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IMPLEMENTATION COMPLETION REPORT
(FSLT-70500)

ON A

LOAN

IN THE AMOUNT OF US\$150.0 MILLION

TO THE

REPUBLIC OF COLOMBIA

FOR A

HUMAN CAPITAL PROTECTION PROJECT

September 30, 2006

**Colombia and Mexico Country Management Unit
Human Development Sector Management Unit
Latin America and The Caribbean Regional Office**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective September 2006)

Currency Unit = Colombian Peso (COP)
2,400 COP = US\$ 1
US\$ 0,0004166 = COP 1

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CCT	Conditional Cash Transfers
COC	Citizen Oversight Committees
DAPR-FIP	Administrative Department of the President's office in charge of the Investment Fund for Peace <i>Departamento Administrativo de la Presidencia de la República - Agencia</i>
<i>Presidencial</i>	<i>para la Acción Social y la Cooperación Internacional - Fondo de Inversión para la Paz)</i>
DNP	Department of National Planning/ <i>Departamento Nacional de Planeación</i>
DO	Development Objective
EM	Municipal Liaisons/ <i>Enlace Municipal</i>
FM	Financial Management
GDP	Gross Domestic Product
ICBF	Colombian Institute of Family Welfare/ <i>Instituto Colombiano de Bienestar Familiar</i>
IE	Impact Evaluation
IDB	Inter-american Development Bank
IMF	International Monetary Fund
ISR	Information Supervision Report
GOC	Government of Colombia
MIS	Management Information System
MOE	Ministry of Education
MSP	Ministry of Social Protection
NCU	National Coordinating Unit
DNP	Department of National Planning/ <i>Departamento Nacional de Planeación</i>
OM	Operational Manual
PAD	Project Appraisal Document
PATH	Program for Advancement through Health and Education (Jamaica)
PMR	Project Management Report
PSR	Project Supervision Report
RAS	Social Safety Net (<i>Red de Apoyo Social</i>)
SISBEN	Beneficiary Selection System/ <i>Sistema de Selección de Beneficiarios Programas Sociales</i>
SSNA	Social Safety Net Assessment

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COLOMBIA
Human Capital Protection

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<i>Project ID:</i> P069964	<i>Project Name:</i> Human Capital Protection
<i>Team Leader:</i> Andrea Vermehren	<i>TL Unit:</i> LCSHS
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> September 25, 2006

1. Project Data

Name: Human Capital Protection *L/C/TF Number:* FSLT-70500
Country/Department: COLOMBIA *Region:* Latin America and the Caribbean Region

Sector/subsector: Other social services (86%); Central government administration (14%)
Theme: Social safety nets (P); Social risk mitigation (P); Education for all (S); Child health (S)

KEY DATES	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 10/16/2000	<i>Effective:</i> 07/31/2000	11/09/2001
<i>Appraisal:</i> 01/16/2001	<i>MTR:</i>	
<i>Approval:</i> 03/29/2001	<i>Closing:</i> 12/31/2004	11/30/2005

Borrower/Implementing Agency: GOVERNMENT OF COLOMBIA/DAPR-FIP; GOVERNMENT OF COLOMBIA/OFFICE OF THE PRESIDENCY

Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	Pamela Cox	David De Ferranti
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S
Sustainability: HL
Institutional Development Impact: SU
Bank Performance: S
Borrower Performance: S

QAG (if available) ICR
Quality at Entry: S
Project at Risk at Any Time: No

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

The Colombia Human Capital Protection Project sought to alleviate the impact of Colombia's then current economic crisis on the most vulnerable by protecting and promoting poor children's human capital. This would be accomplished by supporting poor families' investment in their 0-17 year old children's health, nutrition and education in the face of sharply reduced incomes. To this effect, the Project would support *Familias en Acción* (Families in Action), the family assistance program of the Government of Colombia's (GOC) new *Red de Apoyo Social* (RAS) safety net strategy.

3.2 Revised Objective:

Not applicable.

3.3 Original Components:

The Project consisted of the following six components:

(1) The first component (US\$48.86 million) financed **Education Grants**. These were scholarships for children aged 7-17 years old belonging to families with SISBEN 1 classification (see Section 3.5 for a discussion of SISBEN categories). Beneficiary families would receive the education grant during the duration of the Project as long as they were enrolled in primary or secondary schools, maintained a class attendance rate of at least 80 percent, and did not repeat a grade more than once. Each education beneficiary would receive a monthly stipend per eligible child amounting to US\$6 per month for primary (grades 2-5) and US\$12 per month for secondary school students (grades 6-11). These amounts were estimated to be equivalent to households' average direct education expenditures. This component also financed the direct costs charged by financial institutions (banks) in Colombia to deliver the education grants to poor families, amounting to approximately US\$1.6 million (3 percent of the total amount allocated for the education grants). These direct costs were financed under the Bank loan.

(2) The second component (US\$74.10 million) financed **Health/Nutrition Grants**. These conditional cash grants went to SISBEN 1 families with children 0-6 years old, who were not beneficiaries of the community day care program "*Hogares Comunitarios de Bienestar*" which is offered mostly in urban areas by the Colombian Institute of Family Welfare (ICBF - *Instituto Colombiano de Bienestar Familiar*). Eligible families would receive the grant as long as they complied with agreed health clinic visits for regular growth monitoring and immunization, as established by the GOC's health regulations. To avoid incentives to fertility and recognizing the economies of scale in families' food consumption, the health/nutrition grant was set at US\$20 per month per eligible family regardless of the number of children. The grant of US\$20 was estimated to be equal to the gap between the cost of a basic food basket and the average income of indigent families. This component also included the direct costs charged by financial institutions (banks) in Colombia, as noted in paragraph (1) above.

(3) The **Project Management** component (US\$13.78 million) would finance the operational activities of the National Coordinating Unit (NCU), located within the Office of the Presidency, Office of Peace and Reconciliation (DAPR-FIP). This included the hiring of qualified staff and the provision of appropriate office space and equipment.

(4) The **Monitoring and Evaluation** component (US\$1.63 million) was designed to finance the external review ("spot checks", audits, etc.) and evaluation of the performance and impact of the project.

(5) The **Promotion and Dissemination** component (US\$3.32 million) would finance public relation and information campaign activities, which would be carried out through television, radio, and print media. Consultants would be hired for six months to design and carry out these activities. They would also develop and organize national and local workshops for technical and administrative staff and other program stakeholders (e.g. mayors).

(6) The **Health, Education, and Nutrition Services Delivery** component (no Bank financing) consisted of education, health and nutrition services provided by the respective public institutions to beneficiaries in the participating municipalities. The amount of US\$206.25 million was recognized by the Bank as an in-kind contribution from the national and local governments in Colombia. It included the funding of vaccinations, teacher salaries, and public education campaigns, among other items.

There was also an **unallocated** amount of US\$8.31 million, which was put in place to account for the uncertainty in the relative proportion of uptake of health and education grants.

3.4 *Revised Components:*

Not applicable.

3.5 *Quality at Entry:*

The quality at entry is rated **Satisfactory**. At the time of Project identification, Colombia experienced its largest recession in 70 years, with Gross Domestic Product (GDP) falling 4.3 percent in 1999, causing unemployment rates to double (reaching 20 percent in urban areas the same year), and poverty rates to increase by four percentage points (Colombia Social Safety Net Assessment, 2002). Yet, the country's weak social protection system was not able to manage the severe social crisis: social insurance was limited to the wealthier, and social assistance programs lacked coverage, institutional flexibility and information about their impact on the poor. In addition, with the onset of the 1999 recession came an intensification of Colombia's internal conflict, causing the displacement of thousands of families, and a general increase in violence and insecurity (Colombia Social Safety Net Assessment, 2002).

In response to this situation, the GOC, in keeping with its Stand-by Agreement with the International Monetary Fund (IMF),¹⁷ adopted a two-pronged strategy for mitigating the negative effects of the crisis: first, the GOC implemented fiscal adjustments and economic reforms to achieve stability and sustainable growth. Second, the GOC established a Social Safety Net (henceforth referred to by its Spanish acronym RAS - *Red de Apoyo Social*) to cushion the impact of the economic recession on the poor and vulnerable population and promote the establishment of peace in the country. The RAS complemented the objectives and social policies established in the National Development Plan 1999-2002 and included three programs: (i) *Familias en Acción* (the Project), a conditional cash transfer program for poor families that would give cash assistance to those who kept their children in school and provided them with basic preventive health care, mostly in rural areas, (ii) *Empleo en Acción*, a community works program called to provide temporary employment to poor, unemployed and unskilled workers mostly in urban areas; and (iii) *Jóvenes en Acción*, a training/apprenticeship program for young adults provided by private sector training institutions that were selected through a competitive bidding process.

The RAS was designed by the National Planning Department (NPD) based on similar programs tested elsewhere in Latin America (Chile, Mexico, Argentina, etc.) and implemented by the Administrative Department under the Office of the President, through the Peace Investment Fund (DAPR-FIP). The

World Bank (Bank) and the GOC financed the Project and *Empleo en Acción* through two separate operations and loans: the former through Loan 7050-CO and the latter through Loan 7017-CO. The Inter-American Development Bank (IDB) provided parallel financing to all three programs of the RAS through a single loan (Loan number 1280/OC-CO).

The *Familias en Acción* program, financed under the Project, exceeded initial expectations in providing a much needed effective support for extremely poor families, thus becoming the star performer among the three RAS programs. Results from the program's experimental impact evaluation show significant improvements of children's food consumption (reducing chronic malnutrition by approximately ten percentage points) and immunization rates, as well as school attendance (particularly in secondary school). In addition, it had unexpected positive impacts on child labor, women's empowerment, and service delivery improvements for the poorest. Based on the proven results and success of this program, many countries in the region and beyond have been adopting similar mechanisms to improve human capital development of the poorest segments of their population.

In recognizing the benefits of the program for the country's human development, the Government made a decision in 2005 to establish the *Familias en Acción* program as the centerpiece of the country's social safety net, and expand it to more than a million families by 2008, including expansion to difficult to serve populations such as displaced families, families that live in areas that had recently been "recovered" from the conflict, and other special target groups.

Quality at Entry of the Project has been assessed along the following design dimensions:

Strategic relevance and importance. The Project fit squarely within the Bank's Country Assistance Strategy (CAS) for Colombia, as described in the November 1999 CAS Progress Report which emphasized the need "to support the Government's effort to ameliorate the social impact of the current economic crisis on the poor." The CAS specifically mentioned two lending operations being prepared to immediately strengthen and expand the social safety net framework in Colombia, one of which was a public works program (which then became the *Empleo en Acción* program), and the other was the *Familias en Acción* conditional cash transfers (CCT) program supported under the Project.

The choice of the *Familias* program as one of the GOC's responses to the crisis was a result of the solid analytical work undertaken by the Bank and GOC teams. This included a Social Safety Net Assessment (SSNA --the final version of which was completed in 2002; however, the results of the analysis were available well before this date), as well as a social sector review and a Poverty Assessment Update to which the Bank Project team contributed significantly. The importance of the SSNA in the Bank's response to the GOC cannot be overestimated. This strategic study with clear messages contributed to the GOC's appreciation of the importance of a coherent social protection framework, towards which the creation of the Ministry of Social Protection (MSP) in 2003 was a first step, and to a revision of the Beneficiary Selection System (*Sistema de Selección de Beneficiarios--SISBEN*) targeting mechanism starting in 2003 as well. It was also a key input into the Policy Notes prepared for presidential candidates' teams in 2002.

Client orientation. The Bank's overall response to the GOC's request for assistance in mitigating the economic crisis' impact on the poor was immediate. A cross-sectoral Bank team of highly qualified and experienced staff and consultants was put together to inspire the dialogue on strengthening the country's social safety net, offering technical expertise on social protection policies and programs that were considered at the time by the Government. As a first step, the Bank team secured a Japanese grant (PHRD), which financed important technical studies, as well as the formation of the NCU for the

Familias program. Based on this, GOC and the Bank undertook the aforementioned SSNA, which has been key in initiating the stunning evolution of social protection in the country, and which provided the analytical underpinning for the choice of safety net programs to be implemented by the RAS. The GOC reported as very helpful that the Bank team composition remained the same throughout preparation and the first year of implementation.

Technical, financial, and economic aspects. The *Familias en Acción* program started as a pilot in 22 municipalities over seven months in 2001, eventually expanding to 90 and by loan closing in November 2005, it was active in 672 municipalities. During project preparation, an effective targeting mechanism was developed for the *Familias* program, which consisted of a combination of geographic targeting (at the municipal level) and a proxy means test (at the household level). The geographic targeting was based on four criteria: (i) having access to basic education; (ii) the presence of at least one bank; (iii) not having more than 100,000 inhabitants and not being the capital of a regional district or located in the Coffee region (this basically means “rural”); and (iv) that local authorities register their municipality and provide necessary documents including a list of SISBEN 1 beneficiaries. Colombia's SISBEN is a six-level welfare indicator designed to target social programs at the household level, with SISBEN Level 1 representing extreme poor households. Once the program has reached an agreement of participation with municipalities, families within the targeted municipalities are selected according to their score on the SISBEN proxy means test. All households that belong to SISBEN Level I and who have children under the age of 18 are eligible under the *Familias* program. SISBEN I households roughly correspond to the poorest 17 percent of the population.

Grant payments were made to mothers, in principle on a bi-monthly basis through the country's banking system in pesos, and the amount was calculated in US dollars to maintain the real value of the peso-denominated grant over the period of program implementation². The selection of grant beneficiaries and the verification of the compliance with education and health/nutrition conditions was carried out in accordance with procedures and criteria established in the Operations Manual (OM), the completion of which was a condition of loan effectiveness. During project preparation, the Bank team prepared an economic analysis of the *Familias* project, the first of its kind for a CCT program.

Institutional aspects, implementation and monitoring and evaluation arrangements.

Institutional. The DNP was in charge of the design of the *Familias en Acción* program. Based on a study tour of the Mexico *Oportunidades* program, the NPD team developed an operational manual for the *Familias* program which guided its implementation.

During preparation, several options for its institutional home were considered and discussed broadly, including the ICBF, a line ministry, or the Presidency. The GOC decided to place the program under the Office of the President given its extensive experience in and a mandate to implement crisis related social programs (related programs were the *Red de Solidaridad* created in the early 1990s, as well as other peace related programs). In practice, this choice allowed the *Familias* program to quickly set up its basic implementation structure and management systems, and make creative use of existing private and public sector institutions (banks and other private sector firms, municipal governments, ICBF) to efficiently and swiftly start the implementation of the program, following World Bank and IDB procurement guidelines.

Implementation. *Familia's* implementation arrangements fit perfectly into Colombia's decentralized governing structure, including a central coordinating unit in the Presidency, regional coordinators at the departmental level, and liaison officers (Enlace Municipal) as part of the local government structure

that play a key role in the program's operation. In addition, "leader mothers" were selected by beneficiary groups that would represent their interests at the municipal level. Finally, private sector firms were employed to carry out parts of the administration (payments, compliance verification) of the program (for more details, see Section 7.6)

Monitoring and evaluation. The program also put in place a comprehensive control, monitoring and evaluation system, which involves internal and external audits, operational audits/spot checks, an MIS, citizen oversight (*veeduría social*), effective claims and complaints procedures, as well as an impact evaluation. A recent regional review of the program's control and accountability mechanisms showed that the program is exemplary in its design and management of the system (for more details, see Section 7.6 and Annex 7).

Fiduciary aspects. As the largest share of the Bank's loan financed transfers, little procurement of goods and services was expected. A procurement assessment was carried out during project appraisal, at which time the program was found to meet the Bank's procurement management requirements, although initially it was missing the computerized modules to carry out the procurement processes which were then quickly established. The elaboration of a Procurement Manual was a condition of effectiveness. Thereafter, regular ex-post procurement reviews were carried out, with the last one in March 2006 revealing no issues.

During project preparation, the Bank's financial management (FM) specialist confirmed that the NCU capacity met the Bank's minimum standard to implement the project, and recommended the establishment of an integrated financial management/accounting system, that would produce quarterly Project Management Reports (PMRs). These recommendations became conditions for loan effectiveness and were complied with. The PMRs were in fact prepared and delivered quarterly, although the Project was not deemed eligible for PMR-based disbursement, due to the system's inability at appraisal to monitor output indicators. Regular financial management reviews were conducted throughout project implementation and were helped by the fact that the Bank's FM specialist was located in the local office.

Poverty, gender, and social assessment. The *Familias* program is targeted to SISBEN 1 beneficiaries only. Its primary beneficiaries are children, youth and their mothers since payments are made to the latter. As shown by the results of the impact evaluation, it is highly poverty focused and education and empowered women beyond initial expectations.

The *Familias* program was not designed to specifically target indigenous groups, given that they benefit from other Government programs specifically targeted to them. It was agreed during preparation that the program would monitor access of indigenous groups through its MIS and would prepare a study at the conclusion of the project on options for adapting *Familias* to populations not covered by the CCT program, if needed. It turned out to be impossible to track the ethnic origin of participating families given the cultural sensitivities surrounding the topic (implementers advised that it would have been inappropriate to ask applicants for their ethnicity). However, the program monitored program indicators by region which provides an approximation to ethnic origins. In addition, a study was carried out towards the end of project implementation to assess how the *Familias* program had worked for different ethnic groups. The study was used, among others, to inform the design of the follow on operation (Social Safety Net project – Loan Number 73370).

Risk assessment and management. Overall, the Project Appraisal Document (PAD) assessed the project risks appropriately. The PAD notes the possibility that uptake could be weak if the subsidy

proved to be too low. Uptake initially was low, not because of the size of the subsidy but because during the pilot it was found that the SISBEN targeting system had not been properly maintained and therefore, there were fewer beneficiaries with valid SISBEN records than expected. The problem was detected during the pilot phase and therefore the GOC was able to respond accordingly by expanding the program to more municipalities to meet project coverage targets, while reforming the SISBEN. Other risks noted were:

- The possible diversion of grant money to luxury products: the impact evaluation showed an increase in basic consumer goods between 15 and 19 percent, principally of food goods, shoes, clothes, school books, and transportation to schools. There was no increase detected in consumption of alcohol, cigarettes, or adult clothing.
- Possible low compliance with conditions: compliance has been high at over 90 percent, and the compliance verification process has worked well, as indicated by spot check reports.
- Insufficient supply of health and education services: the *Familias* team has worked closely with municipalities to ascertain their readiness to enter the program, and to assist them in assessing supply requirements necessary to enter. In isolated cases where supply was not sufficient, the program was suspended temporarily.

In addition, the Colombia *Familias* program was recently included in an internal World Bank risk review of CCT projects. The review rated the *Familias* program very highly overall, but noted in particular its thorough internal controls and strong monitoring and evaluation systems.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The *Familias en Acción* impact evaluation (IE) demonstrates that the program had a significant positive impact on the very human capital factors which the program was trying to influence; specifically, it found that health, education, and nutrition outcomes had improved dramatically for beneficiaries, as measured in the following ways:

Nutrition/consumption

- An increase in total household consumption by 19.5 percent in rural areas and by 9.3 percent in urban areas. Most of the increase in consumption due to *Familias* was dedicated to food, principally of meat, chicken, and milk. There was also a considerable increase in the consumption of children's shoes, clothes, school books, and transportation to schools. (Source: "How Effective are Conditional Cash Transfers? Evidence from Colombia," The Institute for Fiscal Studies, Briefing Note 54, 2005 and "Programa Familias en Acción, Resultados de Impacto un año después de implementado el Programa" DNP – SINERGIA No 4, 2006).
- There was no incremental increase detected in consumption of alcohol, cigarettes, or adult clothing (*Ibid*).

Health

- For children less than 24 months old, an increase in the percentage with an up-to-date schedule of preventive healthcare visits from 17.2 percent to 40.0 percent. For children between 24 and 48 months, a rise from 33.6 percent to 66.8 percent with an up-to-date schedule of preventive healthcare visits. (Source: Colombia Social Safety Net Project Appraisal Document, Annex 14: Programa Familias en Acción: Condiciones iniciales del los beneficiarios e impactos preliminares," DNP-SINERGIA, 2004).

- An increase of 0.32 Kg. in the weight of rural boys and of 0.48 Kg. in urban boys ages 24 - 48 months. (Source: Executive Summary of first phase of the Impact Evaluation of the Familias en Accion Program, IFS and Econometría Consultants, October 2004)
- An increase of 12 percentage points in DPT vaccinations in children less than two years old in rural areas. An increase of 7 percentage points in DPT vaccinations for children ages 2-4 years in urban areas. (Source: Executive Summary of first phase of the Impact Evaluation of the Familias en Accion Program, IFS and Econometria Consultants, October 2004).

Education

A 10.1 percent increase in the rate of school attendance for rural children between 12-17 years old, and of 5.2 percent for same age children in urban areas^{3/}. (Source: IFS Briefing Note 54, 2005).

Outputs

In addition, as of **December 2005**, the program had benefited 514,502 families, of which 451,672 were in SISBEN Level 1^{4/}.

As of the same date, 1,266,780 children had been covered by the program -- exceeding the target of one million children noted in the PAD. Also by this time, the program was active in 702 municipalities in 32 departments, of which 65 percent were those with less than 100,000 inhabitants. This coverage corresponds to roughly 62 percent of the country. The program's output indicators include:

- percentage of loan going to education and nutrition grants (target was 66 percent; result was 97.5 percent)
- percentage of grant recipients in lowest income quintile (target was 90 percent; result was 88 percent)
- Compliance rate of participating municipalities with municipal-level immunization coverage targets (target was 90 percent, result was 95 percent).

Source: Sinergia, Programa Familias en Acción – Condiciones Iniciales de los Beneficiarios e Impactos Preliminares, Marzo de 2004

These results, particularly when coupled with the externalities generated by the program (see Section 4.2), demonstrate the program's remarkable measurable impacts on protecting the human capital of poor children and youth, which was the specific development objective of the project.

While these results are impressive, the Development Objective (DO) of the project also states that it was designed to "alleviate the impact of Colombia's current economic crisis on the most vulnerable." While project preparation was very quick, with five months from preparation to Board approval, it took another eight months for the loan to become effective. At that point, in November 2001, the economic crisis was beginning to abate. The PAD states that the Colombian economy "has begun to show signs of recovery, with GDP growing at above three percent in 2000" (page 5 of the PAD). This trend continued during 2002/03 while the *Familias* program was still limited in its coverage.

Although macro-economic indicators were improving, however, Colombian children, particularly poor ones, were still suffering from the effects of the crisis, as demonstrated by deteriorating social indicators. The PAD states that "the increase in unemployment and poverty arising from the economic crisis remains a grave concern and the restoration of a fiscal balance while protecting the welfare of the poor and vulnerable continues to be a serious challenge." Indeed, unemployment rates in 2001, at the start of the Project, were high (roughly 19 percent), and were still twice as high in 2004 (16 percent) as historical rates (8 percent). (Source: Colombia Labor Market Adjustment, Reform, and

Productivity, Vol. II, November 2005, World Bank).

Therefore, one has to weigh the wording of the PAD and the evidence of the improvement of the economy with the lingering effects of the crisis on the poor. Although the country was showing signs of economic recovery at the time the project was declared effective, social indicators were not, which coincides with international evidence that the poorest do not immediately benefit from GDP growth. Thus, the project responded rather effectively to the social effects of the crisis.

Given the situation described above, the project would be rated Highly Satisfactory in terms of protecting poor children's human capital. However, because the DO wording is specifically linked to the then current, economic crisis, the achievement of the DO is rated as **Satisfactory**.

4.2 *Outputs by components:*

Component A. Educational Grants. A total of US\$ 84.8 million disbursed; 170 percent of appraisal estimate

Familias benefited a total of 764,347 children, 464,176 at the primary level and 300,171 at the secondary level. The IE indicates that the program produced a net increase in school enrollment of rural secondary school children 12- 17 years old of 14 percentage points. For same age children in urban areas the effect was almost 6 percent. It also produced a net increase in school attendance of rural secondary school children 12-17 years old from 4.6 to 10.2 percentage points, and from 3.6 to 5.2 percentage points in urban areas. Regarding specific outputs noted in the PAD, the IE and Management Information System (MIS) indicate that eligible families received:

- primary education grant only (target = 30,700; result was 9,759)
- secondary education grant only (target = 42,400; result was 68,055)
- nutrition grant only (target was 67,500; result was 67,686)
- nutrition and primary education grant (target was 76,100, result was 90,010)
- nutrition and secondary education (target was 38,200, result was 21,774)
- primary and secondary (target was 57,700, result was 72,898)
- all three subsidies (target was 83,700, result was 40,794)

The IE and MIS indicate that the number of children benefiting from *Familias* is broken down as follows:

- nutrition grant (target was 472,500; result was 372,898)
- primary education grant (target was 378,900; result was 464,176)
- secondary education grant (target was 339,281; result was 300,171)

Source: Acción Social Progress Report, December 2005

Clearly the project had positive education impacts in terms of school enrollment and school attendance, and exceeded its coverage target at the primary school level. Based on this, and the externalities generated by the subsidies (see Component B for details), the component is rated **Highly Satisfactory**.

Component B. Health Grants. A total of US\$ 61.4 million disbursed; 83 percent of appraisal amount

The IE and MIS indicate that the health grants:

- benefited a total of 372,898 children between the ages of 0-6
- produced a significant improvement in the percentage of children brought to health centers for preventive care -- for children less than 24 months, the percent increased from 17.2 to 40.0. For children 24-48 months, the percent rose from 33.6 to 66.8.
- produced a net change of 12 percent in children age 0-6 with complete immunization schemes.
- produced a net change in nutritional status, as indicated by height and weight measurements. For children 2 years and younger were on average 0.78 cm taller than those in control group. Children between 4-8 years on average were .62 cm taller than the control group.

Worth noting is the many **externalities** generated by the CCT program (both education and health subsidies). When interviewed, mothers reported that they had learned much about managing finances, children's health, and education issues, (a direct result of the training they received during the quarterly *encuentros cuidados* and the bi-annual general assemblies for beneficiary mothers) as well as receiving a psychological boost by having financial decision-making power. They also felt they were better role models for their children. In turn, they are proud of their children's accomplishments in school, and many indicated that they would indeed have removed their children from school if it had not been for the subsidies. Regional coordinators, EMs, and mayors also commented on the psychological change evident in beneficiary mothers. There also seems to be more trust in the government as a result of this program, according to one regional coordinator, and the program has created certain expectations from mothers -- that their children should be able to finish secondary school and even go on to university. At least one mayor stated that he liked the program because it helped families realize that they share the responsibility for the health and education of their children.

Given these results, this component is rated as **Highly Satisfactory** due to its direct impacts and externalities.

Component C. Project Management. A total of US\$ 2.5 million disbursed; 9 percent of appraisal amount

The National Coordinating Unit (NCU) in the Presidency was responsible for the administrative, technical, operational, and financial execution of the project, the contracting and acquisition of goods and services, policy formulation, and monitoring and supervision. This work included the finalization of the Operational Manual, preparation of regular Progress Reports on project implementation, and the contracting of services for (i) the compliance verification process, (ii) the payment process, (iii) the implementation of operational audits/ spot checks, and (iv) the impact evaluation. The NCU was staffed with 35 of professional staff at the central level. At the regional level, the NCU was supported by 25 regional coordinators.

The decision to house the *Familias* program with the Office of the President gave it the political and institutional support it needed to succeed. The costs for this component were financed by GOC resources in order to allow for a faster start-up of the program in terms of procurement, and the contracting of highly qualified and committed professionals. The program unit proved flexible (able to respond to the coverage shortage resulting from the outdated SISBEN, identified during the pilot phase of the program); committed (the *Familias* team was able to maintain the credibility of the program with beneficiaries during the payment freeze - described in Section 5.2 - while convincing the new

administration of the program's worth); and quick-moving (Familias made up the four missed payment cycles resulting from the freeze within nine months).

Program administration costs are also notably low. The NCU has successfully outsourced the compliance verification and spot check activities, so it is able to maintain a small staff at the central level and one Regional Coordinator in each of the departments. At the municipal level, *Familias* is supported by the *Enlaces Municipales* – which are paid for by the municipalities. The team has foregone, with the exception of the impact evaluation, carrying out analytical work in favor of implementing the program as quickly as possible and expanding it to meet coverage targets. This has allowed the NCU to maintain a lean, tight, implementation team. Overheads are approximately 6 percent which compares very favorably to other CCT programs in the region.

For these reasons, the ICR team rates this component as **Satisfactory**.

Component D. Monitoring and Evaluation. A total of \$1.21 million disbursed, 74 percent of appraisal amount

Familias has benefited from a strong and comprehensive monitoring and evaluation system including

- a process evaluation of the six-month pilot of the *Familias* program, to make recommendations on needed adjustments to the project design;
- the establishment of a MIS to track the Project's physical and financial progress during implementation (including data on compliance and delivery of grants);
- the design of a system of community monitoring (*Veeduría Ciudadana*) of the program in participating municipalities;
- the elaboration of Terms of Reference and contracting out of operational audits/spot checks, which were regular field reviews that monitored the project's adherence to the operational manual and identified operational bottlenecks/issues;
- financial external audits; and
- a full fledged experimental impact evaluation (IE) managed by NPD and carried out by a consortium of national and international experts. The IE process included a baseline survey that was collected between June and October 2002. Three measurements of the IE were planned at project inception; the first was completed in 2004, and the second in 2005. The final measurement of the IE is due in June 2006. Results are posted on the program's website.

The contracting of the IE took about a year due to extensive discussions surrounding its Terms of Reference and Bank procurement requirements for international bidding. The resulting baseline and evaluation reports, however, were of high quality and delivered on time. The results of the IE were presented to and discussed with a wide audience in Colombia and were also analyzed in the international context during discussions about CCT programs in general. The IE not only influenced the Government's decision to continue and expand the *Familias en Acción* program, it also contributed to defining the larger social protection and evaluation agenda in the country. Based on this positive experience, the GOC has started to build a government-wide results based evaluation agenda which the Bank is supporting cross-sectorally and specifically through a new loan.

Another important element of *Familias'* monitoring system is the outsourcing of the compliance verification process to a competitively selected private firm. Meetings with the firm demonstrated the evolution and fine-tuning of the system. In addition, the IE shows that the system is efficient and meets its purpose of channeling the necessary compliance information to the program in a clockwork manner.

Another advantage of the system is that it requires mothers to present themselves regularly at health centers and schools, keeping abreast of their children's progress and developing a closer relationship with officials at these institutions.

The system of operational audits (spot checks), which was also outsourced to a private firm, allows for the monitoring of the operational efficiency and evolution of the program at regular points in time. Conducted in the field, spot checks have been key in detecting operational weaknesses in the design/implementation of the program, to which the NCU can then respond. Discussions with the firm charged with carrying out spot checks revealed the thorough analytical nature of these reviews, designed and supervised by a highly qualified Director.

This component is rated **Highly Satisfactory** due to the monitoring system's comprehensive and innovative nature; that is, due to its integrated design which incorporates spot checks, citizen oversight, outsourcing of the compliance verification process (see Section 3.5 and Annex 7 for more details) and the high quality of the full fledged experimental impact evaluation, one of the first of its kind, which has had important impacts on policy, program continuity and operation.

Component E. Promotion and Dissemination. A total of \$2.5 million disbursed, 75 percent of appraisal amount

This component financed a myriad of activities related to making the program known to the public, and to training those directly involved in its implementation (municipal authorities, teachers and health staff, beneficiaries, central and regional program staff, etc.). This included: (i) public relation and information campaign activities announcing the start of the *Familias* program, which were carried out through television, radio, and print media (newspapers as well as posters, brochures, billboards, etc.), and which were aimed at beneficiaries and other stakeholders (e.g., municipal government staff); (ii) workshops for technical and administrative staff involved in the *Familias* program; (iii) *encuentros familiares*, which were monthly meetings held by beneficiary mothers during which they participated in training on topics related to health, nutrition, and education; and *encuentros juveniles/infantiles*, which were similar meetings held for youth and children; (iv) publication of pamphlets explaining the inscription process; and (v) publication of training materials.

The December 2005 Progress Report for the *Familias* program indicates that the following number of trainings and assemblies were carried out during the course of the project:

Period	# of Municipalities	Madres Líderes Elected	General Assemblies Carried Out
2002	474	5,257	693
2003	614	7,442	748
2004	626	8,549	1,389
2005	670	9,073	794

Period	# of Municipalities	# of Encuentros Cuidados Carried Out	# of Participants	# of Madres Líderes Trained	# of EMs Trained
2002	246	1,134	47,486	3,501	317
2003	508	6,531	268,093	5,275	509

2004	606	22,307	441,169	5,830	622
2005	594	21,327	408,350	2,542	525

This component also involved educating selected municipalities on the *Familias* program and workshops with beneficiary mothers on the verification and payment process. This occurred once a municipality had demonstrated that it could meet the demand for education and health services and were admitted into the *Familias* program. Its successful implementation ensured that eligible beneficiaries were aware of, and could readily access and meet the conditions of the program.

Given the success of the component in: (i) promoting the program and its results nationally and internationally (*Familias* has been profiled at two international workshops on CCT programs, and has received delegations from other countries wishing to learn more about the Colombia CCT experience); (ii) carrying out training for local authorities and for beneficiaries, including adding training for children of beneficiary mothers; (iii) holding local authorities accountable for the delivery of adequate social services for beneficiaries; and (iv) providing families with a platform to improve themselves and empowering mothers to become actively involved in their communities and municipalities, the ICR team rates it as **Highly Satisfactory**.

Component F. Health, Education, and Nutrition Services Delivery (no Bank financing)

This component consisted of education, health and nutrition services provided by involved public institutions to beneficiaries in the participating municipalities. The amount of US\$206.24 million at appraisal was recognized by the Bank as an in-kind contribution from the national and local governments in Colombia, and included vaccinations, teacher salaries, and other related items of public health and education services. The services reached roughly 400,000 families with a total of 1,137,245 individuals as follows:

Nutrition grants:	372,898 children benefited
Primary education grants:	464,176 children benefited
Secondary education grants:	300,171 children benefited

Given the high compliance rate of beneficiaries in the *Familias* program, which demonstrates the adequate supply of health and education services, the ICR team rates this component as **Satisfactory**.

Component G. Unallocated

The unallocated amount of US\$8.31 million was mainly in place to account for the uncertainty in the relative proportion of uptake of health and education grants. During implementation this amount was re-allocated to health and education grants (see Section 3.3 for a description of these components). The GOC allocated a greater amount to educational subsidies, because the *Familias* program ended up doing a one-time inscription of beneficiaries to the program, resulting in an aging beneficiary population. Beneficiary children eventually outgrew the criteria for the health/nutrition subsidy (that subsidy was for children ages 0-6 years only), and grew into the eligibility criteria for the education grants (which was allowed for children ages 7 - 17 years old).

4.3 Net Present Value/Economic rate of return:

See Annex 3.

4.4 Financial rate of return:

Not applicable.

4.5 Institutional development impact:

The *Familias* program has made several essential contributions to the country's institutional development:

(i) Involvement of local governments in social assistance provision: Through the establishment of the cooperating contracts with the municipalities, and the creation of the municipal liaison officer position, *Familias* has improved municipalities' capacity to respond to community safety net needs. This has also facilitated closer involvement of mayors with beneficiary mothers, and in some cases, has motivated them to request additional support from the Ministry of Education to finance additional school programs (e.g., providing school backpacks stocked with education supplies to primary school children).

(ii) Creation of a results-oriented Monitoring and Evaluation culture in the country. The Project has contributed to a culture of M&E not only in the Presidency and National Planning Department, but throughout the Colombian government. The Ministry of Social Protection, for example, is now carrying out impact evaluations for several of social programs under their responsibility (e.g. in ICBF) and has strengthened its planning and evaluation unit with support from the Bank. NPD's capacity to carry out impact evaluations has dramatically increased. The establishment of a results-based management system that is transparent and accountable, and linked to policy decisions, is well under way and supported by the highest levels of government.

(iii) Establishment of a new Ministry of Social Protection (MSP). In 2003, the GOC decided to merge the Ministries of Health and Labor into the new Ministry of Social Protection. It is important to note that the emerging international discussion on Social Protection as well as the underpinning analytical works (Social Safety Net Assessment, etc.), carried out during preparation and initial implementation of the project, provided important inputs for this decision. The MSP, in collaboration with NPD, is currently crafting a national social protection strategy, with the *Familias en Acción* program at the core of its social assistance.

Given these important effects on strategic institutional development at both the national and local levels, the ICR team rates the institutional development impact as **Substantial**.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

The fairly quick recovery of the Colombian economy between 2001 and 2002 meant that *Familias* had a lesser impact as an immediate crisis response mechanism and a rather large one on structural poverty, particularly in rural areas.

As for factors outside of the control of the implementation agency, it is interesting to note that in some instances subsidies went unclaimed; spot check reviews indicated that this typically happened when the cost of transportation to pick up the payment exceeded the subsidy. There was not a high incidence of this phenomenon, however, and the program successfully reduced this to a minimum by immediately following up with the respective families through leader mothers or EMs.

5.2 Factors generally subject to government control:

The SISBEN had not been updated by the DNP in six years, leading to a partially outdated database of beneficiaries (although, as generally known, upward movements of the poorest segments of the population are rather slow) and a subsequent low initial uptake of *Familias*' conditional cash transfers. This was detected during the pilot phase and coverage targets were met by expanding the program to additional municipalities, and the decision made to keep beneficiaries in the program for five years

instead of three. The SISBEN has since been updated and reformed to improve targeting.

With the advent of President Uribe's administration in 2002 came a freeze of the budget, which also affected the conditional cash transfers financed under the project. This freeze was in large part due to a tight fiscal situation that affected all government programs, but was also a result of the Uribe administration's uncertainty of the value of the *Familias* program and its concerns about the high cost of impact evaluations (which was approximately 1 percent of project costs, and well within international standards). By this time, however, the NCU of the *Familias* program had received the results of the first measurement of the impact evaluation, and were able to demonstrate, as earlier noted, the strong and positive effects the program was having on children's schooling and health, as well as on labor and consumption. Armed with this information, they were able to gain support for the continuation and expansion of the program.

5.3 Factors generally subject to implementing agency control:

Project effectiveness took eight months, in part because approval was held up in the Interparliamentary Commission (the delay here was caused by a systemic problem within the IC that has now been resolved, but which held up the processing of several multilateral loans at the time), but also because the NCU was working to meet the financial management and procurement requirements that were a condition of effectiveness. This impeded the project's ability to respond immediately to the economic crisis. However, the project was still able to meet its targets in terms of coverage and impact on the human capital of poor children.

5.4 Costs and financing:

Total costs were estimated at US\$369.92 million equivalent, excluding IDB financing. IDB financing at appraisal was expected to be US\$84.23 million. Excluding IDB funding, at the closing date, the total project cost was estimated at US\$186.9 million, (51 percent of the appraised amount), of which US\$150 million were from the fully disbursed Bank loan (80 percent of the total executed cost), and US\$36.9 million from counterpart funds (Federal and local governments).

Table 2: Loan overview by category of expenditures at different time periods of the implementation cycle

Category	Initial - August 2001 (US\$million)	Final - April 2005 (US\$million)	Percentage of Appraisal
Total subsidies	122.96	146.29	119
Education Grants	48.86	84.85	174
Health/Nutrition Grants	74.10	61.44	83
Consultant Services	11.69	1.21	10
Goods	7.04	2.5	36
Unallocated	8.31	0	NA
Total	150.0	150.0	NA

The increase in overall subsidies is a result of the GOC's decision to expand the program from 3-5 years and its expansion during 2005. The decrease in consultant services and goods was a result of the government's successful efforts to implement the program mostly through existing institutional capacities (municipalities, existing regional offices of ICBF and Presidency, DNP managing the impact evaluation, etc.) and keeping it lean and efficient.

6. Sustainability

6.1 Rationale for sustainability rating:

Sustainability of program effects can be observed at four levels:

(i) At the Human Capital Level. First and most importantly, the long lasting effects of every additional school year spent have been documented widely, with important impacts on the social and economic development of the country (including mother's improved education, productivity, etc.). Similarly, every contribution to improving the nutritional and health status of poor young children contributes immensely to their physical and social development in becoming productive members of society.

(ii) At the Strategic and Policy Level. Over the past year the Government has been developing a strategic vision for the country's development in the next 15 years, known as *Vision Colombia 2019*. Social protection and the *Familias* program figure prominently in this strategy, with the expectation that the *Familias* CCT will expand to more than a million beneficiary households (about 10% of Colombia's population) during the present administration. A decision was taken in 2005 to maintain the program in the Presidency in order to coordinate it more intensively with related social programs for the poorest and most vulnerable segments of the population (including displaced families), following the "Chile Solidaria" model of a modern social assistance system.

(iii) At the Institutional Coordination level. Through the CCT program, the GOC has found an effective mechanism to actually implement its goal of universal health and education service provision. Initial coordination with the Ministry of Education (MOE) started slow given that the supply of education services is the responsibility of states and municipalities in Colombia. More recently, however, the MOE's attention to the *Familias* program rests on the latter's many benefits for increasing coverage and regular attendance in rural and dispersed areas, and the Ministry has started to promote the program in regular meetings with the state and municipal entities of education as a key instrument for achieving government education priorities. Also, the MOE used the impact evaluation results to propose to Congress that the targeted CCT program was a better alternative than a universal free-education policy.

In health and nutrition, the Ministry of Social Protection's main priority is to increase coverage of the full vaccination plan (also supported by a Bank programmatic adjustment loan). *Familias* has contributed to achieving this goal in that over 93 percent of beneficiary children below 5 years of age, have completed vaccinations (as shown by the impact evaluation), against less than 80 percent for the national population.

(iv) At the Financial Level. The program is currently financed almost entirely by external credit resources. According to one report, it would be difficult for the GOC to finance the program with local budget resources in the short term -- the amount required would be roughly US\$140 million per year beginning in 2007. This would likely mean that the current Government (elected in May 2006) would need to reduce program coverage in order to finance it from local budget resources. The Government

has therefore requested the Bank's and the IDB's support in co-financing a new phase of the program. Abandoning the program altogether does not seem to be an option, given *Familias* prominence in the national development plan, in the MSP's social protection strategy, and the demonstrated impact the program has had on the social indicators of the poor.

For these reasons, the ICR team rates sustainability as **Highly Likely**.

6.2 *Transition arrangement to regular operations:*

While the *Familias en Acción* program was originally conceived as a three-year crisis response mechanism, it has clearly evolved to the government's main program for reducing structural poverty. This insight came as international studies and local implementation experience indicated that a three year intervention is not long enough to sustain the positive impacts of the program on the poor and move them out of poverty. Thus, the GOC has confirmed its commitment to institutionalizing the program, and the Bank has already approved a second loan of US\$86.4 million (Social Safety Net Project) to provide financing to expand the program to 400,000 families by end 2006 (which had already been exceeded by the end of 2005), and strengthening the Ministry of Social Protection's capacity to monitor and evaluate its programs and policies.

Today, the GOC understands the potential of *Familias* to be expanded and contracted in response to different shocks, thus being a counter-cyclical response mechanism that can help weather many kinds of crises. International experience has demonstrated, for example, that CCTs can respond to crises other than economic. In Jamaica, when Hurricane Ivan struck in 2004, the country's *Programme for Advancement Through Health and Education* (PATH), also a conditional cash transfer program, simply increased the transfer amount one time to assist the poor affected by the storm. Similarly, an evaluation of Nicaragua's CCT program has shown the positive and stabilizing effects of their CCT program when the coffee crisis hit in the early 2000s.

7. Bank and Borrower Performance

Bank

7.1 *Lending:*

The Bank assembled an highly qualified, specialized team that responded to the GOC's request for assistance with a wide range of possible programs and solid technical advice on which were most effective at achieving results. The Bank also advised underpinning operational work with analytical studies. This led to the completion of the SSNA, which armed the GOC with information on its existing social safety net and recommendations to improve it; and the decision to implement a CCT which has indeed produced positive results. The result is not only a well-designed, effective CCT program, but a more integrated, responsive safety net in Colombia. The Bank team also provided practical help by (i) obtaining a Japanese grant to help finance analytical studies to underpin decision on social sector programs in general and *Familias* in particular, and to assist in the design of *Familias*, and

(ii) arranging a study tour to visit the Mexico *Oportunidades* program, allowing the client to see for itself a CCT program in action. Once the GOC decided to implement a CCT project, the Bank was able to provide international experience on lessons learned from other CCT programs. In addition, the Bank collaborated closely with the IDB to lessen the demand on the client and ensure that the GOC did not receive conflicting policy advice.

This would normally be an argument for a Highly Satisfactory rating. However, the Bank team underestimated the time it would take to establish a CCT operation. In addition, some of the initial cost estimates and implementation arrangements (e.g. collaboration with ICBF) proved to be slightly off

target. Finally, given that the DO states that the project was to respond to a current economic crisis, which was showing signs of abating by the time the Project started, but also taking into consideration the positive impact of the program on the lives of the poor, the ICR team rates the Bank's performance during lending as **Satisfactory**.

7.2 *Supervision:*

The Bank carried out eleven supervision missions between June 2001 and December 2005 (roughly every six months) and prepared PSR/ISRs accordingly, and maintained communication with the *Familias* team in between through videoconferences, and while preparing other loans for the country. While some of the initial supervision reports are not complete in their tracking of output and impact indicators, and are vague in their description of identified problems related to financial management and other indicators (for example, in the first two PSRs, the text indicate that the Project only became effective eight months after Board approval -- but do not clearly state why), the Project Supervision Reports and Information Supervision Reports (PSRs/ISRs) and other documents found in the project files indicate that the Bank team assessed the procurement and FM aspects of the project during supervision, appropriately rating them unsatisfactory in at least one review because certain reports were overdue. In addition, the preparation of semestral Progress Reports by the NCU helped the continued communication between the *Familias* and the Bank team, and close collaboration with the IDB team ensured coordinated policy advice and eased the demand on the client. Project records indicate that a financial management review was carried out as part of the mid-term review of the Project Project files do not record an official mid-term review of the project, but communications on financial management issues cite a mid-term review carried out on FM, and an ex-post review of the NCU's procurement practices, completed in the spring of 2006, reported no issues in this area.

For these reasons, the Bank's performance during supervision is rated as **Satisfactory**.

7.3 *Overall Bank performance:*

Satisfactory

Borrower

7.4 *Preparation:*

By all accounts, the GOC established a highly qualified team to work with the Banks (IDB and the World Bank) and review options for confronting the then current economic crisis. The very committed government officials were open to innovative ideas and possessed a deep knowledge of Colombia's particularities, and they designed a CCT program whose implementation arrangements are quite distinct from, for example, Mexico's *Oportunidades* or Jamaica's *PATH* program. The NCU team incorporated a pilot phase in the *Familias* design, which was key in identifying problems in the project's implementation. There was frequent communication with the Bank via missions, video, and audio conferences, and lengthy discussions were held on key issues such as where to house the *Familias* program. A national coordinator for the NCU central unit was contracted in September 2000 and has remained throughout project implementation – another key factor for the program's success.

7.5 *Government implementation performance:*

The placement of *Familias* under the President's office demonstrated the highest support for the program, and meant that the *Familias* team could be flexible and quick-acting. While the freeze in grant payments threatened the credibility and long-term survival of the program at one point (see Section 5.2), this was resolved once the new authorities acquainted themselves with the operation of the program and its results as demonstrated by the IE.

For these reasons, the ICR team rates the Government's implementation performance as **Satisfactory**.

7.6 *Implementing Agency:*

Familias's **implementation** arrangements fit perfectly into Colombia's decentralized governing structure. A **central** coordinating unit was established in the Presidency to oversee and guide program implementation. Next, *Familias* established **Regional** Coordinators (one in each departmental capital) who serve as a link between the national and the municipal. **Local governments** play a key role in the program's implementation. To enter into the program, a municipality is required to appoint a liaison officer (***Enlace Municipal***, EM) in charge of coordinating the implementation of the *Familias* program at the municipal level. EMs are intensively supported by ***Madres Líderes***, or Leader Mothers, who are beneficiary women elected by a group of about 60 mothers to represent their interests at the local level.

Another interesting aspect of the implementation of the *Familias* program, compared to some other CCT programs in the region, is that key services were outsourced to the **private sector** rather than implemented by the program itself. Coordination with the supply side of **health and education services** is carried out through local governments, who are responsible for the provision of these services. The *Familias* program worked with the NPD, the National Education Plan, and the Department of Public Health targets to establish whether a municipality is able to meet service demand before admitting it into the program. In some municipalities that temporarily did not provide sufficient supply of these services, the *Familias* program decided to interrupt payments until the services were reestablished.

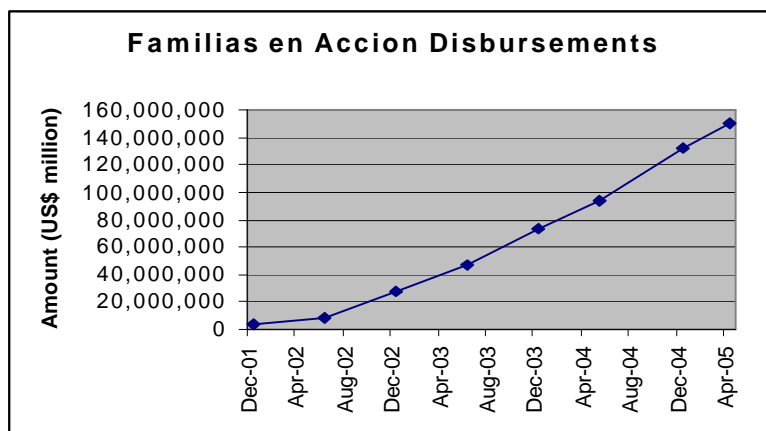
Coordination with the ICBF was not as intensive as expected at inception. This institute, which is financed by an earmarked payroll tax, is implementing an array of social programs, including the "*hogares comunitarios*" children's day care program. To ensure collaboration between these programs and *Familias*, it was agreed that they should share the regional offices that ICBF had in place, and that ICBF should provide *Familias* with some logistical and staff support. This only worked in some offices. In others, collaboration was minimal due to a reduction of ICBF staff during the same period. As a consequence, the cooperation between beneficiaries, local governments, and regional coordinators (in ICBF or Presidency's regional offices) became stronger, with the local government officials in the driver seat of implementation.

In accordance with national regulations, but also going beyond those requirements, the implementing agency put in place a comprehensive **control and evaluation system** to timely monitor the performance of the program and ensure its accountability. This system involves fiscal controls of the Auditor General's Office; inspections by the General Accounting Office; internal audits conducted by the Internal Audit Office of the Presidency; external audits; and operational audits/spot checks. In addition, claims and complaints are processed by a special unit within the *Familias* program. While in the beginning of program implementation a lot of claims had to be dealt with, claims over time diminished significantly, indicating a smoother implementation of the program. Citizen oversight is fostered by the creation of Citizen Oversight Committees (COC - *Veeduría Ciudadanas*), and finally, an experimental Impact Evaluation of the program – one of the first of its kind – was tendered internationally in 2001. Its base line survey was carried out in 2001, a first measurement in 2002 and a second in 2003. Of the 11,500 households sampled in the base line survey, 94 percent were re-contacted for the first measurement. The low attrition rate of only six percent indicates good data quality. A third measurement was fielded in late 2005, and is currently being analyzed; its results will be obtained in September 2006 (for results of the previous measurements, see Section 4.1).

Fiduciary Requirements. The Legal Agreement requires that the *Familias* program send quarterly

financial reports and annual external audits to the Bank. Project records indicate that on a couple of occasions the quarterly reports were overdue. External audits were received on time. The external audits show that there were some weaknesses detected in the *Familias* financial management (FM) system which were addressed step by step during project implementation.

Disbursements. Initially disbursements were slower than anticipated, mainly due to the initial low uptake of the *Familias* CCT program (see Sections 3.5 and 5.2). During the first thirteen months of project implementation, disbursements averaged US\$6.5 million per quarter. However, once the obstacle to the low uptake was identified, the NCU acted quickly to address the problem by expanding the *Familias* program to additional municipalities. Disbursements then increased quickly to about US\$9.61 million per quarter.



For these reasons, the ICR team rates the performance of the Implementing Agency as **Satisfactory**.

7.7 Overall Borrower performance:

Satisfactory.

8. Lessons Learned

Careful, country-specific design is key to the success of a social assistance program. This involves a system of checks and balances, of monitoring and evaluation, and respect for the specific institutional capacities of the host country. The use of existing country systems can mean a faster start-up and better participation in the program. In Colombia's case, a decentralized system of education and health meant that the CCT would need to be implemented in a decentralized way as well; decentralized systems need solid verification and spot check system to mitigate leakage and identify bottlenecks to implementation, and the use of SISBEN allowed for fast beneficiary identification which was transparent and trusted by the beneficiary population. The initial support from ICBF facilitated the *Familias'* program entry into target municipalities. The political decision to keep the program centralized technically but decentralized operationally given the importance of local knowledge and involvement when working with poorer population groups.

Project preparation headed by a strong local team and early involvement of the executing agency were key factors in program success, as this assured program ownership and adaptation to Colombia's circumstances and institutional arrangements. As noted, to speed up program implementation, the government placed *Familias* within the Office of the President (DAPR-FIP). The

FIP, by virtue of law 487 of 1998, had a *Derecho Privado* (private sector) regime status which allowed it to contract more quickly than under the government procurement law. It also allowed the FIP to contract very qualified local consultants and pay competitive salaries more in line with those of the private sector.

Being able to show concrete results on the ground is critical to maintaining the legitimacy and sustainability of the program. The timely *Familias en Accion* impact evaluation results allowed the FIP to demonstrate the positive impacts of the program to government officials and thereby keep and expand the program.

Coordination with other donors limits the demands put on clients, ensures that the client is not receiving conflicting policy advice, and builds trust between all three, allowing for a smoother preparation and implementation process. Similarly, inter-sectoral collaboration within the Bank is key to improving project quality; in the case of *Familias*, the Bank's Human Development and Poverty Assessment teams collaborated on the sector work (SSNA and Poverty Assessment) which underpinned the selection of social programs and improved the quality of the individual studies.

Involvement of the private sector in the implementation of the program improved efficiency and transparency. The use of a private contractor to collect, process, and aggregate data for compliance verification of school attendance of about 800,000 school children 7-18 years of age not only disentangle program implementation for the central unit, but also increased the use of checks and balances in the system. After a few initial difficulties, the verification procedures have been fine-tuned and now deliver verified information every two months to program authorities to determine and deliver payments. This is remarkable as quite a few of the CCT programs in the region struggle with implementing the verification of conditionalities at the individual and family levels.

The program provides incentives for local governments to make services available for the poorest. Through the program, municipalities are encouraged to ensure that the supply of education and health and nutrition services are available for program beneficiaries. In addition, upon agreement with the program, municipalities appoint one responsible municipal staff to help manage program implementation in the territory—the *Enlace Municipal*. This person or team (depending on the size of the municipality) is responsible for making sure that services are available, helping verify responsibilities, receiving complaints by beneficiaries and making sure that families receive payments on time and attend complementary services offered by the program.

However, relying on municipal governments in the implementation of the program also presents challenges. The involvement of municipal staff in program implementation has been critical, but also problematic. They need training, as they do not always possess the necessary skills at the beginning; in addition, they have other responsibilities besides *Familias*, so cannot always devote sufficient time to the program. *EMs* changed frequently due to changes in mayors, and in some cases, they themselves ended up running for political office.

The Bank should not overestimate (i) its ability to respond to crises in a country where there is no social safety net in place; (ii) the length of time it takes to design a new CCT program; and (iii) the amount of time needed to design and contract an impact evaluation study. Regarding points (i) and (ii), setting up a new program requires time and careful examination by competent administrators and lawyers. Activities included designing competitive bidding arrangements with the banking system to find a cost effective payer with wide coverage of municipalities included, to contract out verification services, spot checks and other key program activities. In addition, impact evaluation activities need to

be included right from the start of project preparation, or they might come too late – a danger that fortunately did not occur in this case.

CCT programs generate positive externalities, including the empowerment of poor women; improved self-confidence of beneficiaries, increased trust in (local and central) governments; creating expectations within the beneficiary population in terms of the education of their children; and fomenting grassroots pressure to improve health and education services.

9. Partner Comments

(a) Borrower/implementing agency:

The Borrower's comments are translated and presented in Annex 8.

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

10. Additional Information

ENDNOTES

^{1/} This agreement allowed GOC to allocate 0.3 percent of GDP to social safety net programs outside the regular federal budget for three years (thus not counting towards the budget deficit) and to finance these programs with loans from multilateral agencies, including the Bank and the IDB.

^{2/} On some occasions there was no mother in the family, and in those cases the subsidy was transferred to the person holding custody of the child including grandparents, fathers, etc.

^{3/} Children between the ages of 8 and 11 years have very high attendance rates, of over 90 percent in both urban and rural areas; consequently, there is little room for improvement in attendance rates for this age group.

^{4/} Because the SISBEN was outdated at the start of the Project, some families who had moved in the intervening years from SISBEN level 1 to level 2, benefited from *Familias*, as they were still listed as SISBEN I.

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
Net change in the % of children brought to health centers for preventive care	13% increase	For children less than 24 months, the % increased from 17.2 to 40.0. For children 24-48 months, the % rose from 33.6 to 66.8.
Net change in children age 0-6 with complete immunization scheme	33.5% in rural areas	12% increase in urban children less than two years old with complete DPT immunization.
Net change in children age 0-6 complying with regular growth and health monitoring	90%	90%
Net change in nutritional status (as measured through anthropometric indicators) of children age 0-3	The program significantly increased the weight of children living in rural areas (2,449). Results from urban areas were not significant.	Children 2 years and younger were on average .78 cm taller than those in control group. Children between 4-8 years on average were .62 cm. taller than the control group.
Net change in school attendance	Not available.	Secondary school enrollment for children 12-17 years old in rural areas increased from 4.6 to 10.2 percentage points, and from 3.6 to 5.2 percentage points in urban areas.
Net change in school dropout	Not available.	Not available.
Net change in school enrollment	Secondary school enrollment increased by 14 percentage points in rural areas and by almost 6 percent in urban areas.	Secondary school enrollment for children 12-17 years old in rural areas increased by 14 percentage points. For same age children in urban areas the effect was almost 6%.
Net change in transition rate, especially grades 1-2, 5-6, and 9-10.	Not available	Not available.

Output Indicators:

Indicator/Matrix	Projected in last PSR ¹	Actual/Latest Estimate
Project Implementation: actual compared to estimated numbers for all three components (nutrition grants, education grants, and training):		
- Number of beneficiaries (families and children).	1,079,212 children 428,545 families	1,266,780 children 514,502 families
- % of poor beneficiaries.	Not available	91% below the poverty line.
- Amount disbursed by project and received by beneficiaries.	US\$146.2 million of loan proceeds	US\$146.3 million of loan proceeds.
Project Efficiency:		
- % of loan going to education and nutrition grants.	97.5%	97.5%
- % of grant recipients in lowest income quintile.	76%	88%
- Rate of growth of participating municipalities.	Not available.	95%

¹ End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
Education Grants	48.86	84.85	173.65
Health/Nutrition Grants	74.10	61.44	82.92
Project Management	13.78	2.50	18.14
Monitoring and Evaluation	1.63	1.21	74.23
Promotion and Dissemination*	3.32	2.50	
Unallocated	8.31	0.00	
Total Baseline Cost	150.00	152.50	
Physical Contingencies	0.00		
Price Contingencies	0.00		
Total Project Costs	150.00	152.50	
Total Financing Required	150.00	152.50	

*Table includes only Bank financing. Promotion and Dissemination costs were financed by the GOC. Unallocated funds were re-allocated to grants.

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	Procurement Method ¹			N.B.F.	Total Cost
	ICB	NCB	Other ²		
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	2.96 (2.25)	4.81 (3.66)	2.00 (1.52)	0.00 (0.00)	9.77 (7.43)
3. Services	0.00 (0.00)	0.00 (0.00)	12.40 (12.40)	10.68 (0.00)	23.08 (12.40)
4. Operational Costs	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	206.25 (0.00)	206.25 (0.00)
5. Grants	0.00 (0.00)	0.00 (0.00)	51.65 (51.65)	0.00 (0.00)	51.65 (51.65)
a. Education					
6. Grants	0.00 (0.00)	0.00 (0.00)	78.52 (78.52)	0.00 (0.00)	78.52 (78.52)
a. Health					
Total	2.96 (2.25)	4.81 (3.66)	144.57 (144.09)	216.93 (0.00)	369.27 (150.00)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Education Grants	48.86			84.85	13.83		173.7		
Health Grants	74.10			61.44	10.01		82.9		
Project Management	13.78	13.01			5.49		0.0	42.2	
Monitoring and Evaluation	1.63						0.0		
Promotion & Dissemination	3.32						0.0		
Unallocated	8.31						0.0		
Health, education, & nutrition services delivery									
Front End Fee		1.50			1.50			100.0	
Total Project Financing	150.00	220.76		150.00	32.70		100.0	14.8	

Annex 3. Economic Costs and Benefits

Overall, program results to date have been above expectations for most indicators, after a little more than one year of program operation. The impact evaluation found a significant impact of the program on nutrition, incidence of communicable disease, vaccination rates and school attendance indicators for children. Chronic malnutrition of program rural children 0-2 years of age was reduced by 10 percent as compared to the control group (against an expectation of 5 percent in the project economic analysis). The vaccination rates with DTP increased by 12 percent in urban areas.

In education, the results were below expectations for primary school participation (the original expectation being an increase in the enrollment rate of ten percent, to 90 percent), possibly because school enrollment levels are already very high in Colombia. The program led to an average increase in years of education above 0.2 years in secondary school and almost 0.1 years in primary school. This translates into a net present value gain of about US\$ 236 for primary school and US\$ 646 for secondary school, based on the estimated net present value calculations (a work life span of 40 years and a discount rate of 7 percent) in the economic analysis prepared for the project (see Annex 4 of the PAD). The following is a summary table of the three main indicators that were considered in the Net Present Value (NPV) calculations of the PAD. As seen in the table, all indicators (except for primary education which is slightly below the original estimated value), are significantly higher than those used for the NPV calculations. As a result, and due to the fact that the project costs are in line with original PAD estimates, the ex-post project NPV is higher than the original estimates which was positive.

Expected and Realized Program Impact on Nutrition and Education Indicators*

Benefit type	Expected	Realized	Difference
-Decrease in chronic malnutrition (stunting) rate	5	10	+ 5
-Increase in primary school attainment (yrs)	0.36	0.301	-0.06
-Increase in secondary school attainment (yrs.)	0.31	0.601	+0.30

* The project was originally estimated to last three years. Thus, we multiply the effects found after one year by three. For the evaluation results the source is NPD-SINERGIA with the consulting firm IFS-Econometria.

The program also had additional indirect benefits (not considered in the original NPV calculations). First, it increased the income generation capacity among poor households. Women in program households are on average almost 20 percent more likely to earn an income than non-program households. The effect was stronger in urban areas. Second, consumption of high protein foods increased by about 15 percent and, as a consequence, the number of families below the indigence line declined by about 6 percent. Third, the impact on child labor was small but negative (the program household will employ less children aged 10-17 years in both urban and rural areas). This result is affected by the small share of children working in these target households (ranging between 4 to 7 percent in urban and rural areas respectively).

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating		
	Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation					
	3/31/2000	3	TASK MANAGER (1); ECONOMIST (1); SOCIAL SECTOR SPECIALIST (1);		
	06/17/2000	5	TASK MANAGER (1); SR. ECONOMIST (1); ECONOMIST (1); SOCIAL DEVELOPMENT SPECIALIST (1); CONSULTANT (1)		
	11/06/2000	9	TASK MANAGER (1); CO-TASK MANAGER AND MONITORING AND EVALUATION (1); INSTITUTIONAL MGT (1); PROCUREMENT (1); FINANCIAL MGT (1); SOCIAL PARTICIPATION (1); ECONOMIST (1); EDUCATION (1); ENVIRONMENT (1)		
Appraisal/Negotiation					
	01/26/2001	10	TASK MANAGER (1); CO-TASK MANAGER (1); LAWYER (1); OPERATIONS ANALYST (1); PROCUREMENT SPECIALIST (3); FINANCIAL MGT (1); DISBURSEMENTS (2). TASK MANAGER (1); CO-TASK MANAGER M & E; SOCIAL ASSESSMENT(1); LEGAL (1); INDIGENOUS (2); ECONOMIC ANALYSIS (1); PROJECT ANALYST (1); PROCUREMENT (1); INSTIT. ARRANGEMENTS (1); FINANCIAL MGT (1).		
	02/26/2001				
Supervision					
	03/22/2002	6	TASK MANAGER (1); CO-TASK MANAGER (1); BOGOTA MISSION LEADER (1); PROCUREMENT SPECIALIST (1); FINANCIAL SPECIALIST (1);	S	S

	12/07/2002	5	CONSULTANT (1) TTL (1); LEAD ECONOMIST (1); CONSULTANT (3)	S	S
	02/19/2003	4	TTL/PROG. COORDINATOR (1); LEAD ECONOMIST (1); CONSULTANT (2)	S	HS
	02/20/2004	4	TTL (1); CONSULTANT (1); SR. ECONOMIST (1); FM SPECIALIST (1)	S	HS
	07/15/2004	6	TTL (1); HD LEADER (1); SP ECONOMIST (1); ECONOMIST (1); OPERATIONAL (1); FORMER TTL (1)	S	HS
	10/22/2004	6	TTL (1); SR. ECONOMIST (1); LEAD ECONOMIST (1); CCT SPECIALIST (1); SP OPERATIONS SPECIALIST (1)	S	HS
	3/11/2005	6	TASK MANAGER (1); ECONOMIST (2); SOCIAL DEVELOPMENT SPECIALIST (1); CONSULTANT (2).	HS	HS
	10/25/2005	3	TASK MANAGER (1); ECONOMIST (1); OPERATIONS ANALYST (1);	HS	HS
ICR	03/24/2006	2	OPERATIONS ANALYST (1); ECONOMIST/CONSULTANT (1).		

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	22	63,074
Appraisal/Negotiation	4	17,111.14
Supervision	83	353,462.13
ICR	6	26,586
Total	117	460,233.27

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<u>Rating</u>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Social

<input type="checkbox"/> <i>Poverty Reduction</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

- | | | | | |
|--------------------------------------|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Lending | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Supervision | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

6.2 Borrower performance

Rating

- | | | | | |
|--|--------------------------|------------------------------------|-------------------------|--------------------------|
| <input type="checkbox"/> Preparation | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Government implementation performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Implementation agency performance | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |
| <input type="checkbox"/> Overall | <input type="radio"/> HS | <input checked="" type="radio"/> S | <input type="radio"/> U | <input type="radio"/> HU |

Annex 7. List of Supporting Documents

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5. World Bank. "Readiness Assessment--Towards Performance-Based Monitoring and Evaluation in Mexico." 2005.
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8. DNP, SINERGIA, BID y Banco Mundial. *Evaluación de Políticas Públicas, No. 1. Condiciones iniciales de los beneficiarios e Impactos preliminares. Programa Familias en Acción*. 2005.
9. Luis Carlos Corral. *Evaluación y Seguimiento en el Sistema de Protección Social*. 2004.
10. Unión temporal BDO Salud Age, Corporación Centro Regional de Población (CCRP). "Informe de resultados de Actividades Proyecto Spotcheck Familias en Acción". Informes 1-4. Bogotá. Septiembre 2005.
11. Agencia Presidencial para la Acción Social y la Cooperación Internacional, "Aprendizaje Colectivo", Programas Familias en Acción, Colombia, November 2005.
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14. Fondo de Inversión Social para la Paz – Red de Apoyo Social, "Reglamento Operativo", Santafé de Bogotá, July 2000.
15. Fondo de Inversión para la Paz – Red de Apoyo Social, "Informe a la Banca Multilateral Relativo al Avance del Proyecto durante el Primer Semestre de 2004", Bogotá, August 2004.
16. Fondo de Inversión Social para la Paz – Red de Apoyo Social, Familias en Acción "Manual Operativo", version 5.0, Bogotá, June 2005.
17. Hernández, Leonardo, "Diagnóstico de la Aplicación del Programa Familias en Acción en Grupos Étnicos", World Bank, Bogotá, April 2005.
18. Red de Apoyo Social, Terms of Reference "Evaluación Externa del Subprograma Familias en Acción a Nivel Nacional", Colombia, 2001.
19. Red de Apoyo Social, "Informe de Avance a Diciembre 31 de 2001", Colombia, April 2002.
20. The Institute for Fiscal Studies, "Baseline Report on the Evaluation of Familias en Acción".
21. Unión Temporal IFS-Econometría S.A.-SEI S.A., "Evaluación del Impacto del Programa Familias en Acción – Subsidios Condicionados de la Red de Apoyo Social", Bogotá, October 2004.
22. Unión Temporal BDO-CCRP, "Informe V Familias en Acción", Colombia.
23. Aide Memoires from missions carried out during the life of the project.

Additional Annex 8. Borrower's Comments

Objective and Purpose

As a response to the crisis of the late 1990s, the Colombian State committed itself to the design and implementation of programs and projects to mitigate the economic impact on the poorest and most vulnerable population. In this context, the Social Safety Net (*Red de Apoyo Social-RAS*) was put into place to serve as a protection mechanism for the vulnerable population, and within which temporary programs were formulated, among them FAMILIES IN ACTION.

The conditional cash transfer program, Families in Action, aims to increase the incomes of the poorest families by giving them incentives that allow for a reduction in school absenteeism and complement the families' income to improve their nutrition, in order to strengthen the social infrastructure of the country. To achieve this goal, the CONPES 3081 of 2000, approved the program and authorized the national government to obtain loans from the multilateral bank to fund the program's execution.

The objective of the program is to provide direct monetary support to children below 18 years of age belonging to families with SISBEN 1 classification, in exchange for the fulfillment of conditions. Both educational and nutritional grants are provided at the primary and secondary levels.

From the beginning of the program to December of 2005, 514,502 families have benefited from the program, of which 451,672 correspond to SISBEN level 1 families and 62,526 to displaced families. Between 2001 and 2005, approximately 1,266,780 minors received shelter, of which 133,934 minors belonged to displaced families (including those displaced in 2005). The program reaches 702 municipalities in 31 departments—62% of the country and 65% of municipalities with less than 100,000 inhabitants. In the case of displaced families, the Program reached 41 municipalities, among which are big and medium-sized urban centers, mostly department capitals.

Program Implementation

The program defined an operational cycle as a process dynamically sequenced with two phases: the initiation of the program and its sustainability. The first phase deals with the process of linking the municipalities and the potentially eligible families. This phase can be broken down into five steps:

- The first two steps correspond to targeting by area and by population, or in other words, to the identification of the eligible municipalities that fulfill the program's requirements and to the use of the SISBEN database to delimit the number of people who also meet the program's requirements and thus should participate.
- Evaluation of the institutional supply of municipal health and education services
- Municipal registration
- First subsidy payment to the beneficiary families

The sustainability phase alludes to the permanence of the processes that guarantee the achievement of the objectives of the program, all of which are included in a continuous system of monitoring and evaluation. This phase has six steps:

- Conciliation of subsidy payments
- Verification of fulfillment of conditions
- Processing of new features, complaints and claims
- Promotion of education and health for the family

- Social monitoring and participation
- Second and subsequent subsidy payments

Program execution is coordinated by the *Red de Apoyo Social-RAS*, and as mentioned in the beginning of this report, the program is part of the economic and social recovery strategy of the Colombia Plan, operating under the direction of the Investment Fund for Peace (*Fondo de Inversión para la Paz-FIP*). Families in Action began implementation upon the creation of the National Coordination Unit (*Unidad Coordinadora Nacional-UCN*) as the executing agency, and the Regional Coordination Units (*Unidades Coordinadores Regionales-UCR*) as the liaisons between the central and municipal levels.

Program Execution

Of the US\$150 million credit from the World Bank, subsidies paid to beneficiary families made up approximately 97.5%; 1.7% was spent on goods and 0.8% was used for consulting services, such as the project's impact and process evaluations, external monitoring and sampling, and the external audit. The following table shows how the funds of the credit were spent by investment category.

INVESTMENT CATEGORIES	INITIAL Aug. 23, 2001	MODIFICATION	FINAL April 20, 2005
Total Subsidy Payments	122,960,000.00	23,321,902.00	146,281,902.00
Goods	7,040,000.00	-4,534,059.00	2,505,941.00
Consultant Services	11,690,000.00	-10,477,843.00	1,212,157.00
Unallocated	8,310,000.00	-8,310,000.00	0.00
TOTAL	150,000,000.00	0.00	150,000,000.00

Source: Finance Department, Investment Fund for Peace - FIP

Program Results

After two years of program operation, the impact evaluation resulted in the following conclusions:

- 91% of program beneficiaries are below the poverty line, calculated according to consumption
- 73% are poor according to the conditions of life index
- 70% are poor according to basic unsatisfied needs
- Only 9% of program beneficiaries are not poor by definition (using the most inclusive poverty measurement--the poverty line) and the program's effectiveness of obtaining the objective of reaching the poor would be 90%.

With respect to the classification of beneficiaries by SISBEN levels and considering that the program targeted families with SISBEN level 1 classification, according to surveys carried out between 1994 and 1999, the evaluation recalculated the index for the studied representative sample and found the following distribution:

- 37% of families benefiting from the program belong to SISBEN level 1
- 42% correspond to level 2
- 21% would be classified at level 3 or higher

In the second measurement, the results demonstrated that the conditions of life of the beneficiaries improved in the following ways:

- 15-19% increase in the consumption of basic goods, mainly for food, shoes, clothes, and school supplies and transportation
- Increase in the number of days in the week that children consume 1.2 times the average amount of protein; those younger than 5 years particularly increased their consumption of milk, eggs and meat
- Chronic undernourishment in children aged 0 to 2 years in rural areas was reduced by 10%
- Acute diarrhea was reduced from 21% to 10% in children under 4 years of age in rural areas
- 12% increase of the DPT vaccination in children less than 4 years of age in urban areas
- 12.1% increase in the secondary school attendance rate for children between 12 and 17 years old rural areas; urban areas registered an increase of 5.9%

Factors Affecting Implementation and Outcome

Some of the difficulties perceived in the development of the Program are:

- With respect to the verification of condition fulfillment, the program was designed the same way for the entire country; nevertheless, as coverage was extended and the program reached the most isolated areas of the country, where these programs are really needed, the difficulty in fulfilling this task in the same way in all areas became obvious.
- The application for payment was designed so rigidly that constant improvements have been necessary.
- Changes in government significantly affected the payments resulting in delays in program implementation.
- Changes in mayors and municipal leaders affected the development of the program, because it results in higher costs for operational training.
- The income restriction for minors in the first level of primary.
- The non-update of SISBEN by municipalities when processing enrollments.
- The population mobility dynamics of the country.
- The continuous problems of violence that are manifested in the disruption of public order.
- Initially, the plan called for the active participation of the ICBF, which offered not only its physical facilities for the UCR but also its personnel for project implementation. This activity was partially fulfilled in the development of the program.

Lessons Learned

- The verification of the fulfillment of conditions, assumed to be a situation of social co-responsibility, in which each actor assumes a specific function, in accordance with his/her rights and obligations.
- The verification of the fulfillment of conditions motivates the collective action of both civil society and municipal institutions towards the accumulation of human and social capital.

Additional Annex 9. Implementation Arrangements - Familias en Acción

The design of the *Familias* program responds well to the decentralized nature of Colombia's social sectors:

- A **central** coordinating unit was established in the Presidency to oversee and guide program implementation. As noted in Section 4.2, the *Familias* NCU proved exceptionally flexible, effective, and creative in setting up the program and also at responding to unexpected situations (i.e., the initial low uptake of the program; the freeze on payments). The unit also made good use of the results of the IE, convincing the new President that the program was not only worth keeping, but important to expand. The program's transparency and adherence to the operational manual has been exceptional. The NCU has delivered progress reports and other evaluations in a timely manner, has published several books and videos documenting the evolution and results of the program, and maintains a website with information and results of the program and its evaluations.
- In addition, *Familias* established **Regional** Coordinators (one in each departmental capital) who serve as a link between the national and the municipal level and whose responsibility is, *inter alia*, to supervise the diligent implementation of the program at the municipal level and make sure there is fluent communication between all levels.
- **Local governments** play a key role in the program's implementation. To enter into the program, a municipality is required to appoint a liaison officer (*Enlace Municipal, EM*) in charge of coordinating the implementation of the *Familias* program at the municipal level. The EMs have proven key to the implementation of the program as their responsibilities involve everything from collection of verification forms to organizing training for beneficiary mothers and coordinating payment dates.
- EMs are intensively supported by *Madres Líderes*, or Leader Mothers, who are beneficiary women elected by a group of about 60 mothers to represent their interests at the municipal level. Spot checks and evaluation reports show that Leader Mothers' role has been critical in organizing benefiting families, following up on compliance records, arranging the regular meetings and trainings for women, and overall in empowering participating women.
- Another interesting aspect of the implementation of the *Familias* program, compared to some other CCT programs in the region, is that key services were outsourced to the **private sector** rather than implemented by the program itself. For example, the program contracted an external firm to manage the entire verification process, including the printing of forms and the processing of the compliance information based on which then payments are authorized by the national level coordinating unit. Similarly, the program contracted 7 private banks to handle all cash payments to beneficiaries. This has proven to be a very efficient and transparent way of payments since only the benefiting mother can receive the cash, and the program has established very tight deadlines for these banks to make payments and return any uncollected funds after 25 days at the latest.
- Coordination with the supply side of **health and education services** carried out through local governments who are responsible for the provision of these services. The *Familias* program worked with the NPD, the National Education Plan, and the Department of Public Health targets to establish whether a municipality is able to meet service demand before admitting it into the program. In some municipalities that temporarily did not provide sufficient supply of these services, the *Familias* program decided to interrupt payments until the services were reestablished.

- **Coordination with the ICBF** was not as intensive as expected at inception. This institute, which is financed by an earmarked payroll tax, is implementing an array of social programs, including the “*hogares comunitarios*” children’s day care program. To ensure collaboration between these programs and *Familias*, it was agreed that they should share the regional offices that ICBF had in place, and that ICBF should provide *Familias* with some logistical and staff support. This only worked in some offices. In others, collaboration was minimal due to a reduction of ICBF staff during the same period. As a consequence, the cooperation between beneficiaries, local governments, and regional coordinators (in ICBF or Presidency’s regional offices) became stronger, with the local government officials in the driver seat of implementation.

In accordance with national regulation, but also beyond, the implementing agency put in place a comprehensive **control and evaluation system** to timely monitor the performance of the program and ensure its accountability.

