

**PROGRAM INFORMATION DOCUMENT (PID)**  
**ROC STAGE**

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|---|---|
| <b>Operation Name</b>                   | Second Programmatic Productive & Sustainable Cities Development Policy Loan   |
| <b>Region</b>                           | LATIN AMERICA AND CARIBBEAN   |
| <b>Country</b>                          | Colombia  |
| <b>Sector</b>                           | Urban Transport (30%);Sub-national government administration (30%);General transportation sector (15%);Rural and Inter-Urban Roads and Highways (15%);Housing finance (10%) |
| <b>Operation ID</b>                     | P145766   |
| <b>Lending Instrument</b>               | Development Policy Lending  |
| <b>Borrower(s)</b>                      | REPUBLIC OF COLOMBIA  |
| <b>Implementing Agency</b>              | Ministry of Finance and Public Credit<br><br>Carrera 7 No. 6-40<br>Bogotá D.C.<br>Colombia<br>Tel: (57-1) 381-1700<br>lmondrag@minhacienda.gov.co                           |
| <b>Date PID Prepared</b>                | September 14, 2014  |
| <b>Estimated Date of Appraisal</b>      | September 26, 2014 (TBC)  |
| <b>Estimated Date of Board Approval</b> | November 20, 2014   |
| <b>Corporate Review Decision</b>        | TBD   |

## **I. Country and Sector Background**

1. **Colombia continues to consolidate its position as one of LAC's strong performers, with stable economic growth, low inflation, and decreasing unemployment.** As a result of an enhanced macroeconomic framework, a commodity price boom, and better security conditions, Colombia weathered the global crisis robustly and has grown at high rates since. While emerging markets observed a growth slowdown throughout 2013, Colombia finished 2013 with a solid growth performance -above the regional average- led by domestic demand.<sup>i</sup> In particular, boosted by a pickup in construction, financial and retail activity, economic growth increased during the last quarter of 2013 to reach an estimated annualized figure of 4.7 percent. Additionally, unemployment dropped to a record low of 9.4 percent in July-September, the lowest third-quarter figure since the series was established, finishing the year average at 9.6 percent. Inflation also reached a 50 year record low in 2013, as prices increased 1.94 percent year on year, slightly below the Central Bank's target range (2% to 4%). In the first quarter of 2014, the Colombian economy grew 6.4%y/y -above market expectations of 5.2%y/y- driven by increased infrastructure works on the supply side, and expansions in gross capital formation on the demand side.

2. **Colombia has benefitted from sustained economic growth and poverty reduction.** Between 2002 and 2012, Colombia experienced steady and strong economic growth, with an annualized growth rate of real Gross Domestic Product (GDP) per-capita averaging 3.2 percent. Over the same period, Colombia also managed to attain an impressive decline in the prevalence of moderate, extreme, and

multidimensional poverty. In fact, between 2002 and 2013, the number of poor people in Colombia declined from 19.96 to 13.99 million (Refer to Figure 1). Yet this decline was not evenly distributed; the large urban areas<sup>ii</sup> experienced a sharper reduction in poverty in relative terms, indicating that lower poverty rates are highly correlated with agglomeration effects. The Multidimensional Poverty Index (MPI) declined from 49 percent in 2003 to 27 percent in 2012. In terms of sharing the benefits of economic prosperity, particularly during the second half of the decade, from 2008 to 2012, Colombia's less well-off people benefitted more from growth than the average person, which resulted in important improvements in shared prosperity. In particular, real income per capita of the bottom 40 percent grew at 7.9 percent, while the mean growth rate was about 5.2 percent.<sup>iii</sup>

**3. Cities have played and will continue to play a very important role in continued poverty reduction and shared prosperity. The program's objective will directly contribute to advance this agenda.** Colombia is a predominantly urban country, and urban activities have been important contributors to economic growth. More than 75 percent of Colombians live in cities, where 85 percent of the country's GDP is generated. Despite the lower rate of poverty in urban areas vis-à-vis rural areas, the relative size of the urban population still makes the urban poor an important target to reduce overall poverty. As of 2012, urban areas housed more population in moderate and extreme poverty (12 million) than rural areas (7.4 million). Hence, although the poverty rate is 40 percent higher in rural areas compared to urban areas, the number of people affected by a 1 percent reduction in the urban poverty rate is 68 percent higher than the same change in the rural poverty rate. Urban areas are also today more unequal than rural areas.<sup>iv</sup>

## **II. Operation Objectives**

**4. The proposed operation builds upon the reforms undertaken by the GoC and supported under the first Productive and Sustainable Cities DPL; and as such, it is structured around the same policy areas and medium term objectives.** The objective of the Program is to support the strengthening of the GoC's policy framework on productive, sustainable and inclusive cities. In line with priorities set by the Government, this Second Programmatic Productive and Sustainable Cities DPL will support the implementation of reforms in four key areas: (a) sustainable and inclusive cities; (b) access to affordable housing; (c) institutional strengthening and regional coordination; and (d) connectivity across urban system and regional infrastructure financing. Specifically, the program will support policy and regulatory reforms, within the four key areas mentioned above, that correspondingly aim to: (a) introduce a policy framework to strengthen urban and metropolitan management, address the externalities created by increased motorization and improve urban transport service provision, and mitigate vulnerability to natural disasters for the urban poor (Policy Area 1); (b) promote the provision of affordable and safe low-income housing solutions (Policy Area 2); (c) strengthen the ability of subnational entities to coordinate and finance the structuring and implementation of regional and metropolitan development initiatives (Policy Area 3); and (d) improve the productivity of the system of cities through improved connectivity within the network of cities and between cities and ports to external markets (Policy Area 4).

**5. The first loan under the Program recognized initial steps towards achieving the PDO through strengthening of the legal and institutional framework and through the adoption of measures to increase access to basic services, affordable housing, transport infrastructure and amenities for urban residents.** After the first operation, the Bank and Government continued to work closely through an extensive analytical dialogue included within the Sustainable and Productive Cities Programmatic Approach. This close collaboration, in addition to the *Mision del Sistema de Ciudades* set the ground for a next generation of reforms and allowed the identification of relevant policy triggers for the second DPL, that -although not originally identified during the first operation-, are key to deepen and consolidate the path towards productive, sustainable and inclusive cities. As a result, three of the eight

indicative triggers identified during preparation of the first loan have been revised to reflect deepened understanding of key bottlenecks and alternative significant reforms taken by the GoC.

6. The policy areas supported by this DPL and respective strategies, prior actions and indicators are described in detail in the table below:

| <i>Prior Actions</i>  | <i>Expected Results</i>  |
|---|--|
| <b>Policy Area 1— Sustainable and Inclusive Cities:</b> The objective is to introduce a policy framework to strengthen urban and metropolitan management, address the externalities created by increased motorization and improve urban transport service provision, and mitigate vulnerability to natural disasters for the urban poor.  |  |
| <b>Prior Action 1:</b> The Government, through National Economic and Social Policy Council (CONPES), has approved a multi-sector policy framework based on the ‘system of cities’ approach to strengthen their efficiency and sustainability, as evidenced by the Government’s CONPES document No. [xx] of [xx], 2014. <b>To be Approved September 2014.</b>                            | <b>Indicator:</b> Formulation of a system to generate data on key economic indicators and basic statistics for the ‘System of Cities’ framework established. [Baseline = [0]/ Target = [1] (December 2015)].<br><br>Responsible Entity: Ministry of Transport & DNP.   |
| <b>Prior Action 2:</b> The Government, through MT, has issued a regulation for cities to adopt congestion or environmental charging schemes and earmark the revenues collected to improve public transit, as evidenced by the Government’s Ministerial Decree No. 2883 of December 11, 2013, duly published in the Government’s Official Gazette on December 11, 2013.                  | <b>Indicator.</b> Number of conceptual designs or feasibility studies supporting travel demand management policies, including formulation of congestion charging schemes, parking, and non-motorized transit, in cities with population greater than 300,000. [Baseline = [0]/ Target = [2] (December 2015)]<br><br>Responsible Entity: Ministry of Transport & DNP. |
| <b>Prior Action 3:</b> The Government, through MT, has set up a national technical standard for Electronic Vehicular Identification Systems (REV projects, or <i>Proyectos de Recaudo Electrónico Vehicular</i> for its Spanish acronym), as evidenced by the Government’s Decree No. 2846 of December 6, 2013, duly published in the Government’s Official Gazette on December 6, 2013 |  |
| <b>Prior Action 4:</b> The Government, through MVCT, has issued a Resolution that mandates municipalities to use a standardized methodology to collect information for the development of a National Inventory of Settlements in High Risk Areas (NISHRA), as evidenced by Resolution 0448 dated July 17 <sup>th</sup> , 2014.  | <b>Results Indicator.</b> Number of training sessions provided by MVCT and other national entities to municipalities for the formulation of the inventory of settlements in high risk areas. [Baseline = [0]/ Target = [50] (December 2015)]<br><br>Responsible Entity: MVCT.  |
| <b>Policy Area 2— Access to Affordable Housing:</b> the objective is to promote the provision of affordable and safe low-income housing solutions   |  |
| <b>Prior Action 5:</b> The Government, through CONPES, has increased support for affordable and secure housing for the urban poor as evidenced by the approval of the affordable housing with voluntary savings Program ( <i>Programa de Vivienda de Interés</i>  | <b>Results Indicator.</b> Number of low income families with access to affordable and safe housing solutions as a result of the new housing scheme for voluntary savings (VIPA) [Baseline = [0]/ Target = [86,000] (December 2015)]  |

|  |  |
|--|--|
| <i>Prioritario para Ahorradores – VIPA</i> ), as evidenced by the Government’s CONPES Document No. 3746 of May 20, 2013  | Responsible Entity: MVCT   |
| <b>Policy Area 3— Institutional Strengthening and Regional Coordination:</b> the objective is to strengthen the ability of subnational entities to coordinate and finance the structuring and implementation of regional and metropolitan development initiatives.   |  |
| <b>Prior Action 6:</b> The Government has strengthened the legal framework for coordination of metropolitan areas as evidenced by the Government’s update of the Metropolitan Areas Law No. 1625 of April 2013, duly published in the Government’s Official Gazette on April 29, 2013.   | <b>Results Indicator.</b> Number of regional Contract Plans signed between territorial entities with development objectives that benefit lower-income segments. [ <i>Baseline</i> = [7]/ <i>Target</i> = [10] (December 2015)]<br><br>Responsible Entity: DNP                              |
| <b>Policy Area 4— Urban Connectivity and Regional Infrastructure Finance:</b> the objective is to improve the productivity of the SoC through improved connectivity within the network of cities and between cities and ports to external markets.   |  |
| <b>Prior Action 7:</b> The Government has improved the planning and regulatory capabilities in the transport sector with the creation of the Transport Planning Unit and the Transport Regulatory Commission as mandated by the Government’s Law No. 1682 of November 27, 2013, duly published in the Government’s Official Gazette on November 27, 2013, and established by the Government’s Decrees No. 946 and 947 of May 21, 2014, both duly published in the Government’s Official Gazette on May 21, 2014: | <b>Results Indicator</b> Transport Planning Unit and Regulatory Commission have functional areas and are staffed [ <i>Baseline</i> = [0]/ <i>Target</i> =[The two agencies have functional areas and are staffed] (December 2015)]<br><br>Responsible Entity: Ministry of Transport & DNP. |
| <b>Prior Action 8:</b> The Government, through CONPES, has approved the policy for Colombia’s Fourth Generation of Road Concessions, as evidenced by the Government’s CONPES document No. 3760 of August 20, 2013  | <b>Results Indicator.</b> Number of PPPs structured with signed contracts and financing frameworks in place under the 4G Program. [ <i>Baseline</i> = [4]/ <i>Target</i> = [8] (December 2015)]<br><br>Responsible Entity: Ministry of Transport (ANI).                                    |

### III. Rationale for Bank Involvement

7. **The proposed operation is fully aligned with the Colombia National Development Plan 2010-2014<sup>1</sup>, which explicitly identifies a ‘livable cities’ pillar as one of five key drivers of sustainable and inclusive growth.** The operation is fully consistent with the 2012-2016 Country Partnership Strategy, particularly the Sustainable Growth with Enhanced Climate Change Resilience theme, which explicitly references the challenges of fostering sustainable and productive cities as amongst Colombia’s most pressing development challenges. In addition, the proposed operation includes a series of measures that support the Inclusive Growth with Enhanced Productivity theme. These policy reforms aim to enhance the regional connectivity of Colombia’s inter-urban road network, reduce transport costs and enhance the competitiveness of Colombia’s urban system. The program’s objective directly contributes to poverty reduction and shared prosperity agendas. The proposed policies enable more equitable access to

<sup>1</sup> The National Development Plan was formulated during President Santos’s first term. It is expected that during his second term, initiating August 2014, the President will support policies underpinning the concept of livable cities.

economic and social opportunities for urban citizens, allowing the benefits of urbanization and growth to be shared more widely.

8. **The proposed DPL also complements the Bank’s long-term partnership with the GoC on fostering sustainable, productive and inclusive cities and directly contributes to the twin goals of reduced poverty and shared prosperity.** The DPL is part of a strategic, programmatic and multi-sectoral engagement, which is condensed in the Productive and Sustainable Programmatic Knowledge Services (PKS) that is currently being supported through a portfolio of financial, knowledge and convening services.

#### IV. Tentative financing

|   |        |
|---|--------|
| Source:   | (\$m.) |
| Borrower  | 0      |
| International Bank for Reconstruction and Development | 500    |
| Borrower/Recipient                                    |        |
| IBRD  |        |
| Others (specify)                                      |        |
| Total   | 500    |

#### V. Tranches *(if applicable)*

9. The US\$500 million DPL will be disbursed once the operation goes into effect and is contingent upon the Government’s completion of prior policy actions.

#### VI. Institutional and Implementation Arrangements

10. **The preparation of this operation is being led by the National Planning Department, with participation from the Ministry of Transport and the Ministry of Housing, City and Territory.** These agencies will be responsible for the overall implementation of the proposed operation, and for reporting on progress.

11. **The Program outcomes will be monitored through the measurement of the indicators included in the policy matrix.** The indicators seek to assess progress towards the implementation of the reforms supported by the proposed DPL and will be evaluated one year following the disbursement of the Loan.

#### VII. Risks and Risk Mitigation

12. **Political and Governance Risks.** The June 2014 presidential elections resulted in the reelection of president Santos, which guarantees the continuity and implementation of the proposed reforms. These reforms also resonate with several stakeholder groups and public constituents, so strong support for implementation is expected.

13. **Macroeconomic Risks.** The GoC faces significant fiscal pressures associated with increasing expenditures on several on-going commitments in security, infrastructure and support to the agriculture. Likewise some of the country’s main sources of revenue, which continue to be related to the oil and mining sectors, remain susceptible to macroeconomic fluctuations. Despite this, the country’s macro

resilience, its strong economic growth and the absence of significant domestic or external imbalances help shore up stability.

**14. Institutional & Implementation Risks.** The ‘System of Cities’ CONPES will require the important buy in of several ministries and agencies and municipalities, which implies a coordination risk. Moreover, implementation of the specific activities or programs mandated in the CONPES –which will be multi-sector in nature - will carry additional coordination and implementation risk. Mitigation measures include prioritizing reforms where institutional capacity is considered greatest, focusing on reforms that have been demonstrated to occupy a central importance to the targets and objectives of implementing agencies and focusing on reforms where the Bank has in place active complementary engagements that include support for strengthening institutional capacity (for instance, via the PKS engagement). Implementation risk is also relevant for the proposed mobility reforms and regional connectivity agenda. In particular, revamping of capacity at the local level will be key to achieve implementation of congestion charging zones in urban areas. In this respect, continuing with knowledge transfer and sharing of international experience will be crucial to mitigate these risks (the Productive and Sustainable Cities PKS can be used as a platform for this support). Finally, institutional and coordination risk is highly relevant for the housing programs. Housing policy has been at the forefront of the Santos administration and several initiatives have been launched, some of which have faced implementation challenges with high visibility. This risk is mitigated partially by the fact that the program supported under the proposed loan is limited in scope (86,000 housing units) and is intended to serve as a demonstrative effort on how to achieve a more efficient provision of housing.

**15. Operational Design & Sustainability Risks.** There are risks associated with the operation of congestion charging zones and the adoption of vehicle identification devices. Stakeholders, private sector and civil society groups might also oppose the measures and delay implementation. These risks are mitigated by supporting the process with technical assistance, involving users and civil society early in the process and adequately communicating the generalized benefits of the measures, and during operation involving them in the performance monitoring process, by making all performance data public. Risks in the implementation of social housing programs are related to the appropriate targeting of beneficiaries and lack of financial information/education from potential beneficiaries. Mitigation measures include the use of well known, objective eligibility criteria (SISBEN and Unidos<sup>2</sup>) and linkages to complementary World Bank engagement to improve the management of targeting systems, and the establishment of social working groups to provide information, channel consultations and manage expectations from potential beneficiaries.

**16. Environmental and social risks.** The Infrastructure Law aims to streamline and standardize land acquisition and environmental licensing processes in transport infrastructure projects. The new streamlined procedures may generate a risk in which vulnerable people might consider these processes to reduce their space of participation. Notwithstanding, the adoption of full-replacement cost methodology for property valuation, the requirement of Social Management Plans in large road and urban transport projects, and Colombia’s renowned and stable framework for consultation and grievance redress mechanisms, are effective tools to mitigate the associated risks that the poor and more vulnerable groups may face.

## **VIII. Poverty and Social Impacts and Environment Aspects**

**17. The initial findings of the poverty and social impact assessment suggest that the GoC’s policies supported by this DPL will have a positive impact on growth, will lead to monetary and**

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<sup>2</sup> SISBEN is Colombia’s National identification system for the poor and potential beneficiaries of social programs.

**multidimensional poverty reduction, and will boost shared prosperity.** Annex 6 includes the Poverty and Social Impact Assessment.

18. **The policies supported by the ‘System of Cities’ CONPES Document (Prior Action 1) are in accordance with best practices in urban development, and have the potential to create a virtuous cycle that promotes growth and the welfare of Colombians.** Urban economic theory suggests that the concentration of economic activities in cities encourages the sharing (sharing of local public goods, gains and risks of ), matching (increasing the chances of successfully matching employees to firms according) and learning (creation of knowledge and its diffusion) effects<sup>v</sup>, which lead to a virtuous cycle, and generates positive regional concentration externalities or agglomeration economies.<sup>vi</sup> The improvements in institutional coordination across and within cities proposed in the CONPES are expected to increase their connectivity and functionality and therefore enhance their competitiveness and the efficiency of their labor markets (i.e. improvements in labor market matching outcomes). Also, improvements in access to infrastructure supposed by the implementations of a multi-sector policy framework are expected have a direct and positive impact on the economy and on the welfare of Colombians by boosting investment and employment, particularly in the construction and service sectors, and improving the quality of life of residents, particularly the poor (i.e. improve the supply of quality services).

19. **The Congestion Charging Decree (Prior Action 2) and the Vehicular Identification Decree (Prior Action 3) are expected to benefit poor households and the bottom 40 percent in at least two ways: by decreasing congestion which is largely regressive, and improving public transit and non-motorize modes.** As previously mentioned, the negative externalities created by higher motorization and congestion disproportionately affect the poor. In the short-term, a reduction in congestion generated by this scheme has the potential to reduce commuting times for the poor<sup>vii</sup> and transport-related pollution (associated with respiratory diseases) and road fatalities. In the medium-term benefits are related to improvements in public transit service provision (coverage, connectivity and integration of urban transport) resulting from the reinvestment of revenues collected in the congestion charging scheme. The proposed scheme is also less restrictive than the current license plate restriction scheme (*Pico y Placa*<sup>viii</sup>) that is in place in Colombia’s largest cities, particularly for those individuals that use a car for their daily economic activity, as it allows vehicle owners to choose whether to circulate or not according to their perceived economic benefit or their willingness to pay for using a private car.

20. **The poverty and social impacts of the municipal adherence to standardized methodology for identifying municipal inventory of at-risk human settlements (Prior Action 4) will be assessed as the team moves forward with preparation.** Since inclusion of this prior action is still being discussed with GoC, further assessment of this policy from a poverty and distributional perspective was not included in this draft of the Project Document.

21. **The Affordable Housing with Voluntary Savings (VIPA<sup>ix</sup>) program (Prior Action %) is expected to directly benefit the poor and the bottom 40 percent.** In particular, increasing the availability of affordable homes will benefit the bottom 40 percent of the income distribution<sup>x</sup> not only by increasing their access to safe shelter, but also by increasing their access to services, such as water, sanitation, and electricity, thus leading to net monetary and multidimensional poverty reductions. Increasing the availability of affordable homes will also allow low-income beneficiaries to access a relatively low-risk financial investment otherwise inaccessible to them, to increase their disposable income and thus their consumption, leading to a reduction of poverty and social inequalities in the country. Additionally, the increased demand for construction services implied by VIPA is expected to result in the creation of jobs<sup>xi</sup>; as it has been widely recorded that the introduction of affordable housing policies in developing countries reduce urban poverty indices and boosts the activity of the construction

sector creating more jobs that are likely to benefit the less well-off during and after the implementation of the program.<sup>xii</sup>

22. **A framework that establishes coordination and information sharing mechanisms, such as the Metropolitan Areas Law (Prior Action 6) is crucial to guarantee that the urbanization process brings positive outcomes, particularly for the poor.** With increased urbanization, it is crucial to establish coordination and information sharing across jurisdictions and administrative boundaries to ensure that resources are managed effectively and service delivery is both adequate and efficient.<sup>xiii</sup> Because the poor are usually the most effected by lack of coverage or low quality service delivery<sup>xiv</sup>, ensuring that there is coordination mechanisms in urban areas will likely benefit them. Furthermore, the planned development of metropolitan areas in Colombia will expand the possibilities of economic agents to both access services and reach employment centers at minimum costs.

23. **The Infrastructure Law and the 4G CONPES (Prior Action 7 & 8) will bring about positive outcomes for the poor and the bottom 40 percent, by creating jobs, reducing travel times and vehicle operating costs, and promoting regional convergence.** The Government estimates that the program will create 180,000 to 450,000 jobs, generate travel time savings of around 25%-46% and reduce vehicle operating costs by approximately 16%-30% between Colombia's major urban centers. These outcomes, may have a direct effect on food prices in different regions based on a pure-pass through (or % discount) of the travel/operation savings for roads connected to this region, which the team is trying to calculate for a further draft of the Project Document. Also, preliminary analysis on regional convergence suggests that improvements in connectivity will lead to economic growth in previously isolated areas.

24. **The Infrastructure Law, with its new streamlined procedures, creates some risks for the poor and vulnerable, but it also calls for the adoption of a more robust property appraisal methodology for the estimation of resettlement compensations.** The Infrastructure Law aims to streamline and standardize land acquisition and environmental licensing processes in transport infrastructure projects. The new streamlined procedures may generate a risk in which vulnerable project affected people might consider these processes to reduce their space of participation, particularly if they have complaints or disagreements with the property valuation. Notwithstanding, the Law mandates for the design of a new property appraisal system, in which the appraisal method to be adopted is that of full replacement cost methodology<sup>xv</sup>, instead of market value, which is a more robust approach that takes into account other compensations (transaction costs, foregone income, etc.). This methodology is being developed by National Colombian Geographical Institute (IGAC<sup>xvi</sup>), and its roll-out will be accompanied by a capacity building and dissemination campaign with property valuers to allow commercial practices to keep up with the property and compensation procedures which are being introduced. However, the Infrastructure Law does not deal with issues related to land tenants who occupy a plot or property without a proper land title to demonstrate ownership. Nevertheless, this issue is mitigated effectively in large transport infrastructure projects being implemented by the ANI<sup>xvii</sup> or INVIAS, were most of the resettlement activities take place, since they are required to have a Social Management Plan that sets forth a strategy to deal with the management, compensatory and mitigation mechanisms in irregular land tenure cases where occupants do not possess proof of ownership. The ANI has also revamped its staffing levels and capacity with respect to social and resettlement management, to have the right competencies in place to improve management of social issues in the 4G Plan. In the urban realm, these issues are also effectively mitigated, since the National Urban Transport Program is being financed by the World Bank or the IADB, which require adoption of Social Management Plans. Lastly, Colombia also has a renowned and stable framework that guarantees a consultation processes and grievance redress mechanisms.<sup>xviii</sup>

## ENVIRONMENTAL ASPECTS



25. **Net positive environmental impacts are expected as a result of the implementation of the prior actions supported by this DPL.** The proposed operation includes innovative measures to address the negative externalities produced by increased motorization and congestion (both climate changes considerations and local pollutants); natural disasters and land degradation, as well as to strengthen the overall environmental management and protection framework.

26. **Environmental planning is a key pillar of the new ‘System of Cities’ framework in Colombia, (Prior Action 1).** Under the sustainability thematic area, the *Misión* has aimed to identify the key ecological structure of the ‘SoC’ as a basis for the definition of the policies required increasing environmental sustainability and mitigating climate change and disaster risk management.<sup>3</sup> Specifically the *Misión* suggests the formulation of National Water, Sanitation and Waste Management Master Plans to guide policy and investment decision-making, and to adopt norms on disaster risk management at agglomeration level to guide municipal Land-Use Plans.

27. **The Government’s Congestion Charging Decree (Prior Action 2) is transformational and progressive in that it allows Colombian cities to manage the negative externalities generated by higher levels of motorization, which disproportionately impact the urban poor, through the implementation of pricing schemes that curb automobile use, improve public transit and non-motorized systems and put transport at the core of the low carbon development agenda.** This innovative and transformational policy discourages the use of private vehicles which will result in reduced congestion and enhanced urban mobility, leading to a reduction in GHG emissions and local pollutants from vehicle sources and reduced level of noise and acoustic contamination.

28. **With the Affordable Housing with Voluntary Savings Program CONPES (Prior Action 5) the GoC is moving ahead with a comprehensive reform to the housing sector with numerous potential environmental benefits.** The program targets the extreme poor who, without access to the program, are likely to locate in informal urban settlements with limited access to basic urban services. As such, the program has the potential to mitigate the growth of environmentally precarious urban settlements. Additionally, the policy will likely: (i) improve environmental and public health; (ii) enhance the well-being and quality of life of poor residents; and (iii) reduce water related diseases.

29. **Under the new Metropolitan Areas Law (Prior Action 6) metropolitan areas have increased responsibility on environmental regulation, which can be institutionally challenging.** This policy sets out that metropolitan areas should (i) have the powers and act as environmental authorities and (ii) support their respective municipalities with the works related to emergency or calamity situations.<sup>4</sup>

30. **The new Infrastructure Law (Prior Action 7) recognizes the importance of harmonizing and standardizing the environmental requirements in transport projects.** The law establishes new standardized procedures to expedite the environmental licensing process, while ensuring that environmental guidelines be observed throughout the project cycle and safeguarding the consultation process with communities. In particular, it calls for the formulation of a standard Terms of Reference for environmental management in transport projects (both highways and urban transport) to guarantee that a consistent environmental management framework is applied.<sup>5</sup> Additionally, the Law requires that all transport projects take into account technical measures to reduce the vulnerability of transport infrastructure to climate change.

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<sup>3</sup> *Documento Técnico de Soporte*, p. 89.

<sup>4</sup> Law 1525 from 2013, Article 7.

<sup>5</sup> With respect to urban transport projects, the Bank has noted to government authorities drafting the Ministerial Decrees regulating the Infrastructure Law, that the Environmental Management Framework (*Lineamientos Ambientales para el Desarrollo, Implementación, y Seguimiento de Planes de Manejo Ambiental de Obras del Proyecto de Transporte Urbano en Colombia*) used for more than a decade in urban transport projects financed by the Bank, could be used as template framework for urban roads.

**The Fourth Generation of Concessions CONPES (Prior Action 8) will bring positive environmental impacts associated with reductions in GHG emissions, due to more efficient connectivity, reduced travel times and improved vehicle performance.**<sup>6</sup> In addition, the 4G CONPES sets guidelines for the allocation of environmental risks (particularly the responsibility for obtaining and managing environmental licenses) in the new pipeline of road concessions. The clear allocation of these risks, as well as having them included in bidding documents and contracts is another positive aspect of the new policy document as it ensures the mitigation of environmental impacts not foreseen during the conceptual and design phase of the projects.

## **IX. Contact point**

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<sup>i</sup> Colombia grew 4.7% in 2013, while LAC grew 3.5%.

<sup>ii</sup> Defined as the 13 metropolitan areas.

<sup>iii</sup> Refer to Draft World Bank Colombia Policy Note (2014) on Poverty and Shared Prosperity.

<sup>iv</sup> Gini coefficients have showed a steady decline in both urban and rural areas in the past 5 years. Yet, coefficients show more pronounced inequality in cities (0.51) than in countryside (0.46).

<sup>v</sup> Alonso-Mills-Muth(AMM); Puga and Duranton (2004).

<sup>vi</sup> Dixit, 1973; Henderson, 1974, Fujita, 1989; Glaeser, 2007

<sup>vii</sup> Refer to Annex 6. For instance, in a city like Bogota, the poor have twice as high a commuting time than the highest income groups.

<sup>viii</sup> Since 1998, the *Pico y Placa* is a scheme in Bogota that limits the circulation of up to 50 percent of the private vehicle fleet by license plate number during peak hours.

<sup>ix</sup> Programa de Vivienda de Interés Prioritario para Ahorradores. See Conpes document 3746 of 2013

<sup>x</sup> Among conditions to be eligible to participate in the program there is that household demanders must have earnings not superior to 2 minimum monthly salaries. A minimum monthly salary is about 616.000 COP (approximately 320 US dollars).

<sup>xi</sup> VIPA program expects to create 100.000 jobs during the construction of houses. Refer to CONPES 3746 (2013).

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<sup>6</sup> The GoC estimates positive environmental impacts of COP15 billion of CO2e tons.

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<sup>xii</sup> Joshi and Khan 2010, Govender, Barnes and Pieper 2011, Rodriguez and Sugranves 2011, Joshi and Khan 2010, Medrano and Spinelli 2014

<sup>xiii</sup> See World Bank, 2013, “Planning, Connecting, and Financing Cities—Now”; and see ed. R. W. Bahl, J. F. Linn, and D. L. Wetzel, 2013, *Financing Metropolitan Governments in Developing Countries*, the Lincoln Institute of Land Policy.

<sup>xiv</sup> Indeed, this is part of the definition of poverty in the multi-dimensional sense.

<sup>xv</sup> New methodology is fully aligned with Bank Safeguard policies. Not only includes the loss of asset, but also covers transaction costs.

<sup>xvi</sup> Expected to be published in the Official Gazette by July 20, 2014

<sup>xvii</sup> ANI’s guidelines on social impact studies— developed with technical support from the IFC – have been analyzed by the Bank and are robust. A Social Management Plan is required as set forth in ANI Resolution 545 of 2008.

<sup>xviii</sup> For instance, in urban transport projects Centers for Public Attention are probably the most critical mechanism and point of contact with the local community for receiving questions, claims and complaints. Legal instruments, such as *tutelas* are also widely used to contest administrative acts. Capacity has been revamped in social management issues in urban transport with the implementation of projects in 12 cities, under the National Urban Transport Program, which the Bank and IADB have financed.