



1. Operation Information

Operation ID P176788	Operation Name Colombia DPF
Country Colombia	Practice Area (Lead) Poverty and Equity

Non-Programmatic DPF

L/C/TF Number(s) IBRD-93520	Closing Date (Original) 24-Mar-2023	Total Financing (USD) 750,000,000.00
Bank Approval Date 24-Mar-2022	Closing Date (Actual) 24-Mar-2023	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	750,000,000.00	0.00
Revised Commitment	750,000,000.00	0.00
Actual	750,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program development objective (PDO) of the Colombia Development Policy Operation (DPO), according to the Program Document (PD), was to support measures that (i) reduce income inequalities (including gender-related) and build resilience, (ii) promote economy-wide decarbonization and climate adaptation, and



(iii) mitigate climate change by protecting biodiversity and reducing deforestation. The Financing Agreement did not state the operation's objective.

For the purpose of this ICRR, the PDOs of the operation are taken to be as follows:

- **PDO1:** To support measures that reduce income inequalities (including gender-related) and build resilience *of households to shocks* [1].
- **PDO2:** To support measures that promote economy-wide decarbonization and climate adaptation.
- **PDO3:** To support measures that mitigate climate change by protecting biodiversity and reducing deforestation.

[1] Further defining resilience in objective 1 is needed because there are various types of resilience. The PD description of Pillar I (para 36 - 39) demonstrates that the type of resilience targeted is households' resilience to shocks (including economic and climate). The other two objectives are identical to the ones in the PD.

b. Pillars/Policy Areas

The operation had three pillars, as follows:

- Pillar 1: Reducing Income Inequalities (including gender-related) and Building Resilience, with two prior actions.
- Pillar 2: Promoting Economy-Wide Decarbonization and Climate Adaptation, with five prior actions.
- Pillar 3: Mitigating Climate Change by Protecting Biodiversity and Reducing Deforestation, with two prior actions.

c. Comments on Program Cost, Financing and Dates

The DPO was approved on March 24, 2022, for US\$ 750 million, became effective on May 9, 2022, fully disbursed on May 9, 2022, and closed on March 24, 2023.

3. Relevance of Design

a. Relevance of Objectives

The objectives of the DPO were relevant to the country context, WBG and government strategies and priorities. The DPO was viewed as an opportunity to mitigate the impacts of the COVID-19 shock while addressing long-standing development challenges.

Relevance to country context:

Inequality is one of Colombia's central long-run constraints. Colombia has high levels of inequality and high persistence of income across generations, with income inequality ranked highest among all OECD countries and the second highest among 18 LAC countries. [2]. The Gini coefficient of household income (after paying taxes and receiving transfers), reached 0.551 in 2021. The richest 10 percent of Colombians earned more



than 11 times the income of the poorest 10 percent. In addition, there are gender gaps in access to economic opportunities. Women have lower labor force participation than men, are more likely than men to be unemployed, earn less than men for the same type of job, and are less likely to fully use their stock of human capital. With the COVID-19 pandemic in 2020, poverty and inequality is estimated to have increased, and women's employment rates declined. Gender-based violence is also a concern.

Colombia has the second-greatest biodiversity in the world. However, Colombia's biodiversity is threatened by deforestation, which has accelerated since 2016. Deforestation is "persistently high" and is driven in large part by agricultural activity and underlying land grabbing combined with weak capacity to control land use and deforestation, (Country Climate and Development Report (CCDR), 2023). Deforestation has also increased in the areas vacated by the Fuerzas Armadas Revolucionarias de Colombia (FARC), (PD p. 5). Deforestation and biodiversity loss increased during the COVID-19 pandemic, partly due to weaker environmental protection enforcement under pandemic mobility restrictions (PD p. 5). Colombia's NDC commitments include achieving zero net deforestation by 2030. One of the seven priorities identified by the SCD 2022 is the need to halt deforestation, which is critical to preserving the nation's biodiversity, meeting the Colombia's emissions reductions commitments, and developing its high tourism potential.

Colombia faces the intertwined challenges of protecting its biodiversity, adapting to climate change, reducing inequality, and promoting peace, "*Colombia's biodiversity is threatened by deforestation, which has accelerated since 2016. Climate change will depress growth and widen inequality, hitting poor and rural Colombians hardest. Rising temperatures also threaten to elevate the risk of conflict and violence, increase flooding along the coasts where poorer populations are concentrated, lead to water shortages aggravated by the loss of Colombia's glaciers, and drive down productivity. In a 2021 survey, 65 percent of Colombians said they are 'very worried' about climate change, the second highest level among 31 countries.*" (SCD 2022). Around 80 percent of Colombia's renewable energy is in hydropower, which is subject to adverse climate effects. Hydropower generation, which accounts for over 80 percent of the country's electricity output is highly susceptible to climate change, (PD p. 30).

Colombia faces higher risks from climate change than comparator countries and that when damage to physical capital and productivity is considered, climate change may reduce GDP by between at least 1.5 percent and 2.5 percent by 2050 in the absence of investments in adaptation, (CCDR 2023). This underpins the importance of moving from a climate-vulnerable to a climate-resilient economy and to reach Colombia's net-zero GHG emissions commitment by 2050, (CCDR 2023).

Relevance to Bank Group strategy:

The objectives of the DPO are consistent with the Country Partnership Framework (CPF) FY16-21 for Colombia, including its focus on social inclusion (pillar 2), enhanced capacity for natural resource management (objective 2), and improving infrastructure services (which is reflected in CPF objectives 3 and 9, although they do not have a specific focus on renewable energy). The operation is consistent with the CPF FY24-27 focus on non-conventional renewable energy (objective 3) and strengthening resilience to climate change and promoting low carbon transition (HLO 3)

The objectives of the DPO are also consistent with the WBG's Development Committee paper "From COVID-19 Crisis Response to Resilient Recovery - Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID)" (2021): (i) green, through mitigation and adaptation to climate change; (ii)



resilient, through managing risks of natural hazards and climate change; and (iii) inclusive, to reduce poverty and promote increased economic opportunities for women.

Relevance to country development agenda:

The objectives of the DPO are consistent with the government’s strategy, including its National Development Plan (PND) 2018-2022 - the Pact for Colombia- Pact for Equity, which focuses on reducing inequality and increasing equity, including through improvements in social policy tools. Colombia has also shown a strong commitment to addressing the challenges posed by climate change. Its updated Nationally Determined Contribution (NDC) as of December 2020 committed to a 51 percent reduction by 2030 of greenhouse gas emissions compared to a business-as-usual emissions scenario (with emissions peaking before 2030), a carbon neutrality goal for 2050, and a portfolio of 30 adaptation actions. The government also integrates biodiversity conservation in its climate agenda and has signaled biodiversity as a priority since the 2012 National Policy for the Integrated Management of Biodiversity and its Ecosystem Services. The government has continually expanded the country’s protected areas and signed on to the 30x30 Initiative to place at least 30 percent of the earth’s surface under protection by 2030 under the United Nations Convention on Biological Diversity framework.

[2] Building an Equitable society in Colombia, 2021; Systemic Country Diagnostic (SCD) 2022.

b. Relevance of Prior Actions

Rationale

The DPO included 9 prior actions (PAs), presented in Table 1 below. The relevance of each PA is assessed below the table.

Table 1: Objectives and Prior Actions (PAs) for the Colombia Equitable and Green Recovery DPL

PDO 1: Reduce Income Inequalities (including gender-related) and Building Resilience
PA1(i): Extended the duration of Ingreso Solidario;
PA1(ii): Expanded the coverage of Ingreso Solidario and Compensación de IVA programs;
PA1(iii): Mandated the use of a modernized targeting methodology through the Social Registry to improve the targeting of the flagship cash transfer program Familias en Acción, to provide support to low income and vulnerable households.
PA2(i): Enacted measures that prohibit discrimination against women’s access to employment; an
PA2(ii): Enacted measures that increase the length of paternity leave, introduce shared parental leave, and allow parental leave to be taken on a part-time basis.
PDO 2: Promote Economy-Wide Decarbonization and Climate Adaptation
PA3: Submitted to Congress for approval a draft of the Law (Ley de Acción Climática) to formalize the minimum goals and measures to achieve carbon neutrality, low carbon development and climate resilience in alignment with the updated NDC issued in 2020



PA4: Approval of an Energy Transition Law which supports increased use of non-conventional renewable energy (NCRE) resources and energy storage, low-carbon hydrogen production and use, and incentivizes greater demand for energy efficiency.
PA5: Enabled the large-scale development of NCRE resources in the electricity system by: (a) adopting a more efficient and competitive mechanism for awarding long-term electricity generation purchase agreements of NCRE projects, and (b) increasing regulatory certainty on the remuneration scheme for battery storage projects.
PA6: Established clear connection procedures for de-centralized generators and criteria for the valorization of their energy surplus injected into the electricity system
PA7: Issued requirements for integrating Environmental, Social and Governance (ESG) and climate risks in the investment policy and governance arrangements of pension funds and insurance companies, as evidenced by Circular Externa 007 (dated April 26, 2021); and (b) set ESG and climate risk reporting requirements for voluntary pension funds
Mitigating Climate Change by Protecting Biodiversity and Reducing Deforestation
PA8: Approved the Policy for the Consolidation of the National System of Protected Areas (SINAP)
PA9: Approved new binding and harmonized regulations for the sustainable management of wild flora and non-timber forest products,

PDO 1: To support measures that reduce income inequalities (including gender-related) and build resilience of households to shocks.

PA1: The COVID-19 pandemic led to an increase in inequality and poverty. The national poverty rate is estimated to have increased from 35.7 percent to 42.5 percent and income inequality increased from 0.527 to 0.544, as gender disparities widened (ICR p. 6). Government of Colombia’s response relied on pre-existing and a new system which was rapidly adapted to existing social protection delivery mechanism to help mitigate the poverty impact of the pandemic:

- a. *Compensación de IVA*, an unconditional cash transfer program which was introduced in 2019, provides households living in poverty with a cash transfer equivalent to the average VAT paid by poor households (PAD p.23). Through the first iteration of the program, the government provided a bi-monthly unconditional cash transfer of COP 76,000 (equivalent to about US\$20) to the poorest one million households of the two flagship cash transfer programs, Familias en Acción and Colombia Mayor, but it did not cover all poor households (PD p.23). Various impact evaluation studies (for example, DNP 2007, 2012, and 2015) showed that existing conditional cash transfers had improved outcomes related to the conditions (education, health and nutrition) and reduced the likelihood of poverty (World Bank 2021 Public Finance Review for Colombia [WB 2021]), but these were not sufficient to protect the poor.
- b. *Ingreso Solidario*, an unconditional cash transfer program which was introduced in 2020 as a temporary program to provide emergency cash relief during the COVID-19 pandemic (PD p.24). The program provided bimonthly transfers of COP160,000 (equivalent to US\$42) to poor and vulnerable households who were not receiving regular cash transfers from other programs (PD p. 24).

While *Ingreso Solidario* and *Compensación de IVA* helped contain the effects of the pandemic on the poorest and most vulnerable, they were not sufficient (ICR p. 6). Despite a decline in COVID-19 infection and mortality rates, the economy and household incomes had not returned to pre-pandemic levels. Support to mitigate the impact of the crisis on the poorest and most vulnerable was warranted, as well as structural measures aimed at improving targeting, increasing coverage, and strengthening adaptation mechanisms of the social protection



system. While both programs leveraged the improved social registry, Sisben IV which was finalized in December 2020, the flagship cash transfer program, Familias en Accion had not adopted the new methodology.

PA1 was a compound PA that supported:

- **PA1(i):** Extending the duration of the *Ingreso Solidario* program through December 2022 and expanding the coverage to include 1.1 million new households.
- **PA1(ii):** Expanding the coverage of *Compensacion de IVA*. The number of beneficiaries was expected to double to two million households in 2022.
- **PA1(iii):** Mandating the use of the modernized targeting Social Registry tool Sisben IV to improve the targeting of *Familias en Acción*. Sisben IV was an updated registry; the update to Sisben aimed to improve quality, accuracy, and timeliness of its information, and: (i) to include geo-referenced data on individual households and a module to assess household exposure to shocks; and (ii) link to a new integrated Social Registry that encompasses other government databases and registries.

PA1 contributed to increased household resilience and reduction of poverty and income inequality through better targeting the poor and vulnerable in need of social assistance, PA1 contributed to (i) increasing poor households' incomes and thus their ability to withstand shocks, and (ii) transitioning to the updated Sisben IV metric and its use as the main targeting instrument which will contribute to improving the targeting of Familias en Acción beneficiaries and eventually other programs such that Sisben IV will be the main targeting instrument. The latter would help improve the targeting of social protection to households more vulnerable to shocks and could inform targeting in the case of shocks in a particular geographic area. The inclusion of climate shocks is consistent with the fact that adverse climate events disproportionately impact the poor and vulnerable. The targeting methodology update improves the accuracy of targeting of social protection programs. **Relevance of PA1(i): Satisfactory (S); PA1(ii) Satisfactory (S); PA1(iii) Satisfactory (S).**

PA2: Addressing barriers in labor regulations that affect women and increasing access and quality to childcare to facilitate greater participation of women in the labor market is important to addressing gender gaps. "Gender norms that dictate a disproportionate responsibility for women in household tasks and care work can... limit access to opportunities," (Colombia Gender Assessment, 2019). Family responsibilities are stated by economically inactive women as the main reason for not looking for a job, and this is the case to a greater extent in rural areas where in 2017, approximately 28.6 percent of women compared to only 1.1 percent of men identified family care as an impediment to work, (Colombia Gender Assessment, 2019). PA2 was a compound PA that supported:

- **PA2(i):** Introduction of measures to prevent discrimination in access to employment, including that employers may not require a pregnancy test as a condition of employment nor question employees or applicants about their plans for childbearing.
- **PA2(ii):** Changes to parental leave. A new shared parental leave provision now allows parents to distribute the last 6 weeks of maternity leave (18 weeks total and two additional weeks for mothers with disabled children) between the two parents. It also expands paternity leave from 8 days to 2 weeks, with the potential to increase it up to 5 weeks over time, as determined by reductions in structural unemployment. [3] The law also allows the use of parental leave on a part-time level, e.g., using two weeks of leave to work part-time for four weeks. Fathers will be able to use it before week two of their paternity leave and mothers after week 13 of their maternity leave.

PA2(i) and PA2(ii) supported an improvement in women's access to economic opportunities through labor market regulations and measures that can contribute to greater sharing of family responsibilities between



women and men. These reforms impact formal employment and help to reduce gender-related income inequalities. As part of the law's mandate, the Government will conduct communication campaigns to disseminate the new provisions on parental leave among the public, including through television and commissions comprised of employers, unions, and territorial entities; also, educational campaigns to promote fathers' co-responsibility in the care of the children among formal and informal workers. Reducing barriers to accessing economic opportunities, particularly those related to care and discrimination at work, would be expected to contribute to reducing gender-related inequalities, (ICR p.15-16). The PA makes a substantial contribution toward PDO1. **Relevance of PA2(i): Satisfactory (S); PA2(ii): Satisfactory (S).**

PDO2: To support measures that promote economy-wide decarbonization and climate adaptation.

Under this objective, the program also supported the continuation and upgrading of climate mitigation and adaptation efforts, including in the financial sector, and measures for consolidating a low-carbon energy transition.

PA3: PA3 supported the submission of the Climate Action Law (*Ley de Acción Climática*) to Congress. With this law, Colombia advanced its commitments to address climate change, reduce deforestation, and protect biodiversity, particularly in the context of the 26th UN Climate Change Conference (COP26) and the UN Biodiversity Conference (COP-15). The law formalizes Colombia's updated NDC (2020), which includes a 51 percent reduction of greenhouse gas emissions by 2030 compared to a business-as-usual emissions scenario (a marked increase in ambition from the first NDC), a carbon neutrality goal for 2050, and a portfolio of 30 adaptation actions. The law makes the NDC commitments legally binding, providing an implementation obligation for future governments. The law is structured around three pillars: (i) mandating the achievement of, at minimum, the mitigation targets in the NDC; (ii) laying the foundations for an emissions trading system; and (iii) mandating the adoption of an NDC implementation and monitoring plan, and a labor force transition strategy. This is clearly in line with the PDO. Aligning emission reduction and adaptation actions with the targets set forth in the NDC, the PA promoted economy-wide decarbonization and climate adaptation. The PA addresses relevant challenges in decarbonization and makes a substantial contribution toward PDO2.

Relevance of PA3: Satisfactory (S).

PA4: Colombia has made advances in its "Energy Transition", and the 2021 "*Misión de Transformación Energética*" developed a comprehensive roadmap of reforms to modernize the institutional and regulatory framework for the sector. The high level of hydro generation, approximately 78 percent, has resulted in a climate vulnerability, as only 6 percent of this generation has long-term reservoir capacity and thus is highly vulnerable to climate shocks (PD p. 29). Colombia's electricity system has an installed capacity of 20,201 MW, of which hydropower has a share of approximately 68% (13,205 MW), thermal 30% (6,054 MW) and non-conventional renewable energy (NCRE) 5% (943 MW). The legal framework has not evolved at a pace compatible with the developments of new low-carbon technologies that would enable the implementation of the country's Energy Transition vision (PD p. 29).

PA4 supported Energy Transition Law, which seeks to address this challenge by supporting increased use of NCRE resources and energy storage, low-carbon hydrogen production and use, and incentivizes greater demand for energy efficiency. NCRE sources are those that are continuously replenished by natural processes (such as solar, wind, geothermal, tidal). Further development of NCRE is expected to reduce electricity sector emissions further and increase the sector's resiliency to climate shocks. The law supports the development of NCRE technologies as well as new technologies, such as hydrogen and electromobility, which could enable the decarbonization of hard-to-abate sectors such as industry and transport. The law: (i) provides an attractive fiscal framework for energy generation projects from NCRE sources; (ii) strengthens the regulation of



geothermal energy generation and low-carbon hydrogen production; (iii) introduces measures to stimulate the electricity market, speed up and facilitate the procedures and licenses required for the development of new low-carbon projects; and (iv) incorporates provisions to encourage zero and low-emission transportation (PD p. 28). The Law also enables the implementation of targeted programs to close the electricity access gap, in line with promoting equitable access, and supports energy efficiency interventions, particularly on the demand-side. This PA addresses relevant challenges in promoting NCRE and contributes toward PDO2, promoting economy-wide decarbonization and climate adaptation. This PA also contributes to reducing GHG emissions through promoting NCRE. **Relevance of PA4: Satisfactory (S).**

PA5: Colombia's energy transition, including NCRE scale-up, will require the resolving transmission constraints and the adoption of storage technologies, including battery storage. PA5: (i) defines the mechanism to promote long-term NCRE Power Purchase Agreements (PPA) through an auction scheme built on the experience of the 2019 auction and informed by lessons learned from that auction, and (ii) updates the regulatory framework for battery storage systems to enable their deployment and improve their economic and financial conditions (the payment profile and the source of income were updated). PA5 seeks to address challenges in promoting NCRE and thus contributes toward PDO2. This PA also contributes to the implementation of PA 3 as it improves conditions for NCRE and thus contributes toward reducing GHG emissions. **Relevance of PA5: Satisfactory (S).**

PA6: Distributed generation refers to various technologies that generate electricity at or near where it will be used, such as solar panels and combined heat and power (PD p.32). When connected to the electric utility's lower-voltage distribution lines, distributed generation can help support the delivery of clean, reliable power to additional customers and reduce electricity losses along transmission and distribution lines (PD p.32). Over the past few years, cost decreases in NCRE technologies, such as solar panels, made distributed generation a cost-effective solution for homeowners and businesses (PD p. 32). Colombia's regulatory framework for distributed generation was from 2018 (CREG Resolution 030). Since then, the regulator has observed a lower deployment of these solutions compared to other countries and identified barriers to its development (PD p. 32).

PA6 supported updates in the regulatory framework for the development of distributed generation to address the weaknesses identified by the regulator. Although the PA is not exclusive to NCRE, it addresses relevant challenges in promoting NCRE. PA6 contributes to the development of NCRE and contributes toward PDO2. As it is also expected to have positive equity implications by enabling access to electricity services in non-interconnected areas for populations currently without electricity supply, it may indirectly contribute to PDO1. PA6 contributes toward reducing GHG emissions by facilitating improved conditions for NCRE. **Relevance of PA6: Satisfactory (S).**

PA7: Climate change can affect the Colombian economy and destabilize its financial sector through the materialization of physical risks (i.e., risks that emanate from natural disasters and global warming and can lead to economic costs and financial losses) and transition risks (i.e., risks associated with economic adjustment costs during the transition towards a greener, carbon-neutral economy), (PD p.33). Colombia is exposed to both risks (PD p.33).

A supportive regulatory environment helps facilitate capital mobilization towards the climate finance agenda and enhance the financial sector's role in managing climate-related risks (PD p.33). The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommended that countries adopt a framework for consistent, comparable, and decision-useful disclosure of firms' exposures to climate-related risks and opportunities (PD p.33). Reporting on ESG risks has increasingly become a standard practice among financial institutions and firms (PD p. 34). The use of ESG standards by financial institutions increases transparency and



improves measurement, which facilitates the creation and adoption of climate finance instruments. With such standards, investors can better estimate the financial and environmental performance of their investments.

The regulations supported by PA7 contributed to a greater harmonization of ESG standards in the Colombian market (among the market participants that were already working on development of ESG strategies/policies – primarily larger institutions) and made such standards compulsory for the financial institutions that were falling behind (primarily, smaller ones with lower capacity). The two circulars (Circular External 7 and 8) issued on April 26 and May 10, 2021, respectively provided instructions for pension funds and insurance companies to include ESG and climate-related factors in their investment portfolios risk evaluation and integrate them into their investment decision-making process (PD p. 34). These circulars require that investment policies and roles and responsibilities regarding risk management must include ESG considerations while voluntary pension funds are required to include ESG and climate-related risks in their investment portfolios' policies to provide clear justification for the labeling of investment portfolios as ESG oriented (PD p. 34). PA7 contributes toward improved conditions for better climate-related risk management in the financial sector and for mobilizing green investment for sustainable growth and low-carbon development, in line with the objectives under PDO2.

Relevance of PA7: Satisfactory(S).

PDO 3: To support measures that mitigate climate change by protecting biodiversity and reducing deforestation.

Under this objective, the program reinforced the country's biodiversity and natural capital conservation agenda, which is central to climate change mitigation and adaptation.

PA8: The National System of Protected Areas (SINAP) which was created in 2010, includes 1,366 protected areas and governed by Decrees 2371/2010 and 1076/2015 (PD p. 35). The SINAP covers approximately 16.6 percent of Colombia's terrestrial surface area and 13.4 percent of the marine area and administered by the Ministry of Environment and Sustainable Development, National Natural Parks Colombia, and the Regional Autonomous Sustainable Development Corporations (PD p.35). Despite the ambition of the SINAP there has been a marked deterioration in Colombia's biodiversity (PD p. 35). The decline is due in part to insufficient representativity of the protected area system, insufficient connectivity, governance weaknesses (including insufficient involvement of productive actors and insufficient benefits for local communities), and insufficient financing, (PD p.35). PA8 supported an updated policy to consolidate SINAP, Policy for the Consolidation of *the National System of Protected Areas*. The updated policy was designed to reduce the risk of loss of nature in the SINAP by 2030, with strategic interventions to increase the protection of nature, improve protected area connectivity, increase management effectiveness of the SINAP, increase the co-responsibility of productive sectors in the management of protected areas, and increase the benefits accruing to local communities from protecting designated areas, (PD p.36). The updated policy prescribes a series of 65 actions across 12 sectors and 21 entities of the national government, which are expected to reduce the risk of loss of biodiversity, secure preservation, restoration and sustainable use of landscapes, ecosystems, species, and genetic resources (PD p.36; ICR p.19). Improving the monitoring of biodiversity and better management of protected areas, contributes to mitigating climate change by protecting biodiversity and reducing deforestation. **Relevance of PA8:**

Satisfactory(S).

PA9: Colombia has more than 13 million hectares of forests, which are key to its climate mitigation due to carbon sequestration and water retention and regulation. These forests face significant pressure, with deforestation reaching 172,000 hectares in 2020, due in part to economic pressures to destroy the forest to make place for other economic activities (PD p.37). However, Colombia has significant potential for non-timber forest product (NTFP) production owing to its biodiversity, with an estimated 3.9 million hectares of forests with



the potential for NTFP production of which only 113,000 hectares currently used for this purpose (PD p.37). The NTFP sector is primarily informal, and production is generally not based on technical studies that underpin their sustainable management (PD p.37). In addition, comprehensive rural reform as part of the 2016 peace agreement with the FARC has been slow. [4] Lack of rural reform might contribute to pressure to deforest for economic reasons (i.e., if there is not support for alternative livelihood options).

PA9, which complements PA8, supported the introduction of harmonized regulations for the sustainable management of wild flora and NTFPs, to be applied by the regional autonomous corporations (*corporaciones autónomas regionales*, CARs, the decentralized environmental management institutions) and all actors involved in their production, (PD p.37). The regulations provide harmonized requirements to the CARs and users on obtaining permits (PD p.37). Interested parties may use wild flora and NTFPs by applying for permits, concessions, or authorizations to be granted by the CARs (PD p.37). By increasing the economic return of forests by developing value chains for NTFPs, it is expected that there will be less incentive to deforest. Applications for permits, concessions, or authorizations are required to be underpinned by technical studies to safeguard the sustainability of the proposed use. The regulations provide Indigenous peoples and Afrocolombian communities priority in decision-making over wild flora utilization, granting them the right to participate in the use, management, and conservation of natural resources in their territories (PD p.37). By regulating the production and trade of wild flora and NTFPs, PA9 is expected to contribute to mitigating climate change by protecting biodiversity and reducing deforestation. The regulations supported by PA9 provides more value to standing forests as a source of livelihoods and income, thus contributing to the protection of biodiversity and the reduction of deforestation and greenhouse gas emissions. **Relevance of PA9: Satisfactory (S).**

[3] Specifically, based on a methodology defined by the Ministry of Finance, the Central Bank of Colombia, and the National Planning Department (DNP), one week of paternity leave will be added for each percentage point reduction in structural unemployment.

[4] As of November 2020, implementation of 4 percent of the rural reform provisions had been completed, and implementation of 82 percent of the provisions had either not started or been only minimally completed.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

This review notes that the results framework captured just one year of results – for an operation approved in March 2022, it takes as baseline June or December 2021, and has target dates of June–December 2022, with two target dates in March 2023. This limits measurement of results. Given a closing date of March 2023 and a six-month timeframe for drafting the ICR, the results framework could have measured results as of June 2023. In general, the definition and measurement of the indicators is clear.



Table 2: Results Indicators (RIs) by Objective and PAs; baseline and target values; status and achievement.

RI description	Associa- ted PA(s)	RI relev- ance	Baseline	Target	Actual value as of target date	Actual change in RI relative to targeted change	Most recent value available	RI achievement rating
PDO 1: Reduce Income Inequalities (including gender-related) and Building Resilience								
RI1(i): Percentage of poor households covered by <i>Ingreso Solidario</i> (cash transfer program)	PA1(i)	S	48% (June 30, 2021)	61% (June 30, 2022)	83% (June 30, 2022)	269% (increase of 35 percentage points vs. targeted increase of 13 pp)	Not available	High
RI1(ii): Percentage of poor households covered by <i>Compensacion IVA</i> (another cash transfer program).	PA1(ii)	S	16% (June 30, 2021)	30% (June 30, 2022)	40% (June 30, 2022)	171% (increase of 24 pp vs. targeted increase of 14 pp)	Not available	High
RI1(iii): Percentage of beneficiary households of <i>Familias en Accion</i> identified using Sisbén IV	PA1(iii)	MS	40.7% (June 30, 2021)	90.0% (June 30, 2022)	90.0% (June 30, 2022)	100%	Not available	[High]
RI2(i): Regulatory framework for anti-discrimination measures and parental leave adopted for use	PA2(i)	MU	0 (June 30, 2021)	1 (June 30, 2022)	1 (June 30, 2022)	100%	Not applicable	[High]
RI2(ii): Issuance of the methodology for the gradual	PA2(ii)	MU	0 (December 30, 2021)	1 (December 30, 2022)	1 (December 30, 2022)	100%	Not applicable	[High]



increase of parental leave								
PDO2: To support measures that promote economy-wide decarbonization and climate adaptation								
RI3: Issuance of the monitoring and reporting requirements to be followed in the Implementation and Monitoring Plan for Carbon Neutrality and Climate Resilience	PA3	MU	0 (December 22, 2021)	1 (June 17, 2022)	1 (June 17, 2022)	100%	Not applicable	[High]
RI4: Grid-connected NCRE additional capacity contracted in utility (large-scale) projects	PA4, PA5 part (a)	MS	0 MW (June 30, 2021)	750 MW (December 30, 2022)	5900 MW (March 10, 2023)	787%	Not available	[High]
RI5: 45 MW (Mega Watt) battery storage project in Atlántico region achieves financial closure by 2023	PA5	MS	0 MW (June 30, 2021)	45 MW battery storage capacity achieving financial closure (March 24, 2023)	(March 24, 2023)	Information from government indicates it began operation in 2023.	Publicly-available information indicates as of Feb. 2024 it might not be operational.	Modest
RI6: Grid-connected NCRE additional capacity installed in decentralized (low-scale, less than 5 MW) projects	PA6	S	40 MW (June 30, 2021)	75 MW (March 17, 2023)	179.22 MW (August 31, 2023)	239%	Not available	High



RI7(i): Number of insurance companies and Pension Funds integrating ESG and climate risk into their risk management frameworks	PA7	MS	5 (June 30, 2021)	37 (March 30, 2023)	33 (March 30, 2023)	87.5%	Not available	Substantial
RI7(ii): Number of financial institutions that manage voluntary pension funds reporting Environmental, Social and Governance (ESG)	PA7	MS	0 (June 30, 2021)	14 (March 24, 2023)	10 (March 24, 2023)	71%	Not available	Substantial
PDO3: To support measures that mitigate climate change by protecting biodiversity and reducing deforestation								
RI8: Median percentage change in the management effectiveness index of public protected areas	PA8	MS	0.09 (June 30, 2021)	3.00 (December 30, 2022)	1.00 (December 30, 2022)	33%	3.25 (2023)	Negligible
RI9: Number of permits issued for sustainable use of wild flora and non-timber forest products	PA9	MU	75 (December 31, 2020)	85 (December 30, 2022)	185 (December 30, 2022)	217%	Not Available	[High]

Note 1: RI achievement ratings note achievement of the targeted change for the RI. RI achievement ratings in brackets reflect ratings that may have been adjusted based on weak relevance of the results indicator (discussed in efficacy section).

PDO1: To support measures that reduce income inequalities (including gender-related) and build resilience of households to shocks.

RI1 was a compound indicator measuring the three aspects of PA1, as follows:

RI1(i): Percentage of poor households covered by Ingreso Solidario (cash transfer program).



RI1(ii): Percentage of poor households covered by Compensacion IVA (another cash transfer program).

RI1(iii): Percentage of beneficiary households of Familias en Accion identified using Sisbén IV.

RI1A, RI1B and RI1C adequately measure the impact of PA1 on progress toward reducing income inequalities, through a clear results chain. The associated definitions, data sources are clear, and data was available to validate them. However, a better RI to measure the use of Sisben IV could have been the proportion of social protection programs fully using Sisben IV. RI1C was constrained by the short duration of this single operation, which captured just one year of results. In April 2024, the Bank team provided additional data to IEG which is discussed in the Efficacy section below. **Relevance of RI1(i): Satisfactory (S); RI1(ii): Satisfactory (S); RI1(iii): Moderately Satisfactory (MS).**

RI2 was a compound indicator measuring the two aspects of PA2, as follows:

RI2(i): Regulatory framework for anti-discrimination measures and parental leave adopted for use.

RI2(ii): Issuance of the methodology for the gradual increase of parental leave.

This compound indicator captures both aspects of PA2. However, they are input measures that are close to the PA itself, which consisted of “enacting measures.” Issuing the regulatory framework and/or methodology can be considered enactment of measures in themselves. Better results indicators would measure outputs and outcomes along the results chain, such as: men taking paternal leave, men and women sharing and taking part-time parental leave, women’s labor force participation, and perception surveys (with baseline from prior to the reform) on discrimination against (pregnant) women in the labor market. As PA2 was designed around legislative amendments that required steps (such as those measured by RI2A and RI2B) to implement, it is difficult to detect changes in the output measures within 12 months and extremely unlikely to detect changes in women’s labor force participation as a result of these measures within this timeframe. **Relevance of RI2(i): Moderately Unsatisfactory (MU); RI2(ii): Moderately Unsatisfactory (MU).**

PDO2: To support measures that promote economy-wide decarbonization and climate adaptation.

RI3 was an input indicator reflecting actions needed to implement a PA, rather than its results. RI3 measures a step toward implementation of the law (*Ley de Acción Climática*, formalizing the minimum goals and measures to achieve carbon neutrality, low carbon development and climate resilience) for which PA3 required only submission to Congress. The outcome targets dictated by the Law are set for 2030. Nevertheless, it would have been preferable to establish a RI that would measure progress on outputs, such as implementation of policies or other actions under the law. **Relevance of RI3: Moderately Unsatisfactory (MU).**

RI4 was relevant to measuring outcomes of the Energy Transition Law that aimed to increase NCRE, among other aspects. It was also relevant to part (a) of PA5, adoption of a more efficient and competitive mechanism for awarding long-term electricity generation purchase agreements of NCRE projects. Its measurement and source are clear. It would be helpful to know the proportion of renewable energy and total generation that this capacity represents. It does not measure aspects of the law related to increasing energy efficiency. This RI could have benefitted from a compound indicator. **Relevance of RI 4: Moderately Satisfactory (MS).**



RI5 measured an implementation step (reaching financial closure) of the 45 MW battery storage project in the Atlántico region. This was the first battery storage project to be implemented in Colombia, and it is linked to part (b) of PA5, increasing regulatory certainty on the remuneration scheme for battery storage projects. The indicator could not be measured directly. Although it measures tangible, market outcomes, it provides a limited view into the results of the law. It would be useful to complement this indicator with other data measuring development of battery storage – for instance, the number of bidders for any other battery storage projects, any measures of the private investors’ interest in developing private battery storage projects, etc. **Relevance of RI5: Moderately Satisfactory (MS).**

RI6 This is a relevant and clear measure of PA6, to establish clear connection procedures for decentralized generators and criteria for the valorization of their energy surplus injected into the electricity system. It would have been helpful to know the proportion of renewable energy and total generation that this capacity represents. **Relevance of RI6: Satisfactory (S).**

RI7 was a compound indicator measuring two aspects of PA7, as follows:

RI7(i): Number of insurance companies and Pension Funds integrating ESG and climate risk into their risk management frameworks.

RI7(ii): Number of financial institutions that manage voluntary pension funds reporting ESG.

These indicators are relevant to measure the private sector’s implementation of the Superintendency’s requirements as per PA7, and measures outputs of PA7. Outcomes can be expected to be seen on a longer timeframe than the results framework would capture. It would be useful to know what proportion of the market (number of institutions and percentage of assets) the institutions reported in each indicator represent. **Relevance of RI7(i): Moderately Satisfactory (MS); RI7(ii) Moderately Satisfactory (MS).**

PDO3: To support measures that mitigate climate change by protecting biodiversity and reducing deforestation.

RI8 was an appropriate indicator to measure the extent to which SINAP improved management of the protected areas, which is in the results chain of protecting biodiversity. However, there are two weaknesses of this indicator: (i) the consolidated SINAP was passed only one year prior, and it is not convincing the SINAP could contribute to changes in the management effectiveness index (METT) scores in such a short timeframe; and (ii) the objective is framed in terms of climate change mitigation, and it is not clear that improved METT would mean more carbon sequestration. Additional information on the absolute level of the management effectiveness index (i.e., the indicator could have measured the management effectiveness index directly, with baseline and target). **Relevance of RI8: Moderately Satisfactory (MS).**

RI9 measured the implementation of binding and harmonized regulations for the sustainable management of wild flora and non-timber forest products, and the desired outcome that economic exploitation of non-timber forest products become more transparent and subject to clear rules. However, the number of permits issued is not informative about their economic impact in terms of potentially reducing deforestation. An indicator that measures economic activity or scale of land use would be more informative. **Relevance of RI 9: Moderately Unsatisfactory (MU).**



Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To support measures that reduce income inequalities (including gender-related) and build resilience of households to shocks.

Rationale

RI1(i): The proportion of poor households covered by *Ingreso Solidario* increased from 48% to 83%, exceeding the target of 61%. In total, 4.1 million households were supported by *Ingreso Solidario*.

Achievement Rating RI1(i): High.

RI1(ii): The proportion of poor households covered by *Compensacion de IVA* increased from 16% to 40%, exceeding the target of 30%. In total, 2.0 million households were supported by *Compensacion de IVA*.

Achievement Rating RI1(ii): High.

RI1(iii): The percentage of beneficiary households of *Familias en Accion* identified using *Sisbén IV* increased from 40.7% to 90%, meeting the target. The World Bank team confirmed that the Government of Colombia is using *Sisben IV* for targeting in 29 social protection programs (out of 30), including all the major programs. *Sisben IV* coverage reaches 32.5 million people. The MS relevance rating of **RI1(iii)** warrants a downgrade of the achievement rating from High to Substantial. **Achievement Rating RI1(iii): Substantial.**

RI2(i): The Ministry of Health issued Decree #1427 (July 2022) to establish the rules for the payment of parental leave and defines abuses of the parental leave rules and how to proceed in these events. Due to the MU relevance rating of **RI2(i)**, the achievement rating is downgraded from High to Modest. **Achievement Rating RI2(i): Modest.**

RI2(ii): The Ministry of Finance and National Planning Department issued Resolution #3406 (December 2021) to specify the methodology for the gradual increase of parental leave introduced based on the definition of the structural unemployment rate. Due to MU relevance rating of **RI2(ii)**, the achievement rating is downgraded from High to Modest. **Achievement Rating RI2(ii): Modest.**

In addition, beyond the results indicators, through PA2, the government closed the remaining gaps in the Parenthood dimension of the Bank's Women, Business, and the Law indicator. Colombia's score on this indicator increased from 80 (out of 100) in 2021 to 100 (reaching the frontier best practice) in 2022.

Rating

Satisfactory

OBJECTIVE 2



Objective

To support measures that promote economy-wide decarbonization and climate adaptation

Rationale

RI3: The monitoring and reporting requirements to be followed in the Implementation and Monitoring Plan for Carbon Neutrality and Climate Resilience were issued (through Agreement No. 008 issued by the Intersectoral Climate Change Commission in June 2022), supporting implementation of the Climate Action Law. Due to the MU relevance rating of RI3, the achievement rating is downgraded from High to Modest.

Achievement Rating RI3: Modest.

In addition, beyond the results indicators:

- The government is reporting to Congress on the Environment Sector Progress Report, including on implementation of the Climate Action Law (report available here, page 210).
- The Bank team shared with IEG that the process of construction, consolidation and validation of the implementation monitoring and results indicators sheets for each goal or measure included in Colombia's NDC (as reflected in PA3) is being finalized. These sheets will have a coherent structure to align with the information platform that the DNP will develop to monitor the implementation of the NDC. Moreover, the roadmap for establishing Colombia's carbon budgets has been defined, and technical inputs for modeling mitigation scenarios have been collected and reviewed.
- The outcomes below in RIs 4, 5 and 6 are related to the scope of this law.

RI4: Grid-connected NCRE additional capacity contracted in utility (large-scale) projects rose from 0 MW to 5900 MW, exceeding the target of 750 MW. Due to the MS relevance rating of RI, the achievement rating is downgraded from High to **Substantial. Achievement Rating of RI4: Substantial.**

In addition, beyond the result indicator, IEG notes that the 5900 MW now represents 23 percent of total installed generation capacity in Colombia (25,158 MW).

RI5: The Bank team reports that the 45 MW battery storage project in Atlántico region became operational in June 2023, indicating that the result of it achieving financial closure was achieved. However, publicly available information as of February 2024 indicates that the project might not be operational. **Achievement Rating of RI5: Modest.**

In addition, beyond the results indicator and related to the aspect of PA5 improving conditions for NCRE, the last long-term energy purchase auction at the end of 2021 awarded long-term contracts to 9 generation companies, who own 11 solar projects with a total installed capacity of 797 MW.

RI6: Grid-connected NCRE additional capacity installed in decentralized (low-scale, less than 5 MW) projects increased from 40 MW to 179.22 MW, exceeding the target of 75 MW. **Achievement Rating of RI6: High.**

RI7(i): 33 Financial Institutions have integrated ESG & climate risk in the management frameworks (29 Insurance companies and 4 Pension Funds), reaching 87.5% of the targeted change. **Achievement Rating of RI7(i): Substantial.**



RI7(ii): 10 Financial Institutions managing voluntary pension funds (6 Trust Companies and 4 Pension Funds) have set ESG and climate risk reporting requirements, reaching 71% of the target. **Achievement Rating of RI7(ii): Substantial.**

Rating

Satisfactory

OBJECTIVE 3

Objective

To support measures that mitigate climate change by protecting biodiversity and reducing deforestation.

Rationale

RI8: The median percentage change in the management effectiveness index of public protected areas, which covers 250 out of 305 protected areas, was 1.0% by the target date (meaning, a 1% increase on average across the 250 areas). This was below the target; however, by 2023 the management effectiveness index had increased by 3.25% on average, surpassing the target. The target was achieved in 2023 with a one-year delayed achievement, hence the rating is adjusted upward from Negligible to Modest. In addition, related to this results indicator, out of 31 environmental authorities, 14 of them have 100% of their protected areas with management effectiveness information, which represents an important achievement in the results of management effectiveness for SINAP. **Achievement Rating of RI8: Modest**

RI9: 185 permits were issued for sustainable use of wild flora and non-timber forest products, surpassing the target of 85. Due to MU relevance of RI9, the achievement rating is downgraded from High to Modest. **Achievement Rating of RI9: Modest.**

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

Objectives 1 and 2 are rated Satisfactory, and Objective 3 is rated Moderately Satisfactory.

Overall Efficacy Rating

Satisfactory



6. Outcome

Rationale

Both relevance of PAs and Efficacy were rated Satisfactory, the overall Outcome is rated Satisfactory.

a. Rating

Satisfactory

7. Risk to Development Outcome

Risk to development outcome is considered low. Many of the results achieved are grounded in institutional and legal commitments, with appropriate supporting methodologies or monitoring mechanisms and institutional capacity. There is government ownership of the reform program. PA1 led to upgrading and augmenting the administrative systems for identifying and reaching poor and vulnerable households. PA2 had implications for strengthening the involvement of various institutions within the government in gender equality, and this agenda has continued to develop in a cross-institutional manner. The PAs of the DPO also strengthened the environmental framework that Colombia's institutions operate in. There is an upward trend in NCRE (including supported through government auctions), in financial institutions' adaptation of ESG standards, and in the effectiveness of management of protected areas, among other results. While some social assistance programs are being redesigned, the Bank states that funding to programs supported will continue, although there is a risk that such funding would not be along the lines supported by this DPL.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The Bank team drew from existing analyses and already active sectoral engagements to design PDO, PAs and RIs. The Bank prepared a quality operation in a brief time (less than five months from concept review to approval), and the operation was informed by relevant lessons. The operation was strongly aligned with the Government's development priorities. The risks appear to have been appropriately assessed. There was strong coordination and consultations between the Bank and Government, between the Government and relevant stakeholders (PD para. 78), and with development partners (PD para. 80).

Rating

Satisfactory



b. Bank Performance – Implementation

Rationale

Several teams across the Bank coordinated well with counterparts to ensure implementation of the PAs and follow-on steps. The Bank worked closely with the National Planning Department (DNP), Ministry of Finance (MHCP), the Ministry of Environment and Sustainable Development (MADS) and other government institutions. The Bank has multiple engagements that are complementary to and supported this DPO, although there is not enough information to identify specifically which engagements supported design of the reforms supported by this DPO and which supported implementation. Complementary Bank activities ongoing during implementation of the DPO included: the NDC Deep Dive (ASA P173651), which conducted mitigation options modeling, provided technical assistance on improving electricity market design, energy efficiency as energy access using renewable energy, and informed NDC design; the Infrastructure for Recovery DPO series (P173424 and P175126); Forest Conservation and Sustainability in the Heart of the Colombian Amazon Projects (IPF P144271); and the Orinoquia Sustainable Landscapes Project (IPF P167830).

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Design and Implementation are both Satisfactory.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

As PDO 1 relates to social (gender) and poverty issues, these are covered in the main text.

b. Environmental

As PDO 2 and PDO 3 relate to social environmental issues, these are covered in the main text.



c. Gender

As PDO 1 relates to gender issues, these are covered in the main text.

d. Other

N/A

10. Quality of ICR

Rationale

The ICR is of a sufficient quality. However, information on what change the PAs brought about, including their scale, could be improved for some PAs. On PA8 (the new regulation of the SINAP), neither the PD nor the ICR stated sufficiently clearly how the new regulation improved management of protected areas. In another example, it would have been useful for the ICR to quantify the scope of PA7’s (requirements for financial institutions to use ESG standards) impact on Colombia’s financial markets by stating the proportion (and amount) of managed assets the financial institutions that adopted the standards (i.e., those reported in the results indicators) represent. Similarly, for PA4 (NCRE) it would have been helpful to state how important in the overall generation basket NCRE are – how much total installed capacity the 5900MW of NCRE attributed to this project represented country-wide. Likewise, for PA9 (NFTP), it would be helpful to give a measure of the proportion of forest area (or other available quantification) represented by the 185 permits. The discussion of how the Bank supported implementation of the reforms encompassed in the PAs could have been better substantiated with more details. The project team was collaborative in filling such gaps during the ICR Review process.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	



Quality of ICR	---	Substantial
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12. Lessons

IEG concurs with the lessons in the ICR, and particularly the first two. IEG highlights:

- A solid analytical basis laid the foundation for the quality and speed of preparation of this operation. This included a public finance review, equity flagship, and gender assessment; the Partnership for Market Readiness and NDC design on low-carbon energy transition; and the substantial analytical work on a variety of sub-sector topics, including renewable energy integration and energy storage, among others.
- A close operational relationship with the government, informed by an ongoing program of analytical work, is vital to the fast preparation of policy loans. Bank teams provided technical assistance to the Government on all Pas and worked closely with counterparts.

In addition, IEG notes that the outcome assessment was limited due to the very short timeframe between the PAs and this assessment.

13. Project Performance Assessment Report (PPAR) Recommended?

Yes

Please explain

A PPAR is not necessarily recommended. However, although this DPF has been followed by a programmatic DPF series (Colombia Equitable and Green Path, P180566 and P180927) and there were other complementary projects ongoing during this DPF (see above in Bank Performance-Implementation). It could be helpful to have an overview of their results as a whole and any joint impact or overlap, particularly given the short timeframe of the outcome assessment for this DPF.