



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 24-Jan-2022 | Report No: PIDA33299



BASIC INFORMATION

A. Basic Project Data

| | | | |
|---------------------------------------|-------------------------------------|--|------------------------------|
| Country | Project ID | Project Name | Parent Project ID (if any) |
| Colombia | P176788 | Equitable and Green Recovery DPF (P176788) | |
| Region | Estimated Board Date | Practice Area (Lead) | Financing Instrument |
| LATIN AMERICA AND CARIBBEAN | 22-Mar-2022 | Poverty and Equity | Development Policy Financing |
| Borrower(s) | Implementing Agency | | |
| Ministry of Finance and Public Credit | Departamento Nacional de Planeación | | |

Proposed Development Objective(s)

The development objective of the proposed operation is 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.

Financing (in US\$, Millions)

SUMMARY

| | |
|------------------------|--------|
| Total Financing | 750.00 |
|------------------------|--------|

DETAILS

| | |
|---|--------|
| Total World Bank Group Financing | 750.00 |
| World Bank Lending | 750.00 |

Decision

The review did authorize the team to appraise and negotiate



B. Introduction and Context

Country Context

Colombia's equity, climate change, and biodiversity challenges are closely interrelated and have been exacerbated by the deep crisis brought about by the COVID-19 pandemic. Income inequality in Colombia is the highest among all OECD countries, the second highest among 18 LAC countries and one of the highest in the world. Climate change will amplify the country's already extreme level of inequality and hit poor, rural, and female Colombians hardest (World Bank, 2021). The loss of biodiversity goes hand in hand with increased greenhouse gas emissions. The link between climate change and inequality goes in both directions: beyond the impact of climate change on exacerbating inequality, global evidence shows that rising inequality will lead to a faster rise in emissions. With the arrival of the pandemic in 2020, poverty and inequality spiked, women's employment rates were more affected, and the rate of deforestation and biodiversity loss accelerated. The latter, partly due to weaker environmental protection enforcement during the period of pandemic mobility restrictions. Improving equity, responding to the threat of climate change, and protecting the nation's biodiversity are critical as the country recovers from the pandemic.

Relationship to CPF

The proposed operation is aligned with the Country Partnership Framework (CPF) 2016-2021 for Colombia¹ and the Performance and Learning Review (April 23, 2019). The proposed DPF is aligned with all three pillars of the CPF. It is aligned with Pillar II: Enhancing Social Inclusion and Mobility through Improved Service Delivery which, in line with the measures supported in this DPF, deepens support to design and implement tools for a more efficient social protection system. The climate pillars of the proposed DPF are aligned with Pillar I: Fostering Balanced Territorial Development, in particular its objective of fostering enhanced capacity for natural resource management, as well as Pillar III: Supporting Fiscal Sustainability and Productivity, and its objective to deliver improved infrastructure. Reforms in the energy sector will foster the development of low-carbon infrastructure to reduce energy costs and improve security of energy supply to support economic reactivation.

C. Proposed Development Objective(s)

The development objective of the proposed operation is 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.

Key Results

The proposed program is expected to narrow gaps in access to opportunities and reduce the negative impacts of climate change, which disproportionately affect the poor and vulnerable populations.

D. Project Description

The proposed operation supports actions along three pillars:

¹ <http://documentos.bancomundial.org/curated/es/940691468184792587/pdf/101552-CPF-P155964-R2016-0053-IFC-R2016-0054-MIGA-R2016-0014-Box394872B-OUO-9.pdf>



- **Pillar I - Reducing Income Inequalities (including gender-related) and Building Resilience.** This Pillar aims to promote equity by tackling inequalities and building households' resilience. It supports measures that improve the coverage and targeting of social transfers. It also supports reforms to parental leave, which will reduce the barriers to economic opportunities faced by women.
- **Pillar II - Promoting Economy-Wide Decarbonization and Climate Adaptation.** This Pillar advances and upgrades longstanding, cross-government climate mitigation and adaptation efforts to reduce Colombia's greenhouse gas emissions and adapt to climate change, including reducing the unequal distributional effects of climate change. It will do this by (i) codifying in law Colombia's National Determined Contribution (NDC) commitments, including setting minimum emission reductions targets and adaptation actions and expanding carbon pricing; (ii) advancing critical reforms in support of Colombia's "Energy Transition Law", including policy and institutional reforms that consolidate large-scale adoption of Non-Conventional Renewable Energy (NCRE); and (iii) mitigating investment risks through transparent, standardized disclosure of climate risks for investment operations.
- **Pillar III – Mitigating Climate Change By Protecting Biodiversity and Reducing Deforestation.** This Pillar advances Colombia's biodiversity conservation agenda, which is a key building block of the country's climate mitigation and adaptation strategy as expressed in the NDC; the United Nations Framework Convention on Climate Change recognizes the inseparability of biodiversity and carbon sequestration and climate adaptation. It will do so by adopting a long-term policy to strengthen the country's protected areas system as the primary sanctuary of critical ecosystems and by increasing the incentives for forest conservation by formalizing the production of non-timber forest products.

The proposed DPF directly supports key components of the Government's strategy. First, the DPF aims to promote equitable access to assets and economic opportunities through policies focused on the poor and vulnerable by increasing the distributional impact of fiscal policies, particularly social spending, and by narrowing gender gaps. The DPF is aligned with the 2018-22 PND and its equity pillar, which seeks to close horizontal inequalities by providing equal opportunities for all Colombians with a focus on social and productive inclusion, and with the economic reactivation plan (CONPES 4023). The equity pillar of the PND emphasizes access to labor markets, with special attention to the poor and vulnerable population. Second, the DPF directly supports the Government's climate strategy. This strategy is expressed at the highest level through the updated NDC submitted by this administration, which the proposed operation directly supports. The operation is also in line with the commitments included in the 2018-22 NDP's Sustainability Pact and the economic reactivation plan. As a building block of the climate strategy, the DPF also supports the Government's Energy Transition strategy described in the strategy document "Mission for the Energy Matrix Transition and Modernization of the Power Sector in Colombia". The strategy promotes a shift towards low-carbon energy through increased participation in the electricity market of NCRE, digitalizing the energy sector, incentivizing demand-side management, closing the electricity access gap, and modernizing the institutional and regulatory framework.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Finance (MHCP) and DNP are responsible for collecting and monitoring information related to program implementation and progress towards the achievement of results for this DPF. MHCP and DNP are further responsible for coordinating necessary actions among the agencies involved in the reform program supported by this DPF. The World Bank is working with MHCP, DNP and sector agencies to confirm the results framework. The MHCP and DNP have long standing experience in the collection and monitoring of information through several DPFs. Monitoring and evaluation of



the operation will also be carried out through the ongoing policy dialogue and the technical assistance programs.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The prior actions supported by this operation are expected to have significant positive effects on distributional outcomes over the short to long term, particularly through improved social spending, narrowing of gender gaps, and a reduction in the potential of climate change to exacerbate inequalities. Findings suggest a positive impact on poverty reduction, equity, and social indicators, in line with one of the main objectives of this operation. The above is particularly relevant considering Colombia's reversal in poverty and inequality: poverty increased 6.8 ppts in 2020, the Gini coefficient went from 0.526 in 2019 to 0.544 in 2020, and the gender gaps widened. Moreover, the effects of climate change are expected to further exacerbate inequalities.

Environmental, Forests, and Other Natural Resource Aspects

Consistent with WB OP 8.60, a general environmental analysis was carried out to assess if the proposed DPF is likely to cause significant adverse or positive effects on the environment, forest, and natural resources. The assessment was based on a secondary data review of the program, including the description of each prior action, evidence from the literature, legal evidence, and a comparative analysis between existing and proposed actions. The Prior Actions supported under Pillar 1 are not likely to result in any significant impact on the environment, forests, or natural resources. The Prior Actions supported under Pillar 2 and Pillar 3 have positive effects on the environment, forests, and other natural resources.

G. Risks and Mitigation

This operation entails an overall residual risk level after mitigation of moderate. Macroeconomic risks and political and governance risks are rated as moderate in affecting the achievement of the operation's development objectives. Risks related to sector strategies and policies, technical design of the program, and institutional capacity for implementation and sustainability are assessed as moderate, in light of the high institutional capacity of implementing agencies and of the high degree of political ownership of the reform program, which is in large part derived from the findings of the Government's Taskforces on Capital Markets, Employment and Internationalization. Risks will be monitored throughout the implementation period of the DPF.

CONTACT POINT

World Bank

Maria Eugenia Davalos, Gabriel Demombynes
Senior Economist

Borrower/Client/Recipient



Ministry of Finance and Public Credit

Implementing Agencies

Departamento Nacional de Planeación

Natalia Bargans

Subdirectora de credito

nbargans@dnp.gov.co

FOR MORE INFORMATION CONTACT

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 473-1000

Web: <http://www.worldbank.org/projects>

APPROVAL

| | |
|----------------------|---|
| Task Team Leader(s): | Maria Eugenia Davalos, Gabriel Demombynes |
|----------------------|---|

Approved By

| | | |
|-------------------|--------------------|-------------|
| Country Director: | Mark Roland Thomas | 06-Dec-2021 |
|-------------------|--------------------|-------------|