainly aligned with strategic objectives 3 and 9) was especially impacted by work stoppages.\textsuperscript{48} Other problems were similar to those identified

\textsuperscript{46} The loan was signed by a standalone agency known as Fondo DIAN para Colombia, which has control mechanisms and processes that allow it to move faster than other public entities.

\textsuperscript{47} This analysis, which is summarized in Annex VIII, is based on a review of progress monitoring reports (PMR), questionnaires completed by project team leaders, and information drawn from interviews of external counterparts.

\textsuperscript{48} For example, construction work on the 4G highways (11895-05, 13522-01, 13868-01, 12252-01) and on a water desalination plant as part of the Rural Area Water Supply and Wastewater Management Program (CO-L1105) was delayed as a result of lockdowns.
in the 2015-2018 CPE, including gaps in institutional capacity among subnational executing agencies, which complicated efforts to coordinate between the various actors involved in these operations (executing agencies, donor institutions, and communities). Execution of the portfolio also benefited from the strong capacity of some counterparts, but more could be done to share good practices. One third of INV operations were affected by changes in the priorities of the government or the client, largely associated with the change in administration. The IDB responded by facilitating dialogue between the technical teams at the executing agencies and the new authorities. The national protests and strikes that took place in 2021 also hindered execution, both directly and indirectly, as a result of changes in the priorities of the government and the executing agencies. The depreciation of the Colombian peso in 2022 led to delays in execution of the dollar-denominated portfolio, inasmuch as the amounts to be executed exceeded the budget ceilings of some executing agencies. The annual budget appropriations process also presented challenges for multiyear projects.

5.9 Progress was made on the strengthening and use of country systems, but the challenges involved in making better use of national control and bidding mechanisms persisted. The Bank continued to work on strengthening country fiduciary systems—mainly accounting and reporting, external control, and procurement systems—through INVs and TCPs with the Office of the Comptroller General of the Republic and the Office of the Inspector General of Colombia. These strengthening activities included, notably, approval of use of the country procurement system for Bank loans and implementation of a pilot for use of the external control system. During the period under review, there was a sharp increase in use of the Integrated Financial Information System (SIIF Nación) and other country subsystems for generating financial reports on projects, as well as rapid implementation of the subsystems for shopping and individual consultants (Annex II). However, there was less progress than planned on use of the subsystems for external control and national competitive bidding.

and, later, logistics problems affecting delivery of equipment orders.

49 For example, Bancóldex and the DNP have built their capacity through a long-term relationship with the IDB Group.

50 Some executing agencies reported not having had sufficient access to lessons learned from the IDB’s experience in the country and the region.

51 For example, the unrest delayed acquisition of properties for the first metro line and affected water and sanitation programs in midsized cities due to highway and other road closures.

52 This was the case, for example, with operation CO-L1263/2021, executed by the Ministry of Transportation.
B. Program contribution to the objectives

5.10 This section summarizes the contributions of the program as implemented to the objectives of the country strategy.\(^{53}\) During the period under review, 86 SG operations (mostly legacy operations) and 10 NSG operations (6 of which were part of a single guarantee program) closed. Another 50 SG operations and 20 NSG operations were more than 50% disbursed as of the cutoff date of this ICPR, corresponding to 57% of the SG program and 79% of the NSG program. The ICPR looked at the entire program, but it was mostly these more mature operations that were found to account for the contribution that were observed. Meanwhile, where no contribution was observed, it was areas of weakness in these more mature operations and operations with execution delays that were found to account. For each strategic objective, there is also a difference between operations for which there was no available information on results despite advanced progress and operations that were too new to expect results. In summary, the contribution to each strategic objective was classified as high, medium, or low, in accordance with the criteria described in Annex VI.\(^{54}\)

5.11 Based on the analysis described in Annex VI and summarized in Table 5.1, OVE is only able to report low and medium contributions by the country program to the fulfillment of the strategic objectives. The four strategic objectives with the best contributions (medium) were: raise the quality of infrastructure and urban development, reduce transaction costs in the economy, and improve the international positioning of goods produced in Colombia (strategic objective 3); raise the quality of expenditure and public investment management capacity at all levels of government (strategic objective 5); consolidate a sustainable and inclusive pension and health system (strategic objective 9); and increase equitable access to quality basic services (strategic objective 10). The country program made low contributions to the rest of the strategic objectives.

\(^{53}\) The analysis is based on a systematic review of documentation and information systems of the IDB Group, as well as information gathered by consulting with every specialist involved in the operations that were implemented (around 50) and key external counterparts in country (around 15 virtual interviews). OVE received input from the IDB Group specialists via 121 structured questionnaires for the main operations in the country program: SG and NSG loan operations, as well as IGRs and TCPs approved for amounts above US$750,000.

\(^{54}\) The contribution is assessed as “high” when there is reliable evidence that the aligned program made progress toward all the expected outcomes associated with the strategic objective. A “medium” contribution means that there were weaknesses in the progress towards some of the expected outcomes of the strategic objective or in the evidence on progress towards some of the expected outcomes of the strategic objective. A “low” contribution means that there were weaknesses in the progress towards most of the expected outcomes of the strategic objective or in the evidence on most of the expected outcomes of the strategic objective.
5.12 This analysis found some patterns in common that affected the ability of the program to achieve the established objectives. OVE found that the country program achieved the greatest contributions under the following conditions: (i) when the operations were associated with the country’s long-term policies (e.g., in health); (ii) when synergies were created within the IDB Group that promoted a cross-sector approach (e.g., services for migrants, persons with disabilities, or climate change), including the participation of the private sector (e.g., on road transportation); or (iii) when support was provided for information systems that became pillars of the reform processes (e.g., in tax administration or justice). These factors were present in various operations in the country program, including in the PBPs, which incorporated them both directly in their design and through complementarity with other investment and technical cooperation operations. For example, the PBP series were associated with long term policies that the country continued to implement,55 despite not requesting the second phases for two thirds of them.56 In contrast, the poorest contributions were associated with (i) a weak alignment of the country program (lack of coverage or feasibility of advancing the

55 According to public information, as of the date of this ICPR, at least 76% of the conditions of the second PBP for digitalization, 100% of the PBP for disability, 83% of the PBP for migration, and 93% of the PBP for integration had been met.

56 OVE analyzed the PBP series and found that the policy conditions for the initial operations had a medium or high degree of depth (see Annex V). Of the six series, only two were completed during the review period: the PBP for energy, which had launched in 2017, and the PBP for sustainable growth, completed in 2022.
objective); (ii) insufficient execution as of the close of this ICPR (either because there were delays in execution or because the operations were too new); or (iii) lack of evidence on outcomes (either because there were none or because no information was reported on them).

**Strategic objective 1: Spur innovation and development in business and agriculture**

5.13 The country program made a low contribution to the expected outcome of *increase total R&D investment (public and private)* (expected outcome 1.1), with no evidence to date that the outputs generated by the operations have produced the expected outcome. Two PBPs sought to increase use of the Internet and ICT among companies: one supported regulatory enhancements for technology and creative companies (orange economy) (CO-L1254/2020) and the other supported the enactment of two laws with intellectual property protection clauses (CO-L1233/2018). Another PBP, focused on sustainable growth, supported R&D projects for climate change mitigation (CO-L1264/2021). Lastly, four TCPs generated outputs related to capacity-building to access R&D project financing, accelerate business innovation through linkages with universities, and promote entrepreneurial skills and access to new markets for microenterprises and small businesses. The outputs generated by these operations have the potential to promote the expected outcome of increasing total R&D investment, but to date there is no evidence that they have done so. In fact, total R&D investment by the country has yet to increase and instead decreased from 0.27% of GDP in 2018 to 0.20% of GDP in 2020 (RICYT, 2022).

5.14 In contrast, the country program’s contribution to the outcome of *expand private sector access to credit* (expected outcome 1.2) was medium, driven by operations that channeled financing through public and private intermediaries. Notable among the contributions made by the operations were expanded access to long-term financing for private companies in the renewable energy sector (CO-L1161/2016), the issuance of thematic bonds with support from IDB Invest to propel the growth of green portfolios, and increased microlending with better terms (lower rates and longer maturities) for microentrepreneurs, though in smaller quantities than expected. In the adverse context created by the pandemic, a scant 50% of financing operations through financial institutions have shown evidence of total or partial progress towards their targets of increasing access to credit for the private sector. Nationwide, domestic lending to the private sector grew from 49.4% of GDP in 2017 to 54.3% of GDP in 2020 (World Bank, 2023). By scale, the IDB Group’s direct financial
contribution to this outcome would be minimal.\textsuperscript{57} However, a portion of the portfolio, particularly the operations in support of thematic bonds, had potential demonstration effects. Although the thematic bond issues began earlier,\textsuperscript{58} during the review period, the IDB Group expanded its thematic support (gender, social, green, sustainable, and orange economy bonds).

5.15 Lastly, the contribution to the outcome of increase agricultural productivity (expected outcome 1.3) was low because the country program did not focus on productivity but rather on promoting environmental sustainability. The largest operation planned for increasing agricultural productivity (CO-L1247/2022 for US$30 million) was not approved. The other operations aligned with this outcome had some smaller agricultural productivity components, but their main focus was on sustainability and the prevention of deforestation. Several small projects might be able to increase agricultural productivity in the framework of efforts to prevent additional land from being placed into agricultural production, but most were still too new for any outcomes to be observed. For example, one of these projects was working to establish a course on operations in the Sustainable Colombia Program related to productive development in the agriculture sector, but this multidonor program is still in an early stage of execution.

**Strategic objective 2: Improve the quality of education**

5.16 The country program made a low-level contribution to this strategic objective because none of the operations focused on secondary education, which was the only expected outcome (expected outcome 2.1). Several operations had education components (such as the PBP for persons with disabilities, four INVs that executed very slowly, and nearly one dozen TCPs) but none focused entirely on advancing the expected outcome set in the Bank’s country strategy, related to improving learning among secondary students.

**Strategic objective 3: Raise the quality of infrastructure and urban development, reduce transaction costs in the economy, and improve the international positioning of goods produced in Colombia**

5.17 The country program contributed to improving the quality of transportation infrastructure (expected outcome 3.1), but some projects were still in the early stages of construction, so the contribution to date was assessed as medium. The operations to
support the design and implementation of the National Logistics Policy contributed to the integration of this concept into the country’s policy agenda, while the support for the framework for public-private participation in infrastructure has produced road and river infrastructure projects. The construction of Fourth Generation (4G) highways in the framework of this regulatory mechanism was supported by IDB Invest, and although the work has not concluded, progress has been made towards the expected outcome with the delivery of the Autopista al Mar 1 and progress on partial segments as planned under other projects. Nationwide, the paved road system in good or very good condition increased from 47.19% in 2018 to 53.5% in 2022 (INVIAS, 2022). Construction of the Port of Urabá (12378-01/2019) just began in 2022 with the goal of bringing it online in 2024. Five TCPS generated knowledge and technical capacity to advance toward the goal of a national intermodal system with the rehabilitation of the rail system and river navigation,59 in addition to supporting new priorities around strengthening of the tertiary road system.

5.18 The contribution to the outcome of increase the use of urban transportation (expected outcome 3.2) was also medium, affected by cancellations and a low rate of execution. Loan CO-L1234/2018 for the first section of the Bogota metro line did not disburse during the period, and a relevant NSG operation was cancelled. As a result, the country program’s contribution during the review period was limited to support for the structuring of the operation and TCP support for the urban transportation sustainability agenda.60 In the first case, the company continued to renew its fleet, financed without the participation of IDB Invest. In the second case, there has been progress on electromobility, and to a lesser extent, on green corridors. The contribution with respect to midsized cities was limited, owing to the fact that the Strategic Public Transportation Systems (SPTS) Program (CO-L1091/2011) experienced major delays, and as of the date of this ICPR, there is no evidence that the expected outcomes have been achieved.

Strategic objective 4: Support a fiscal compact to improve State revenues

5.19 Progress has been made in several areas of support for the outcome of increase State revenues (expected outcome 4.1), but overall, the contribution has been low because the subnational focus was diluted and the rest of the portfolio either made no apparent contributions, experienced delays, or is too new. A CCLIP (CO-X1018/2014) facilitated financing to subnational entities, but

59 For example, the TCP operation CO-T1444/2018 developed a master plan as a strategy for reactivating the national railway, but there is no report as to whether this contributed to the expected outcome of improving the quality of infrastructure.

60 Loan CO-L1234/2018 for the Bogotá metro was delayed due to nationwide strikes and the pandemic; as of late 2022, no disbursements had been issued.
the INVs approved under the line were modified, reducing (by 90% in one case) its investment components for tax strengthening.\textsuperscript{61} Another INV (CO-L1164/2019) supported reform of the country’s cadastral system, but its slow rate of execution has meant that no outcomes are yet in evidence in terms of increased revenue from property taxes.\textsuperscript{62} At the national level, several INV and TCP operations supported implementation of electronic invoicing, modernization of the tax administration, and strengthening of the State’s legal defense agency.\textsuperscript{63} The evaluation of the only completed project (electronic invoicing) was unable to connect it with an increase in revenues.\textsuperscript{64} Meanwhile, the projects in execution are more recent and have also been subject to delays, so there are no outcomes to report yet. Nationally, tax revenue did not experience the growth that had been expected, due in part to the effects of the pandemic.\textsuperscript{65}

**Strategic objective 5: Raise the quality of expenditure and public investment management capacity at all levels of government**

5.20 The country program made specific contributions to the outcome of increase public management effectiveness (expected outcome 5.1); although institutional change takes time and is hard to measure, the country program did not make contributions consistent with the scope of the objective. A few operations had a comprehensive vision of public investment and expenditure, but there is no evidence that they produced results beyond their outputs.\textsuperscript{66} All the PBPs, plus one dozen INV operations and nearly 40 TCP projects, addressed various aspects of public management but not in a cohesive manner. Through these operations, the country program helped shorten administrative times at a number of government agencies, mainly through small pilot projects that drew on TCP

\textsuperscript{61} Both the first (CO-L1133/2014) and the second operation (CO-L1155/2015) under the CCLIP were executed, but no outcomes were reported in the area of fiscal improvement (and in the latter case, the corresponding components was reduced from US$20 million to US$2 million). Neither did a previous regional program for San Andrés (CO-L1125/2013) improve fiscal performance at the subnational level.

\textsuperscript{62} CO-L1164/2019 has had a slow rate of execution that is related to coordination problems between its four co execution units, as well as problems with hiring an NGO in accordance with IDB rules on prior consultations with communities.


\textsuperscript{64} According to the final project evaluation commissioned by the government, based on available data [to date], no connection can be made between the introduction of electronic invoicing and an increase in tax revenues.

\textsuperscript{65} According to the latest data available at the time of preparation of this ICPR, from the IMF (2022b), between 2018 and 2020, national revenue dropped from 14.52% to 14.05% of GDP and subnational revenue only grew from 2.63% of GDP to 2.77% of GDP.

\textsuperscript{66} For example, the Program to Strengthen Public Sector Strategic Management Capacities (CO-L1243/2019) only reports training sessions for personnel.
resources. It also helped improve management at various agencies for the inclusion of Venezuelan migrants in the school system and job market. It contributed to improvements in the environmental sector through better management of information on deforestation, analysis of protected areas, and development of a climate change agenda. It also contributed with analytical inputs to improve the management of social programs by strengthening their targeting mechanisms, but it is still too soon to observe results. To measure progress towards the objective, the Bank’s country strategy proposed aggregate indicators that turned out to be difficult to monitor and implement.

5.21 The country program also contributed to improve State accountability, transparency, and reporting mechanisms (expected outcome 5.2). The country program contributed to improve the transparency of public investment projects, increasing the proportion that have complete information available online for public consultation. It also contributed to better management of information in the mining and energy sector, with an agreement to share data between sector entities and a platform that concentrates relevant information from various entities. The Bank also made contributions to improving the regulatory quality of information and communications technologies and creative industries, as well as regulatory enhancements to promote the participation of the private sector in climate change and energy sector projects. Other more recent regulatory improvements (e.g., to promote competitiveness) have not yet produced results. Support was also provided for the State control system, but in general the expected targets were not met. Lastly, the Bank supported diagnostic assessments and studies to strengthen public policy accountability and citizen participation mechanisms.

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67 The time that it takes municipal officials to verify investment project requirements was shortened (from 14 days to less than 1 day), as were medical care times in a pilot project at the National Cancerology Institute (45% reduction), response times to citizen complaints about health services filed with the Office of the Ombudsman, as part of a pilot initiative (reduction between 40% and 50%), and the time it takes for the National University of Colombia to hire consulting services (from 36 days to 4 days).

68 The Bank’s country strategy selected the World Bank’s composite indicators on government effectiveness, control of corruption, voice and accountability, and regulatory quality. Each of these indicators remained virtually unchanged during the review period. Although there were slight increases in indicator values, the confidence intervals between the baseline and the most recent value (2021) overlap substantially, so the changes cannot be regarded as significant based on the methodological guidance (World Bank et al., 2022; Kaufmann et al., 2010).

69 The percentage of recommendations for control actions implemented by public agencies increased from 69% to 79%, below the target of 100%. The results achieved in terms of improving the quality of control actions also fell short of the target (75% met both in financial auditing and enforcement). Neither did the improvement in the rate of response to public complaints and grievances meet the target (increase from 45% to 80%, but the target was for 100%), according to the project completion report for CO-L1154/2015.
Strategic objective 6: Increase the efficiency and quality of justice

5.22 The contribution to the outcome of *improve the quality of justice* (expected outcome 6.1) was low because either the operations are too new or there is no evidence on results. The operations to support the digital transformation of justice are new (first year of execution) and not yet reporting results, although outputs related to the development of knowledge, methodologies, dissemination, and training for digital transformation have been completed. Efforts to strengthen the preventive and judicial function of the Office of the Public Prosecutor of the Nation came up against execution challenges due to changes in priorities under the new administration, and while partial progress has been made on outputs, there is no evidence on outcomes. With respect to vulnerable groups, a PBP focusing on persons with disabilities (CO-L1252/2019) stands out, with policy conditions that included approval of a more inclusive legal regime that would allow them to exercise their legal capacity and publication of a tool to improve their access to justice. However, the operation is not yet reporting development outcomes. The second loan in the PBP series has not been approved, but OVE confirmed that all conditions precedent had been met by the country. At the national level, no progress was in evidence towards the indicator selected in the Bank’s country strategy (Judicial Independence Index).

Strategic objective 7: Continue to reduce poverty and eliminate extreme poverty

5.23 The country program’s contribution to this strategic objective was low due to the lack of focus on the sole expected outcome of reduce extreme poverty (expected outcome 7.1). The country program had operations that tackled poverty indirectly by promoting the socioeconomic integration of specific groups (e.g., persons with disabilities or the migrant population). However, only three TCP operations addressed the issue directly. These TCP operations have generated relevant outputs, but no there is no evidence that they contributed to the expected outcome. Nationwide, extreme poverty rose from 8.2% in 2018 to 12.2% in 2021 (DANE, 2021a), mainly as a result of the pandemic.

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70 Two of them (CO-T1418/2017 and CO-T1506/2020) generated analytical inputs for optimization and better use of the registry of beneficiaries of social programs (SISBEN), but no evaluation has been conducted to determine what effect the changes promoted by these tools (improved intergovernmental coordination and enhanced information systems and targeting mechanisms) have had on poverty. Another TCP operation (CO-T1577/2020) facilitated the design of a subsidy for people living in extreme poverty in response to the COVID-19 pandemic, through bimonthly transfers of around US$25, as a value added tax rebate, to some two million eligible households.
Strategic objective 8: Reduce informality in the economy

5.24 The country program’s contribution to the expected outcome of reduce informal employment (expected outcome 8.1) was low because execution of the main related operation was delayed. The Program to Strengthen Employment Policies (CO-L1250, CO-G1018, and CO-J0010), approved in 2019, is still in the early stages of execution, so its contribution is thus far limited.\(^{71}\)

The portfolio that supported specific vulnerable population is also showing few results. The PBP CO-L1252/2019 promoted a strategy for the workforce inclusion of persons with disabilities and institutional guidelines to govern the dismissal of persons with disabilities. Similarly, another operation (CO-L1272/2021 and CO-J0014/2021) helped facilitate the workforce inclusion of the Venezuelan migrant population, through a bilateral agreement to facilitate the validation of their higher education degrees and a mechanism to recognize the skills of women providing childcare.

None of the PBPs have yet reported development outcomes, but the counterparts interviewed by OVE indicated that the inclusion policies have been integrated into the Public Employment Service and the Ministry of Labor.\(^{72}\) In addition, there were TCP operations that supported specific vulnerable populations.\(^{73}\) Nationally, the population employed in the informal sector fell from 48.2% in 2018 to 45.6% in July 2022.

Strategic objective 9: Consolidate a sustainable and inclusive pension and health system

5.25 The country program made a medium-level contribution to this strategic objective and was skewed towards health (expected outcome 9.2), with less support for pensions (expected outcome 9.1). Significant contributions were made to the outcome of increase health system coverage (expected outcome 9.2). Two PBP operations and one LBR were designed to increase healthcare coverage for immigrants and persons with disabilities. The project documents report that these operations promoted an increase in healthcare coverage on the order of 1% through coverage improvements for those vulnerable groups. In addition, various INV, TCP, and IGR operations sought to improve access to health services at the subnational level, system sustainability, preventive care, and access to health services in the context of

\(^{71}\) The main outputs of the program are expected to be three information management systems: on qualifications, management, and information for the Public Employment System. In November 2022, the executing agency reported that design of the systems was complete and studies and processes to implement the systems were under way.

\(^{72}\) Skills certification initiative led by the Ministry of Labor. See Mintrabajo (2022).

\(^{73}\) Those that have executed provided support to the Ministry of Labor and nonprofit foundations in the form of job training programs, generating theoretical knowledge (CO-T1377/2014, with impact evaluations of job creation interventions) and practical knowledge (CO-T1509/2019, with manuals and support for the design and management of active employment policies).
the pandemic. As of September 2022, a total of 855,956 migrants were enrolled in the general health system, and 6,565 births were delivered by women not enrolled in the system. Meanwhile, the country program’s contribution to the outcome of increase pension system coverage (expected outcome 9.1) was small. Two TCP operations (CO-T1356/2015 and CO-T1474/2018) provided support in the form of studies to improve the employment file monitoring system and oversight of the pension system. In contrast to the IDB’s contribution, pension coverage increased significantly throughout the country.

**Strategic objective 10: Increase equitable access to quality basic services**

5.26 The country program made a medium level contribution to this objective, with gaps in evidence in terms of its effects on the outcome of *increase electricity coverage among rural households* (expected outcome 10.1). Around 51% of Colombia is not served by the National Interconnected System. One PBP supported reforms to promote access to energy in off-grid areas (ZNI) through the use of nonconventional sources of renewable energy. Another PBP, complemented by a TCP, made important regulatory strides, reporting an increase in installed capacity from 9 MW to 21.3 MW in off grid areas. Although this capacity has presumably resulted in expanded service for new customers, there is only partial information on coverage improvements. Another relevant INV operation (CO-L1156/2015) experienced considerable delays due to security problems. The project team reported to OVE that over 7,000 rural households were beneficiaries of microgrids, solar-diesel hybrid generation systems, and individual solar photovoltaic systems. Another INV operation in the San Andrés region, which did not have electricity coverage as an area of focus, reported benefiting 10 public entities with access to electricity (CO-L1119/2016). Despite these advances, a large portion of the country program for specific regions is behind schedule. For its part, IDB Invest

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74 In addition, there were indirect contributions to expanding access to diagnostic malaria tests in rural areas. In others, there are output level results that are not directly related to expected outcome 9.2, such as increasing diagnostic capacity for COVID-19, as well as supporting the development of samples, surveys, and other tools for monitoring the pandemic (CO-G1028/2020).

75 The TCPS are focused on delivering mechanisms to navigate the financial challenge posed by reforms of the SGSSS and the Statutory Health Law. Support is also provided to modernize the management of employment histories and strengthen oversight systems through information management and data sharing.

76 These include the creation of a registry of power generation projects using nonconventional sources for off grid areas (ZNI), the structuring of the first PPP project to serve ZNIs, and adoption of the guidelines set forth in the 2018-2031 National Rural Electrification Plan.

77 The DNP and the Institute for the Planning and Promotion of Energy Solutions for Off grid Areas (IPSE) report expanded coverage associated with the reforms (but no direct mention is made of the PBP contribution). See DNP (2022) and IPSE (2022).
supported the installed capacity of the national system, but this was directed at areas that were already connected to the grid, so there was no contribution made to expanding coverage. Nationwide, electricity coverage for rural households worsened slightly, falling from 90.4% in 2018 to 89.1% in 2021 (DANE, 2022).

5.27 The country program’s contribution to the outcome of increase water coverage among rural households (expected outcome 10.2) was low, mainly on account of problems with execution and gaps in evidence. The only outcomes reported in relation to expanded coverage correspond to a relatively small legacy operation (CO-L1105/2012), which has reported that the project benefited 46,177 residents by providing access to basic water and sanitation services in remote rural areas. Several subsequent INV operations, for larger amounts, such as the programs for the San Andrés Archipelago (CO-L1125/2013), the Pacific region (CO-L1156/2015), and La Guajira (CO-L1242/2020), report outputs that include prefeasibility studies, as well as purification and sanitation works, but none are reporting expanded coverage of safe drinking water services. Something similar is happening with the INV operations under a CCLIP with Findeter to finance public works at the subnational level. All these INV operations have reported significant delays and execution problems, including security challenges related to the presence of armed groups and delays caused by the pandemic. Nationwide, the percentage of households with access to public water remains constant, at 86.9% in 2018 and 87.2% in 2021 (DANE, 2022).

78 Some TCP operations generated outputs, such as trainings related to institutional strengthening and technical support for solutions in remote areas (e.g., CO-T1556/2020 and CO-T1555/2020), but there is no evidence that this has translated into expanded coverage.
06

Conclusions
6.1 Although most of the review period was affected by a global pandemic that could not have been anticipated when the 2019-2022 country strategy was being prepared, the IDB Group managed to adapt its support without overlooking the initial objectives of the country strategy, which continued to be relevant. In 2019, the previous country program evaluation (CPE) recommended that the IDB Group should find new forms of commitment with the country, in the context of broader access to the capital markets. The pandemic stalled efforts in this regard, and the country continued to solicit the IDB’s support primarily through PBPs (83% of disbursements for the period). In keeping with the country’s prudent macroeconomic management, even after the pandemic the schedule of disbursements planned for the period was preserved (with a moderate acceleration in 2020-2021) and continuity of support for long-term policy agendas was maintained (by the country itself, even after some of the second tranches of PBPs failed to materialize). In addition, there was a 65% increase in financing from IDB Invest (including financing in local currency, for PPP projects, and thematic bond issues), the rapid approval of nearly US$150 million in unplanned nonreimbursable operations, and the attraction of nearly US$200 million in cofinancing (including concessional funding from global multidonor mechanisms).

6.2 Colombia’s experience suggests a potential lesson about how to be flexible around short-term priorities without neglecting long-term objectives. Given the urgency created in the short term by the pandemic, the IDB Group demonstrated flexibility and was able to support Colombia’s response with 27 operations totaling US$1.831 billion (nearly 25% of the program). The government counterparts cited this adaptability, which was not achieved in detriment to support for the country strategy objectives. The operations incorporated the pandemic into their design as an element to address but did so alongside other elements aligned with the country strategy objectives that represented the long-term needs of the country. Although it is still too early to observe the results of this combination in terms of the contribution to the country strategy objectives, it does offer a possible lesson about how to balance the necessary short-term flexibility without diverting the institution’s attention from the country’s larger development problems.

6.3 The country strategy was relevant but limited by its lack of selectivity. The 2019-2022 country strategy established objectives that were relevant, based on the IDB Group’s diagnostic assessment (CDC, 2018), and aligned with national priorities. However, the country strategy was not very selective, failing to set priorities based on the comparative advantages and capacities demonstrated by the IDB Group, and some objectives were overly
broad and general (e.g., “eliminate extreme poverty”). In practice, the five crosscutting themes identified in the country strategy functioned as quasi objectives, further widening its scope.

6.4 There were design weaknesses with the country strategy in terms of its evaluability and risk mitigation mechanisms. In the country strategy’s results matrix, the vertical logic between some objectives and their expected outcomes was weak. Furthermore, the matrix does not appear to have been used as a monitoring tool: there were significant changes in the baseline values for some indicators that were not reported, and the fact that the evolution of some indicators could not be updated was never notified during the review period. Neither was matrix monitoring information reported in the country program documents (CPD) as required by the Country Strategy Guidelines (document GN-2468-9). Regarding risk mitigation, the country strategy proposed that program execution risks would be mitigated by execution of parts of the program itself. Beyond the gaps in logic of this mitigation proposal, the timing was not right since the operations tend to have long maturation processes and would not materialize in time to mitigate the risks.

6.5 The IDB Group engaged in an effective dialogue with the government, as reflected in its outstanding programming capacity, yet there were still weaknesses in the program’s alignment with the country strategy objectives. The relatively high anticipation of the IDB Group’s annual programming for Colombia stands out: 100% of planned PBPs and 86% of planned INVs were approved (which compares favorably with a rate of about 50% in other countries). But this did not allow it to deploy a program that could feasibly advance all the country strategy objectives. A number of operations that were key in terms of alignment with certain objectives failed to materialize (e.g., in agriculture and pensions). In other cases, the operations were not focused on meeting the strategic objectives and expected outcomes described in the country strategy (e.g., in poverty or education). These problems led to a weak alignment with 4 of the 10 strategic objectives.

6.6 Three factors supported the country program’s contribution to the objectives, while another three worked against it. The country program’s association with the country’s long term policies, synergies within the IDB Group that promoted a cross sector approach (including the participation of the private sector), and support for information systems, which became reform process pillars, contributed to the progress made toward the country strategy objectives. However, the country program’s contribution to over half of the objectives was low. This was associated with alignment weaknesses, execution problems with investment
projects, and modifications that withdrew a portion of the planned support for the objectives (e.g., subnational fiscal management). The execution problems identified in previous strategy periods persisted in this period, particularly at the subnational level and in relation to procurements. The lack of evidence on outcomes also made it hard to observe contributions during the period. In some cases, operations were too new to reasonably expect results, but there were also mature operations that did not provide evidence of contributions to the objectives.
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