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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM DOCUMENT

ON A PROPOSED LOAN

IN THE AMOUNT OF US\$250 MILLION

TO THE

REPUBLIC OF COLOMBIA

FOR A

SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN

WITH A CATASTROPHE DEFERRED DRAWDOWN OPTION

June 6, 2012

Sustainable Development Department
Colombia and Mexico Country Management Unit
Latin America and the Caribbean Region

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COLOMBIA - GOVERNMENT FISCAL YEAR

January 1 – December 31

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(Exchange Rate Effective as of June 6, 2012)

Currency Unit: Peso \$1,833

COL\$1,787 = US\$1.00

Weights and Measures: Metric System

SELECTED ABBREVIATIONS AND ACRONYMS

APL	Adaptable Program Loan
BdR	Central Bank of Colombia (<i>Banco de la República</i>)
CAR	Regional Autonomous Environmental Corporation (<i>Corporación Autónoma Regional</i>)
CAPRA	Comprehensive Approach to Probabilistic Risk Assessment
CAT DDO	Catastrophe Deferred Drawdown Option
CEA	Country Environment Analysis
CLOPAD	Local Committee for Disaster Prevention and Emergency Response (<i>Comité Local para la Prevención y Atención de Desastres</i>)
CONPES	National Council of Social and Economic Policy (<i>Consejo Nacional de Política Económica y Social</i>)
CPS	Country Partnership Strategy
CRED	Center for Research on the Epidemiology of Disasters
CREPAD	Regional Committee for Disaster Prevention and Emergency Response (<i>Comité Regional para la Prevención y Atención de Desastres</i>)
DGR	National Directorate of Disaster Prevention and Response (<i>Dirección de Prevención y Atención de Desastres</i>)
DNP	National Planning Department (<i>Departamento Nacional de Planeación</i>)
DPL	Development Policy Loan
DRIS	Disaster Risk Information System
EMBI	Emerging Markets Bond Index (EMBI)
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GoC	Government of Colombia
HFA	Hyogo Framework for Action
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDEAM	Institute for Hydrological, Meteorological, and Environmental Studies (<i>Instituto de Hidrología, Meteorología y Estudios Ambientales</i>)
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IGAC	Geographical Institute Agustín Codazzi (<i>Instituto Geográfico Agustín Codazzi</i>)

IMF	International Monetary Fund
INGEOMINAS	National Geological and Mining Institute (<i>Instituto Colombiano de Minería y Geología</i>)
MADS	Ministry of Environment and Sustainable Development (<i>Ministerio de Ambiente y Desarrollo Sostenible</i>)
MAVDT	Ministry of Environment, Housing, and Territorial Development (<i>Ministerio de Ambiente, Vivienda y Desarrollo Territorial</i>)
MVCT	Ministry of Housing, Cities, and Territories (<i>Ministerio de Vivienda, Ciudades y Territorios</i>)
MHCP	Ministry of Finance and Public Credit (<i>Ministerio de Hacienda y Crédito Público</i>)
MIB	Comprehensive Neighborhood Improvement (<i>Mejoramiento Integral de Barrios</i>)
NDP	National Development Plan (<i>Plan Nacional de Desarrollo</i>)
OCED	Organisation for Economic Co-operation and Development
PDM	Municipal Development Plan (<i>Plan de Desarrollo Municipal</i>)
PFM	Public Financial Management
PNPAD	National Disaster Prevention and Attention Plan (<i>Plan Nacional para la Prevención y Atención de Desastres</i>)
PGAR	Regional Environmental Management Plan (<i>Plan de Gestión Ambiental Regional</i>)
POMCA	Watershed land use plans (<i>Plan de Ordenamiento y Manejo de Cuencas Hidrográficas</i>)
POT	Municipal Land Use Management Plan (<i>Plan de Ordenamiento Territorial</i>)
PREM	Poverty Reduction and Economic Management
SECO	State Secretariat for Economic Affairs of Switzerland
SGP	General System of Participation (<i>Sistema General de Participaciones</i>)
SNCyT	National System of Science and Technology (<i>Sistema Nacional de Ciencia y Tecnología</i>)
SNPAD	National System for Disaster Management and Prevention (<i>Sistema Nacional para la Prevención y Atención de Desastres</i>)
UNGRD	National Unit for Disaster Risk Management (<i>Unidad Nacional para la Gestión del Riesgo de Desastres</i>)
UNISDR	United Nation's International Strategy for Disaster Reduction

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COLOMBIA
SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH
A CATASTROPHE DEFERRED DRAWDOWN OPTION

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LOAN AND PROGRAM SUMMARY

REPUBLIC OF COLOMBIA SECOND DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CATASTROPHE DEFERRED DRAWDOWN

Borrower	Republic of Colombia
Implementing Agency	<i>Ministerio de Hacienda y Crédito Público</i> (Ministry of Finance and Public Credit, MHCP), <i>Departamento Nacional de Planeación</i> (National Planning Department, DNP).
Financing Data	IBRD CAT DDO Loan, denominated in US Dollars, for an amount of USD \$250,000,000, with a fixed spread, commitment linked, and bullet repayment on February 15, 2030. All conversion options: currency, rate and caps/collars. Front-end Fee and caps/collars fee billed, and DDO renewal fee capitalized.
Operation Type	Development Policy Loan with a Catastrophe Deferred Drawdown Option (DPL with a CAT DDO)
Main Policy Areas	Disaster Risk Management (DRM): General policies, DRM incorporation in land management plans, strengthening DRM policies in the housing sector
Key Outcome Indicators	<p>Key outcome indicators have been drawn from a larger constellation of indicators from the National Development Plan and associated disaster risk management policies as agreed with national counterparts. These include:</p> <p style="margin-left: 40px;">A. <u>Strengthening disaster risk management institutional and planning capacity</u></p> <ul style="list-style-type: none"> • The new Agency for the Coordination of the National DRM framework has put in place new instruments for inter-agency coordination. (Baseline: 0, Target: 2) • Number of formulated Municipal Plans for Disaster Risk Management under the technical assistance of National Unit for Disaster Risk Management (UNGRD). (Baseline: 388, Target: 688) <p style="margin-left: 40px;">B. <u>Strengthening the institutional framework and capacity for including disaster risk management in land use planning</u></p> <ul style="list-style-type: none"> • Number of municipalities that under the new Decree have reviewed or formulated new plans with the guidelines for disaster risk management in their territorial development plans (POTs) that have been agreed upon with the Regional Autonomous Environmental Corporation (CAR).

	<p>(Baseline: 0, Target: 25)</p> <ul style="list-style-type: none"> • Number of watershed management plans (POMCA) that have incorporated disaster risk management in their formulation. <p>(Baseline: 0, Target: 15)</p> <p>C. <u>Strengthening policies and tools to reduce risk in the housing sector</u></p> <ul style="list-style-type: none"> • Ministry of Housing, Cities and Territories (MVCT) and other national entities provide technical assistance and training to municipalities for the formulation of the inventory of settlements in high risk areas. (Baseline = 0, Target = 250) • Number of formulated municipal high risk inventories under the methodology established by MVCT. (Baseline = 0, Target = 25)
<p>Program Development Objective(s) and Contribution to CPS</p>	<p>This operation would support policy and institutional reforms to address the following objective:</p> <p>To strengthen the Government’s program for reducing risks resulting from adverse natural events.</p> <p>The DPL with a CAT DDO has been designed to provide bridge financing while other sources of funding (for example, bilateral aid and emergency reconstruction loans) are being mobilized. The operation is an integral component of the Bank’s existing engagement in disaster risk management through the disaster vulnerability reduction Adaptable Program Loan series, and is derived directly from Colombia’s National Development Plan. This operation is directly tied with the Country Partnership Strategy subtheme of “Enhanced Disaster Risk Management.”</p>
<p>Risks and Risk Mitigation</p>	<p>The proposed operation supports an institutional effort on disaster risk management which is widely perceived as necessary and which the Government is already actively implementing. This Second DPL with a CAT DDO will replace a first DPL with a CAT DDO (P113084) that was disbursed in December 2010. Progress of the overall program is subject to low risks which include the following:</p> <p><i>Institutional transition due to Ministerial divisions that took place in August 2011 could result in changes in policy orientation.</i> However, this risk is considered low given commitments already established as law in the National Development Plan. Following these Ministerial changes, the Bank has continued to engage with Government of Colombia (GoC) staff to present its recommendations for key policies supported by this operation. Implementation capacity and sustainability could also be affected</p>

	<p>by institutional changes in the MVCT and the UNGRD, however this risk is considered low as the expectations are that the Ministerial restructuring will result in institutional improvements.</p> <p><i>Continued uncertainty and risks associated with the global economic situation cloud Colombia's macroeconomic outlook.</i> Colombia is potentially exposed to three different types of external shocks, including: a slowdown in economic activity in the United States, a decline in oil prices, and global financial market turmoil. By way of mitigation, the country has a high capacity and room to respond to shocks through counter-cyclical fiscal and monetary policies.</p>
Operation ID	P126583

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
PROGRAM DOCUMENT FOR A SECOND DISASTER RISK MANAGEMENT
DEVELOPMENT POLICY LOAN WITH A CATASTROPHE DEFERRED
DRAWDOWN OPTION TO THE REPUBLIC OF COLOMBIA**

I. INTRODUCTION

1. **Natural hazards are a challenge to sustainable development in Colombia.** In the past 30 years, Colombia has suffered from six major earthquakes, four volcanic eruptions, annual major landslides, and recurrent extensive flooding.¹ According to the Global Hotspots Analysis, 85 percent of its population and 87 percent of its assets are located in areas exposed to two or more natural hazards.² Some of the main challenges related to disaster risk management include strengthening environmental management agencies in charge of reducing erosion and deforestation, enhancing the role of regional governments and the technical, financial, and administrative capacities of small local governments, and increasing the articulation of investments among these different levels of government.

2. **Colombia's main challenge related to disaster risk management is to reduce some of the existing high levels of vulnerability.** In order to promote efficient disaster risk management and reduce vulnerability, Colombia is putting substantial effort into increasing its knowledge base of disaster risk at local and sectoral levels. In addition to information, the reduction of vulnerability also requires investments in structural and nonstructural mitigation measures. The improvement and application of risk management in planning tools is also needed to decrease the constant regeneration of unacceptably high levels of vulnerability generated from inadequate land use and water management and inappropriate building practices. Finding an institutional setup that is conducive to enabling subnational governments to effectively invest in risk reduction and improve the integration of understanding hazard risk in their development planning will be a critical element.

3. **Disaster risk in Colombia is urbanizing.** Colombia is one of the most heavily urbanized countries in the region. Its urban population is approximately 75 percent and with an annual average growth rate of 3 percent, it has one of the fastest-growing urban populations in the world.³ Over the past decades, large numbers of rural population have moved to cities, in part because of problems of violence and in search of better opportunities. The new urban population, largely made up of poor families, have located in slums and unregulated settlements generally outside the perimeters of municipal services. More concerning still is the fact that the majority of the projected urban growth in Colombia is in medium-size cities which are relatively less equipped with capacity to adequately address disaster risk.

1. See Annexes 5 and 7 for details on Colombia's exposure to natural hazards and the number of reported disasters in Colombia.

2. World Bank, Natural Disaster Hotspots, A Global Risk Analysis (Washington, DC: Disaster Risk Management Series, 2005).

3. According to official statistics from UNHABITAT, Colombia's urban population grows by 3 percent a year, while its urban slum population grows by 1 percent a year. See Annex 7 for a description of the drivers of vulnerability in Colombia. See www.unhabitat.org/categories.asp?catid=145.

4. **In Colombia, historical records indicate that 80 percent of damages and losses generated by natural events can be associated to inadequate land use management (problems of location) and 20 percent to insufficient housing standards (construction quality).**

Table 1: Summary of Hazard Impact

HAZARD	DRIVER OF DAMAGE	REPORTS		FATALITIES		HOUSES DESTROYED		HOUSES AFFECTED	
		#	%	#	%	#	%	#	%
Volcanic Eruption	Unsuitable Land Use Management	59	0%	24,456	63%	5,447	3%	102	0%
Coastal Storm Surge		149	1%	38	0%	1,609	1%	1,737	0%
Flood		12,563	44%	1,671	4%	80,175	42%	773,032	73%
Landslide		7,498	26%	6,735	17%	27,526	14%	69,982	7%
Tsunami		5	0%	262	1%	1,612	1%	1,029	0%
TOTALS		20,274	71%	33,162	85%	116,369	61%	845,882	80%
Earthquake	Noncompliance with National Seismic Resistance Norms	533	2%	2,119	5%	51,951	27%	75,536	7%
Hurricane		2,761	10%	374	1%	13,009	7%	137,175	13%
TOTALS		3,294	11%	2,493	6%	64,960	34%	212,711	20%
OTHER EVENTS		5,133	18%	3,337	9%	9,318	5%	3,769	0%
TOTAL		28,701	100%	38,992	100%	190,647	100%	1,062,362	100%

Source: DesInventar.

5. **In order to meet these challenges, the World Bank has played a prominent role in financing Colombia’s disaster risk management and reconstruction programs going back to the late 1990s.** Through its long-term engagement with Colombia on disaster risk management, the Bank has become an important partner to the GoC. This partnership has provided the platform upon which Bank operations have supported: i) the generation of knowledge, ii) the provision of financial services, and iii) the convening and coordination of key institutions and stakeholders. Through these specific business lines, the Bank’s engagement over the medium term will focus on: the modernization of the national disaster risk management system; improvements in the application of disaster risk analysis and management in policy making at the sectoral and territorial levels; and strengthening disaster risk management at subnational levels. The historical relationship of the proposed operation to the overall programmatic engagement over time is presented in Table 2.
6. **The Colombia Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (Second DPL with a CAT DDO) is one element in these specific business lines.** The DPL with a CAT DDO instrument provides the assurance of immediate access to Bank funds that will bridge the gap between the occurrence of a catastrophe and the arrival of funds from other sources. In addition, the DPL with a CAT DDO is renewable for up to 15 years,⁴ providing a long-term contribution to the country’s catastrophe risk financing strategy. Finally, the DPL with a CAT DDO does not require the Government to continue to pay an annual commitment fee.
7. **The Second DPL with a CAT DDO supports the Millennium Development Goals by addressing disaster risk issues that affect the most vulnerable segments of the population.** As has been extensively documented, disasters triggered by natural events disproportionately affect the poor populations living in slum and squatter settlements on steep hillsides, in poorly

4. The DPL with a CAT DDO can be extended for four additional three-year periods. See the “Memorandum to the Executive Directors, Subject: Proposal to Enhance the IBRD Deferred Drawdown Option (DDO) and to Introduce a DDO Option For Catastrophic Risk,” January 29, 2008. Report number 42396.

drained areas, and in low-lying coastal zones. The poor are the most vulnerable to economic and human capital losses from disasters triggered by natural event and are victims of both rare catastrophic events and of frequent low-intensity events, and their adverse cumulative impacts.

8. **The development objective of the proposed operation is to strengthen the Government’s program for reducing risks resulting from adverse natural events.** This objective will be achieved by supporting three strategic policy areas of action for implementation of the Government’s program. These policy areas are:

- Strengthen disaster risk management institutional and planning capacity ;
- Strengthen the institutional framework and capacity for including disaster risk management in land use planning; and
- Strengthen policies and tools to reduce risk in the housing sector.

Table 2: Summary of Bank Involvement in Overall Programmatic Engagement in Disaster Risk Management

DRM Engagement in Colombia	World Bank Operation/Activity	Financial Services	Knowledge Services	Convening & Coordination Services
Foundations and Early Support (1999–2007)	Colombia Earthquake Recovery Project (P065263)	✓		
	National Disaster Vulnerability Reduction Project (P082429)	✓	✓	✓
	Bogota Disaster Vulnerability Reduction Project (P085727)	✓	✓	✓
Strengthening (2008–2009)	Disaster Risk Management DPL with a CAT DDO (P113084)	✓		
Consolidation (2010 - 2012)	National Macroproyectos Social Interest Project (P110671)	✓		
	Probabilistic Risk Information Technical Assistance Projects (TF09324)		✓	✓
	Colombia Country Disaster Risk Management Analysis (TF096323)		✓	
	Strengthening Risk Management in the Water Sector (TF097821)			✓
	Colombia Disaster Risk Financing Strategy (P128518)		✓	✓
	Agricultural Risk Management (TF050595)		✓	✓
	Grant for Preparation of Barranquilla Urban Flood Management Project (TF096015)	✓	✓	
	First Programmatic Fiscal Sustainability and Growth Resilience DPL (P123267)	✓	✓	
	Second Disaster Risk Management DPL with a CAT DDO (P126583)	✓		
	Strengthening Governance for Social Risk Management (P123616)		✓	
	Reference Book on Probabilistic Catastrophe Risk Modeling		✓	
National Disaster Vulnerability Reduction Project Phase Two (FY13)	✓	✓	✓	
Barranquilla Urban Flood Management Project (P120159)	✓	✓		

II. COUNTRY CONTEXT

Political Situation

9. **President Santos has been in office since August 2010 and heads a national unity coalition.** The coalition, which spans more than 90 percent of congressional seats, has proven resilient and stable over the first 18 months of the presidential term. The country has undergone a transformation since 2002, striving to move away from internal violence, drug trafficking, and weak institutions that have plagued the country. Today, Colombia has a resurgent economy with promising prospects. It is a safer, more stable country that is popular with foreign investors, and it aspires to join the Organisation for Economic Co-Operation and Development (OECD) group of countries.
10. **The GoC has registered several significant achievements in recent years and approved a range of important reforms. On the international front, this includes the restoration and normalization of diplomatic and trade relations with Venezuela and Ecuador.** The long-awaited Free Trade Agreement with the United States finally became effective on May 15, 2012. Colombia is also increasingly taking an active international role, as illustrated by its current membership of the UN Security Council and the hosting of key international summits. On the domestic scene, the Government is carrying forward a range of fiscal and economic reforms, including the introduction of a fiscal rule, royalties reform and tax reforms. Legislation has been passed to reduce informality and encourage youth employment. A new legal and regulatory framework has been introduced to improve the performance of the health system. To compensate victims who have been harmed by actions occurring as a result of conflict, a Law has been enacted. Finally, the Government introduced a regulatory reform to reduce ‘red tape’ when citizens interact with public entities.

Recent Macroeconomic Developments

11. **Colombia was the fastest country in the region to recover from the 2008-09 global economic crisis.** The economy recovered after two quarters compared to the regional average of close to six quarters. Colombia’s strong macroeconomic framework combined with financial sector resilience and an appropriate regulatory response helped the economy cushion the shock and recover from its effects.
12. **The economy expanded by a solid 5.9 percent in 2011 – one of the best growth performances in the region.** This pace of expansion brought Colombia’s growth rate above the regional average of 4.6 percent and close to that of emerging markets of 6.2 percent. Private domestic demand, supported by higher consumer and investor confidence and access to cheap credit, led the growth process. On the supply side the expansion was spear-headed by mining, financial services, and commerce.
13. **The growth process was accompanied by substantial employment creation.** Economic growth was sufficiently labor intensive to generate 1¼ million new jobs in 2011. The manufacturing, commerce, agriculture, and other services sector accounted for the bulk of job creation. Better economic conditions and demographics also increased labor market

participation by one million people. In effect, unemployment declined by ¼ million people, while the rate of unemployment declined from 11.8 to 10.8 percent in 2011.

14. **The ongoing oil boom peaked in 2011, as production, exports, and foreign direct investment set new records.** The country came close to reaching the target of producing 1 million barrels per day. This, combined with record high prices, resulted in a 70 percent expansion in oil exports and a 41 percent increase in total exports. Foreign direct investment (FDI) (gross) – most of which originated in the oil and mining sector – almost doubled in 2011 to US\$13.2 billion (4 percent of GDP), bringing Colombia’s share of global FDI up from 0.5 to 0.9 percent.
15. **Despite the export boom, the current account deficit remained unchanged owing to an equally substantial increase in imports.** Colombia is one of the few oil-exporting countries which is running an external current account deficit in times with very favorable international prices (3.0 percent of GDP in 2011). While the trade surplus improved from 0.8 to 1.7 percent of GDP in 2010-11, the impact was dampened by a strong 35 percent increase in imports. The external current account arises from two factors: a deficit on the services balance and because of repatriation of profits by foreign companies based in the country – both of which deteriorated in 2011, especially repatriated profits. Net foreign direct investment financed about half of the current account deficit that year, while external debt increased by one percentage point of GDP to 23.2 percent.
16. **Colombia exhibited a stellar fiscal performance in 2011 thanks to high economic growth, favorable oil prices, and tax reforms.** The deficit of the combined public sector was halved from 3.3 percent in 2010 to 2.2 percent in 2011, while the primary balance turned positive from -0.4 percent to 0.6 percent of GDP. This, in turn, contributed to a decline in the public debt ratio from 36.9 to 34.1 percent of GDP. Colombia’s performance was remarkable in a comparative context, putting it amongst the emerging markets with the largest decline in public debt, while exhibiting an above-average decline in the fiscal deficit. The driving factor behind this result was a strong increase in tax revenues as the tax-to-GDP ratio rose by 1.3 percentage points in 2011.
17. **The monetary policy interest rate has been brought close to its neutral rate following a process of gradual tightening.** The Central Bank increased the nominal policy rate from 3.0 to 5.25 percent since the beginning of 2011, leaving the real policy rate just 25 basis points short of its neutral rate (2 percent). The decision of the Central Bank to continue its gradual path of interest rate hikes during the second half of 2011 was noteworthy given the considerable increase in the uncertainty of the global economic outlook at the time. This decision reflected the view that upside risks (commodity and asset price inflation, credit growth and above-potential economic activity) were of greater concern than a potential fallout from the European sovereign debt crisis and the continued economic slump in the US.
18. **The gradual appreciation and volatile movements of the Colombia Peso remains a substantial macroeconomic policy concern, which the authorities are struggling to manage.** The Colombian peso (nominal as well as real effective rate) has grown gradually stronger in recent years in response to significant capital inflows (primarily foreign direct investment) and improved fiscal policy. At the same time, the flexible exchange rate has

exhibited substantial volatility as a shock absorber in times of global economic crises and uncertainty. Over the past couple of years, the Central Bank has been managing a dollar purchasing program (of at least US\$20 million per day) to smoothen out excess volatility in the adjustment path. The Government has also taken various measures, including the delayed repatriation of dollar denominated dividends from Ecopetrol. The authorities have shown sensitivity to political pressures from export sectors affected by losses in competitiveness and are currently contemplating policy alternatives. More broadly, it is also implementing policies to strengthen the overall competitiveness of the economy, including through infrastructure investments.

19. **Signs of overheating faded somewhat during 2012, responding partly to tighter monetary conditions and currency appreciation.** Consumer price inflation rose by 3.73 percent during 2011, approaching the ceiling of the 2-4 percent target range towards the end of the year, while indicators of inflationary expectations suggested readings above the Central Bank target range. Since the beginning of 2012, however, observed as well as expected inflation has declined, as illustrated by the fall in headline inflation to 3.4 percent in April 2012. Private sector credit growth, which peaked at 25.2 percent in July 2011, had also been a source of concern, but declined to 19.9 percent in February 2012. The pace of consumer credit growth remains, nonetheless, a cause of concern. While real GDP grew above its potential rate during the second half of 2011, leading economic indicators for consumption and manufacturing output suggest a slowdown in the first quarter of 2012. While asset price inflation remains somewhat high, most economic indicators suggest that the economy is currently cruising around its potential rate.

20. **In summary, Colombia's economic performance has been impressive in recent years – the combined result of good luck and good policy.** Favorable international oil prices, outside the control of domestic policy makers, certainly played a role with positive effects on foreign direct investment, exports, growth and fiscal outcomes. At the same time, good policies have supported positive outcomes. Fiscal consolidation reduced the sovereign risk premium, strengthened the resilience of the economy to external shocks, and enhanced the power of fiscal and monetary policy to act counter-cyclically. Colombia currently has one of the lowest EMBI spreads in the region (with a modest impact during the late 2011 financial market turmoil). The country also exhibits solid liquidity management as evidenced by rapid reserve accumulation and has tapped international markets for external financing at favorable terms. Finally, Colombia is on a steady path towards medium-term fiscal consolidation without excessive short-term adjustments supported by sound monetary policy adjustments to reduce upside and downside risks and facilitate steady growth.

Table 3: Key Economic Indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Real GDP growth (%)	4.7	6.7	6.9	3.5	1.7	4.0	5.9	4.7	4.4	4.5
Inflation (avg. %)	5.0	4.3	5.5	7.0	4.2	2.3	3.4	3.5	3.1	3.0
Oil price, Colombian mix (US\$/bl)	49.8	58.3	66.2	90.2	56.6	73.1	99.4	109.6	105.1	98.2
Gross national savings (% of GDP)	19.1	20.6	20.2	20.6	20.3	19.0	20.4	20.2	20.0	21.6
Gross dom. Investment (% of GDP)	20.2	22.4	23.0	23.5	22.4	22.0	23.5	22.8	22.5	23.7
Export growth (%)	26.2	15.9	21.4	26.0	-11.7	20.1	41.3	8.8	3.3	4.6
- Oil exports growth (%)	31.5	13.8	15.6	66.8	-16.0	60.7	69.6	16.8	4.3	2.6
Import growth (%)	26.8	23.5	25.4	20.5	-16.2	22.7	35.2	10.1	4.3	4.1
Current account balance (% of GDP)	-1.1	-1.8	-2.8	-2.8	-2.1	-3.1	-3.0	-2.6	-2.5	-2.1
FDI, Net (% of GDP)	7.0	4.1	3.9	3.6	1.7	0.1	1.5	2.8	2.7	2.5
Gross reserves (months of imports)	5.8	4.8	5.5	7.4	6.4	5.5	5.7	5.9	5.9	5.9
Total external debt (% of GDP)	25.8	25.0	21.2	19.7	22.7	22.2	23.2	21.4	21.3	20.7
Combined public Sector (% of GDP):										
Total Revenues	25.7	27.3	27.2	26.4	26.7	26.2	26.7	27.3	27.1	26.9
Total Expenditures	25.9	28.1	28.2	26.3	29.3	29.3	28.8	28.9	28.7	28.6
Overall balance	0.0	-0.7	-0.7	-0.1	-2.7	-3.3	-2.2	-1.6	-1.5	-1.6
Public debt	38.6	36.8	32.7	30.9	36.7	36.9	34.1	32.3	31.8	31.0
GDP (US\$ billions)	146.5	162.8	210.6	235.3	231.6	284.9	327.7	375.4	392.3	412.8

Source: World Bank Staff projections based on DANE (the statistics agency), Central Bank, Ministry of Finance and Public Credit, and the IMF. Note: Combined Public Sector Balance for 2005-2009 does not equal difference between total revenues and total expenditures owing to statistical discrepancies.

Macroeconomic Outlook and Debt Sustainability

21. **Colombia has a robust macroeconomic framework, which rests on three mutually reinforcing pillars:** (a) a responsible fiscal policy based on a credible medium-term fiscal framework, supported by a fiscal rule, (b) a monetary policy based on an inflation targeting regime complemented by a floating exchange rate with moderate interventions, and (c) sound macro and micro prudential policies combined with a robust financial system. This framework provides a solid basis for the country's future economic prospects. In the short to medium term, aggregate demand is likely to be boosted by consumer and investor confidence, infrastructure investments, and the implementation of the Free Trade Agreement with the US.
22. **Colombia would not be immune to a global economic crisis, but the country is well prepared to respond.** The global economic environment has deteriorated recently and global growth prospects for 2012 remain subdued and market uncertainty continues to be high. Colombia is vulnerable to three different types of relevant external shocks, including: a slowdown in economic activity in the US, a decline in oil prices, and global financial market turmoil. On the other hand, the country has a high capacity and room to respond to shocks through counter-cyclical fiscal and monetary policies (Box 1).
23. **The projections described below focus on the short and medium-term outlook.** They incorporate the latest prospects for the global economy as well as recent Central Bank monetary and exchange rate policy announcements. The baseline scenario follows the April 2012 IMF

World Economic Outlook, which assumes: (1) a gradual, but slow, recovery of US economic activity reflecting ongoing weakness in house prices, pressures to deleverage, and a weak labor market; (2) a short-lived recession in the Euro area as a result of fiscal consolidation and deleveraging – without major disruptions to the monetary union, and; (3) continued elevated oil prices arising from global supply constraints and geopolitical tensions. Within this global context, domestic economic policy is expected to be tight both on the monetary and fiscal side. Currently at a neutral level, monetary policy may tighten further to stem potential upside risks of domestic origin. Fiscal policy, meanwhile, will tighten gradually as the country moves closer towards the structural fiscal balance target. In this baseline scenario, the Colombian economy is expected to develop as follows (see Table 1 for details):

24. **Growth and inflation.** Following the strong economic growth performance in 2011 of 5.9 percent, real GDP is projected to moderate to 4.7 percent in 2012 (as suggested by leading indicators) and converge to its potential growth rate of 4.5 percent in the medium term. Private consumption and investment are expected to sustain domestic demand growth. Inflation will stay on target (3.1 percent) over the projection period, kept in check by Central Bank interventions.
25. **Fiscal accounts.** The Central Government fiscal deficit is projected to decline from 3.9 percent of GDP in 2010 to 2.2 percent in 2014. This fiscal adjustment of 1¾ percentage points of GDP will take place primarily on the revenue side, as a result of multiple tax reforms and improved tax administration and will enable the Government to meet its target for the central government structural deficit of 2.3 percent of GDP by 2014, as stipulated by the fiscal rule. In light of Colombia's solid track record of fiscal management, the authorities are expected to take the necessary corrective policy measures needed to meet this target.
26. **External accounts.** The external current account deficit widened during the 2010-11 economic recovery as imports accelerated and factor income outflows increased. In the medium term, the external deficit will gradually narrow again as imports moderate and commodity exports continue to benefit from solid international prices and higher volumes. The deficit is expected to be fully financed by continued high inflows of net foreign direct investment.

Debt Sustainability

27. **A Debt Sustainability Analysis (DSA) indicates that the trajectory of public debt is declining in the baseline scenario.** The DSA was prepared by IMF staff in April 2012 and is consistent with the macroeconomic assumptions outlined in Table 1 (see Annex 4 for details). In the baseline scenario, the public debt-to-GDP ratio is projected to decline from 36.9 percent in 2010 to 31.0 percent in 2014 (of the Combined Public Sector, gross). Given the large share of central government debt on fixed-terms and in local currency, interest rate and exchange rate shocks have a modest impact on the debt trajectory. The debt outlook is also not severely affected by shocks to economic growth or the primary balance. Contingent fiscal liabilities represent the single most important risk to debt sustainability, although the simulated shock of a ten percent of GDP increase does not alter the declining debt trajectory. In sum, public debt sustainability is not a major concern in the medium term.

28. **In summary, Colombia's macroeconomic policy framework is deemed adequate.** Medium-term fiscal policy remains prudent, with proposed fiscal adjustments already well underway. Monetary and exchange rate policies are also supportive of macroeconomic and financial stability.

Box 1: Potential Impacts on Colombia of a Potential Global Economic Slowdown

The sources of contagion on Colombia's economy from a potential global economic slowdown are expected to be similar to those experienced in the 2008/09 crisis – namely the trade, financial and expectations channels:

- **The trade channel.** Lower external demand (mainly for oil and mining products) combined with reduced world prices would increase Colombia's current account deficit. The oil and mining sectors contribute by about 10 percent to Colombia's growth rate, implying a somewhat modest aggregate demand effect.
- **The financial channel.** In the event of a global crisis external and domestic financing conditions would tighten. Currency depreciation would intensify as flight-to-safety would lead to a reversal in net capital flows. Financial markets dislocations could cause strain on brokerage houses and other leveraged investors.
- **The expectations channel.** Given that GDP growth is driven primarily by private domestic demand, consumer and investor confidence are critical for future aggregate demand growth. A shock in confidence can also reduce credit growth as banks raise lending standards.

Colombia is well positioned to respond to a crisis, particularly on the monetary/exchange rate and financial fronts:

- **Monetary easing is likely to be the first line of defense.** Several recent interest rate hikes have created room for monetary easing. The monetary policy rate could be reduced further for counter-cyclical purposes, while closely monitoring impacts on commodity and asset price inflation as well as credit growth.
- **The flexible exchange rate is an effective shock-absorber.** The flexibility of the exchange rate regime allows the currency to depreciate rapidly, as happened during 2008/09. Along with the relatively comfortable financial cushions, this can help to absorb the impact of a potential reversal in net capital flows.
- **Colombia's financial sector is sound and it has proven resilient to the global financial crisis and the associated economic slowdown.** The Colombian banking system is primarily domestically owned with limited exposure to European banks.
- **External financing needs are manageable.** The Flexible Credit Line with the IMF and an expected high inflow of foreign direct investment provide sufficient cover.

But Colombia remains moderately vulnerable on the fiscal and social fronts:

- **Fiscal vulnerability:** Colombia is highly exposed to a fall in the international price of oil. Oil revenues account for about 13 percent of total public revenues. For each US\$10 decline in the oil price per barrel central government revenue is reduced by 0.4 percent of GDP. That said, Colombia has strong fiscal institutions and moderate public debt levels, and could thus engage in some counter-cyclical stimulus within the fiscal rule framework.
- **Social vulnerability:** A relatively high poverty elasticity to growth implies that an economic slowdown would have a more severe impact on Colombia's poor than elsewhere in the region. The recent one percentage point decline in the unemployment rate may also partially reverse if growth comes to a halt. On a positive note, Colombia has a relatively strong basis for responding to a potential crisis using existing safety net programs, temporary employment programs, and training programs.

III. THE GOVERNMENT PROGRAM AND PARTICIPATORY PROCESSES

29. **Disaster risk reduction is a priority for the Government of Colombia.** Colombia has the highest rate of recurrent disasters triggered by natural events in Latin America, with an average of over 600 reported disasters every year. The Government's commitment to institutionalized disaster risk reduction dates back to 1983 when, in the aftermath of the Popayan earthquake, it initiated the creation of a system for disaster preparedness and response. In 1989 this system was consolidated with the establishment of the National System for Disaster Management and Prevention (*Sistema Nacional para la Prevención y Atención de Desastres*, SNPAD). Since then the country's approach has been expanded through national-level institutional strengthening in the 1990s, opening the way for municipalities to invest in risk reduction measures.
30. **In summary, Colombia's DRM program remains appropriate despite some of the shortcomings, pointed out in this document, such as the need to further integrate disaster risk management and water management into territorial planning.** Colombia is widely recognized as a leader in instituting a policy and a legal framework that enables a comprehensive, multisectoral approach to disaster risk management. Progress has been made at the legal, territorial, and sectoral levels, and the program is strengthened with each new National Development Plan.
31. **Since the mid-1990s, Colombia has moved from disaster response to disaster risk management.** In 1998, by Decree 93, the Colombian Government ratified the National Plan for Disaster Management and Prevention (*Plan Nacional para la Prevención y Atención de Desastres*, PNPAD) which shifted the focus from emergency response to a comprehensive disaster risk management strategy, based on four lines of action: (i) risk identification, (ii) risk reduction, (iii) institutional development, and (iv) risk awareness.⁵ In the absence of specific goals, elements associated with temporality and territoriality in the NPDPR, a CONPES document (National Council of Social and Economic Policy) 3146 of 2001, was approved to contribute to the implementation of the four lines of action defining specific projects and responsibilities, and establishing an implementation period of three years. Most recently the reduction of fiscal vulnerability was included in the National Development Plan 2002–2006, and disaster risk management has been broadly considered in the last four National Development Plans, including President Santos' Plan 2010-2014.
32. **The Government's long-term vision and development strategy are laid out in *Visión Colombia 2019*, a policy-planning document outlining objectives for sustainable and equitable development.** It takes into account policy areas to be addressed as the country seeks to achieve an economy that guarantees greater levels of well-being. These areas include (a) strengthening actions in disaster risk prevention and mitigation, (b) reducing the fiscal vulnerability of the Colombian Government to natural hazards, and (c) improving decentralization and strengthening land use planning. The chapter on "Construction of Livable Cities" focuses on creating access to urban land and affordable housing. Considering that 1.2 million families live in slums and 20 percent of them live in houses located in high-risk areas, some key objectives of the urban sector for 2019 are: (i) avoiding the creation of new at-risk

5. See Annex 4 for details on the National Plan for Disaster Prevention and Response.

informal settlements through the construction of 3.9 million new houses, and (ii) improving the conditions of slums through the upgrading of 804,000 houses.

33. **To improve its capacity to manage risk resulting from adverse natural events, the Government has included risk reduction and management as a specific and prominent element in Colombia’s National Development Plan (NDP), *Prosperity for All 2010-2014*, reinforcing the proposals of *Visión Colombia 2019*.** The current National Development Plan was enacted by Law 1450 on June 16, 2011, and as in the previous three NDPs, recognizes disaster risk management as a national development priority. The principal lines from the NDP that are supported by the Second DPL with a CAT DDO are grouped in three strategies: 1) strengthen policies and institutions of the National System for Disaster Management and Prevention, 2) strengthen policies and tools to improve land use planning and 3) reduce risk in the housing sector. The pillar for *Sustainable Growth and Competitiveness* defines specific strategies for risk reduction for the housing and urban management sector, but also recognizes the need of implementing institutional reforms for disaster risk management in the agriculture and rural development sector. The crosscutting axis of *Environmental Sustainability and Risk Prevention* approaches disaster risk management in a holistic manner, proposing the formulation of five (5) strategic policies and includes a specific response to the 2010-2011 La Niña floods (see Box 1). Table 4 presents the five overall programs of the current NDP, of which the three shaded areas are directly supported by this operation.

Table 4: Pillars of the National Development Plan

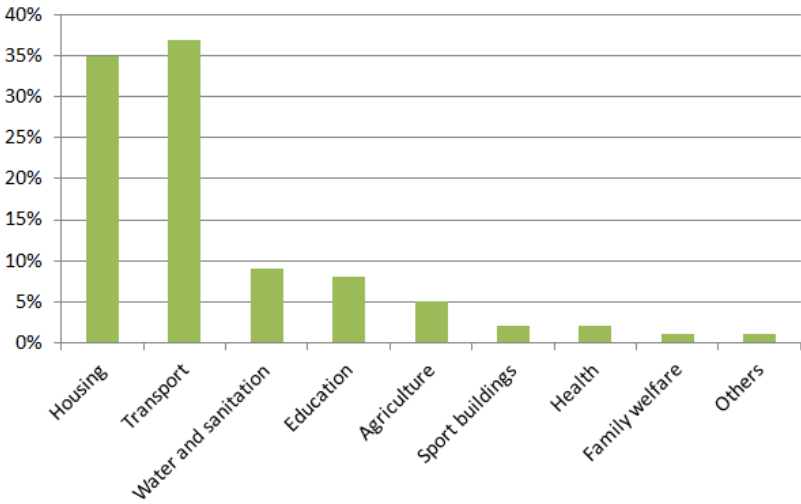
Pillars			Cross-cutting Axis	
Sustainable Growth and Competitiveness	Equal Opportunities For Social Prosperity	Peace Consolidation	Environmental Sustainability and Risk Prevention	Cross-cutting Support for Democratic Prosperity
A. Innovation for prosperity	A. Integral development policy and social protection	A. Safety - public order and public safety	A. Shared integrated environmental management	A. Good governance, citizenship, and the fight against corruption
B. Competitiveness and productivity growth	B. Social promotion	B. Justice	B. Disaster risk management: good governance for safe communities	B. Internationally renowned
C. Locomotives for growth and employment generation:	C. Differentiated policies for social inclusion	C. Human rights, humanitarian law, and transitional justice	C. Response to the 2010-2011 La Niña floods	C. Cross-support to regional development
1. New sectors based on innovation (ITC)				
2. Agricultural and rural development				
3. Transportation infrastructure				
4. Expanding mining and energy development				
5. Livable housing and cities				
			D. Basket of efficient energy	

34. **The National Development Plan 2010-2014 is presented for the consideration of Colombian society by the National Planning Council.** The NDP is the result of a broad-based consultative process⁶ representing a wide range of non-state organizations such as academia, religious groups, private sector, trade unions, and youth groups. This Plan provides a road-map to achieve the expected goals and to ensure compliance with the national vision and commitment of the government program.

Box 2: Impact of the 2010-2011 Flooding

The impact of the 2010-2011 La Niña event reflects the complexity of hazard risk in Colombia and the gaps and deficiencies facing disaster risk management. When compared with recent records of reported disasters from 2000-2009, the recent flooding affected approximately 3.5 million people and resulted in accumulated damages and losses amounting to 25 percent of the previous decade’s totals (see Figure 1), one-third of reported deaths and affected persons, and approximately 50 percent of houses damaged. The floods emphasized to a large degree what was already known: there is a need to strengthen the national system for a more efficient management of hazard risk. On December 24, 2010, Colombia triggered use of the CAT DDO which disbursed the full amount of US\$150 million on December 27, 2010 to support the country’s immediate needs. Experience from the previous DPL with a CAT DDO revealed that both the Bank systems and those in Colombia function well for the rapid disbursement of funds.

Figure 1: Estimated Economic Losses from La Niña 2010-2011
Losses: US\$4.5 billion (to February 2011)



Source: BID – CEPAL 2011

6. See Annex 13 for more information regarding the National Development Plan’s consultative process.

IV. BANK SUPPORT TO THE GOVERNMENT'S PROGRAM

A. Link to the Country Partnership Strategy

35. **As in the past three national development plans, Colombia has included disaster risk management as a priority in the NDP 2010-2014.** The Plan recognizes that disaster risk management is essential to consolidate the objectives of poverty reduction. It further requires sector polices to identify hazards and analyze vulnerability and risk levels, and to devise appropriate risk mitigation strategies. Colombia's priorities in the National Development Plan are described in Table 1 above. The CPS proposes to maintain an active IBRD lending program of up to US\$4 billion and an International Finance Corporation (IFC) program in range of US\$330 million to US\$400 million per year, along with a set of analytical and advisory services and specialized grants.
36. **The disaster risk management framework of the proposed Second DPL with a CAT DDO falls under the Sustainable Growth with Enhanced Climate Change Resilience theme of the Country Partnership Strategy for FY12-FY16 between Colombia and the World Bank.** The key objective under this thematic area of engagement is to continue addressing the needs of Colombia's highly urbanized population – through better land management, improved services, and governance – while maintaining Colombia's position as an international leader in environmental management.
37. **In addition, this Second DPL with a CAT DDO would lower the risk of interruption to the overall implementation of all areas of the Government's development program and the CPS.** The Second DPL with a CAT DDO would continue to provide Colombia with a rapid source of funds in the event of a major disaster triggered by a natural event, enabling a quicker response to address emergency needs and reducing the risk of having to halt or divert resources from the implementation of the other development priorities in its NDP. It is important to note that the DPL with a CAT DDO is one of several options in a framework of Bank tools meant to assist Borrower countries to deal with disaster events.

B. Relationship to Other World Bank Group Operations

38. **The Bank has played a prominent role in financing Colombia's disaster risk management and reconstruction programs going back to the late 1990s.** This engagement took root with a comprehensive program to address the reconstruction of the coffee-growing region of the country (*Eje Cafetero*), which was hit by an earthquake measuring 6.2 on the Richter scale in 1999. There were 1,185 deaths, about 9,000 injuries, and more than 150,000 people left homeless. The region's housing infrastructure suffered considerable damages. In the immediate aftermath of the earthquake, four Bank loans for a total amount of US\$93 million were restructured to finance the start-up of the reconstruction program.
39. **The Government of Colombia and the World Bank signed the Earthquake Recovery Project (Loan 7009-CO) in May 2000.** This loan provided an additional US\$225 million to continue the reconstruction effort and assisted the Government in its efforts to rebuild communities. The development objective of the loan was "to assist the project beneficiaries to normalize economic and social activities through the restoration of essential housing and basic

infrastructure following adequate seismic standards.” Financed components included (a) shelter assistance, (b) rehabilitation and retrofitting of social infrastructure, (c) rehabilitation of public infrastructure, (d) capacity building for disaster risk management, (e) social capital restoration, and (f) project management. This program was, at closing, evaluated by the Bank to be highly satisfactory for having achieved high-quality results and its development objectives one year earlier than expected.

40. **The Bank’s involvement in the reconstruction project and continued technical discussions with the Government led to the Natural Disaster Vulnerability Reduction APL1 signed in 2005 (7293-CO).** The project was designed to strengthen the capacity of the national Government to coordinate disaster risk management, to build capacity at municipal level, and to reduce disaster risk. The project, implemented through the Ministry of Environment, Housing, and Territorial Development (MAVDT), now called the Ministry of Housing, Cities, and Territories (MVCDT), helps local governments carry out risk analyses and develop risk reduction investment plans as part of its comprehensive strategy to monitor and support disaster risk reduction. Additionally, with support from the project, the Government is establishing a comprehensive strategy of risk retention and risk financing at the national level. The project has made significant progress towards achieving its development objectives. To date, the Government of Colombia has complied with the attainment of the Project’s main outcome indicators and as a result, 434 municipalities now have action plans for incorporating Risk in land use plans and/or Municipal Risk Management Plans. This number corresponds to 92 percent of the agreed target of 472 municipalities. Similarly, 795 municipalities have received technical assistance on hazard risk reduction, corresponding to 111 percent of the target agreed, and equivalent to 714 municipalities. In the context of the project, the Bank has also been supporting MHCP towards the definition of a catastrophe risk financing strategy. This work is complemented by a grant made available through the partnership of the World Bank (WB) Disaster Risk Financing and Insurance Program and the State Secretariat for Economic Affairs of Switzerland (SECO) in coordination with the Risk Financing group of the Global Facility for Disaster Reduction and Recovery (GFDRR), Treasury, and the Poverty Reduction and Economic Management Network (PREM)⁷. The successful and satisfactory implementation of the capacity building activities under the project has resulted in a request from the Government of Colombia to extend and restructure the project until August 2013. With this request Colombia has indicated its commitment to the development objectives of the project by directing more of the project resources to technical assistance activities that further expand the coverage of the capacity building investment. With a view to deepen the engagement in this area, and at the request of the GoC, the Bank has initiated preliminary discussions around the definition of a second phase of the national project.
41. **In 2006, the Government and the Bank signed the Natural Disaster Vulnerability Reduction APL2 (7365-CO).** This operation, a subnational loan to the District of Bogotá, aims to reduce Bogotá’s exposure to human and economic losses in case of disaster triggered by a natural event through the implementation of risk reduction activities and through the

7. The PREM led work on Strengthening Governance for Social Risk Management is currently in an early stage of implementation and as such, does not permit its application for guidance in the project design. The report will include a qualitative case study, focused on poverty indicators, of households’ and Government’s responses to the 2010-2011 disaster triggered by La Niña event. Once available, the outputs will provide an opportunity to design better monitoring indicators of social activities and benefits for the poor and vulnerable in a disaster context.

development of a risk financing strategy. With the support of this loan, Bogotá has made substantial progress in the implementation of a strong disaster risk management framework and development of a complete analysis of the city's exposure and vulnerability. The district has undertaken a large investment program aimed at improving the resilience of priority structures, including schools, hospitals, and kindergartens, to adverse natural events and, under the project's resettlement framework, is in the process of undertaking preventive resettlement of families to safer and better housing facilities, from areas of the city where disaster risk cannot be mitigated.⁸ The district's Secretariat of Finance is leading the strategy to reduce the fiscal vulnerability of Bogotá in the event of a disaster. This project has already surpassed its development objective largely as a result of the education and social integration sectors succeeding with a high number of schools and kindergartens retrofitted/reconstructed to seismic-resistant standards. As of June 30, 2010, the population at risk in public buildings was reduced from 575,000 to 252,000 (achieving beyond the end-of-project target, which was 450,000). Given the project's overall success, it has been extended until December 2012 in order to finalize the construction of seven hospitals with financing from the Bank.

42. **In December 2008, the Bank approved the first DPL with a CAT DDO for Colombia in support of its disaster risk management framework articulated in the National Development Plan 2006-2010.** The first DPL with a CAT DDO proved successful insofar as supporting the development of Colombia's national framework for disaster risk management. Under the operation significant improvements were realized in: i) coverage of the country's seismic and volcanic monitoring stations (50 percent and 72 percent increase, respectively), ii) the number of municipalities with risk reduction action plans (82 percent increase), and iii) reduction of people living in high-risk zones of the Galeras volcano (2.5 percent decrease). Following the extreme flooding events affecting most of the country, the loan was triggered on December 24, 2010 and fully disbursed three days later. Experience from the previous DPL with a CAT DDO revealed that both the Bank systems and those in Colombia function well for the rapid disbursement of funds. In terms of the instrument, the Colombian national legal framework does not allow the replenishment of a Bank-financed loan once it has been fully disbursed. Given these restrictions, the MHCP has requested the proposed Second DPL with a CAT DDO, as it is unable to make use of the revolving fund component of the DDO instrument.
43. **The World Bank is supporting four technical assistance processes using an open source risk assessment platform to integrate probabilistic risk information into specific policy-making processes.** Through financing from GFDRR, the objective of these activities is to strengthen Colombia's capacity to integrate risk information in its development planning and execution process. Activities related to the technical assistance processes initiated in February 2010 and will be completed by June 2013.
44. **National Macroproyectos Social Interest Program Project (IBRD Loan 7998-CO).** The project was designed to provide access to affordable housing for low-income beneficiaries. The Project will enable the Government to test development projects in public housing and intervene

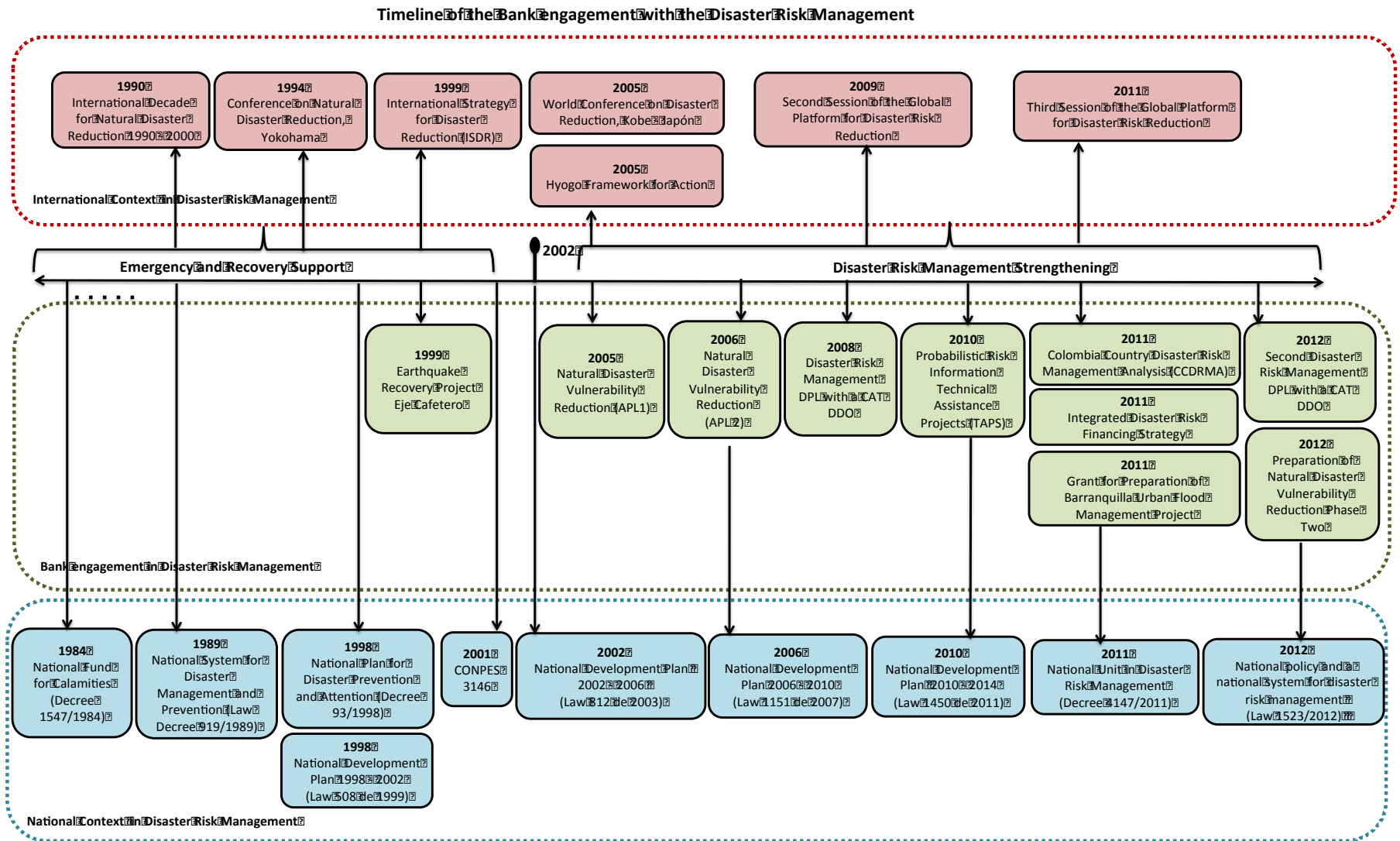
8. Colombia is considered to be one of the pioneers of preventive resettlement in the region. The Bank's social safeguards unit in LAC has commended this framework, and a related publication was launched in September 2011. See The World Bank and GFDRR. 2011. Preventive Resettlement of Populations at Risk of Disaster Experiences from Latin America. Edited by Elena Correa, Social Development Specialist at the World Bank. http://www.gfdr.org/gfdr/sites/gfdr.org/files/publication/preventive_resettlement_LAC_experiencesDS150.pdf.

with a mix of policy instruments in cities and metropolitan areas to meet long-standing and unresolved housing shortfalls. This initiative is supported by Law 1469 of 2011, which includes measures to promote the supply of land for low-income housing development, considering among other variables environmental protection and risk reduction for the population. It is important to note that Law 1469 of 2011 is part of an integrated legal framework, as it is in fact a follow-on to Law 1151 of 2007, which created the Macroproyectos Program.

45. **Evaluating the impact of 23 years of DRM policies.** With the objective of providing the GoC with an analytical basis for decision making on how best to improve institutional structures and policies for disaster risk management as the Government moves forward with reforms to the National Disaster Risk Management Framework (*Sistema Nacional de Gestión de Riesgo*, SNGR), the Government of Colombia in association with GFDRR and the World Bank coordinated the Colombia Country Disaster Risk Management Analysis (CCDRMA). During 2011, different strategies were implemented to assess the progress in disaster risk management and the perception of State and civil society actors of results to date and major future challenges. The analysis was supported by a high-level consulting team that developed the research at the sectoral, territorial, and community levels. Research tools including interviews, surveys, documental exploration, and case studies in eight sectors (transport, energy, water, housing, agriculture, education, environment, and health) and nine territorial areas (Bogotá, Cali, Medellín, Barranquilla, Manizales, Cúcuta, La Mojana, Canal del Dique, and Río Bogotá) contributed to the documentation of the evolution of DRM concepts, policies, regulation, institutions, investments and results, ownership, and perception of risk in Colombia.
46. **The proposed First Programmatic Fiscal Sustainability and Growth Resilience DPL (80800-CO)** supports the development of a National Financing Strategy to reduce the fiscal vulnerability of the state to various risks, including disasters triggered by natural events. The program includes a series of measures that can be grouped along three main policy reform areas: (a) improved budget predictability and stability, (b) improved social security liability management, and (c) improved disaster risk financing management. Therefore, the proposed Second DPL with a CAT DDO is one of several financial instruments that the GoC may implement in the context of its risk financing strategy. It is noted that the scope of each operation differs in the sense that the Second DPL with a CAT DDO focuses on the general challenge of disaster risk management, whereas the Fiscal Sustainability DPL focuses on the subset of risk financing.
47. **The Bank is conducting work on Strengthening Governance for Social Risk Management**, which seeks to strengthen the institutional capacity of the National Planning Department of Colombia (DNP) in terms of its social risk management strategy, by identifying and creating tools for timely poverty monitoring and response to crises and shocks. It will include a quantitative study of the country's risk and poverty profile, and a qualitative case study - focused on poverty indicators - of household and Government responses to the recent disaster. This work will ultimately set the foundation and initiate a monitoring and information system to track the poverty impact of shocks for a more effective Government response. Information from the quantitative and qualitative studies will inform the preparation of the Second DPL with a CAT DDO as it becomes available.

48. **The World Bank Disaster Risk Financing and Insurance Program and the State Secretariat for Economic Affairs of Switzerland (SECO).** As discussed above, the Second DPL with a CAT DDO is part of a broader effort from the GoC towards the design and implementation of an integrated disaster risk financing strategy. For example, Colombia is one of the countries included in the World Bank-State Secretariat for Economic Affairs of Switzerland (SECO) partnership, a program with the development objective of reducing the financial vulnerability of the states to disasters triggered by natural events by improving their financial response capacity in the aftermath of disasters while protecting their long-term fiscal balance. The program is supporting the following activities to increase the financial protection of the state against disasters triggered by natural events: catastrophe risk modeling, assessment of economic and fiscal impact of disasters, review of fiscal management of disasters, review of catastrophe risk insurance regulatory framework, capacity transfer, and training on sovereign disaster risk financing strategy. The project team is working closely with this program and is coordinating its outputs under the context of the APL1 and the definition of its second phase.
49. **Through its long-term engagement with Colombia on disaster risk management, the World Bank has become an important partner to the GoC.** Table 5 presents the timeline of key international and national milestones within the context of the World Bank's engagement with the GoC on disaster risk management. This partnership has provided the platform upon which Bank operations have supported i) the generation of knowledge, ii) the provision of financial services, and iii) the convening and coordination of key institutions and stakeholders.

Table 5: Timeline of the Bank Engagement with the GoC on Disaster Risk Management



C. Lessons Learned

50. **Rather than treating a disaster as an exogenous shock to development that cannot be proactively addressed, the risk of disasters can be managed.** This has been documented in a wide array of studies and is the underpinning of the Hyogo Framework for Action, the international agreement adopted by 168 governments.⁹ Colombia has acknowledged that hazard risk is a manifestation of development that is not adequately adapted to the environment and that managing disaster risk is good practice in sustainable development.

51. **The design of this Second DPL with a CAT DDO takes into account the lessons learned from 25 years of Bank operations and programs in the area of disaster risk management and 25 years of Colombia's experience with disaster risk management.** The Independent Evaluation Group (IEG) report, *Hazards of Nature, Risks to Development: An Evaluation of World Bank Assistance for Natural Disasters*,¹⁰ recommends that the Bank assist its clients most vulnerable to disasters triggered by natural events to shift from focusing entirely on disaster response to implementing programs and policies for comprehensively managing disaster risk. This is in consonance with the conclusions reached by the Government of Colombia to effectively integrate disaster risk management into its development planning. The design of this operation reflects the most important lessons from the more than 500 Bank projects evaluated by IEG and from more than 600 annual disasters in Colombia. These are the following:

- **Disaster risk management is most efficient when based on adequate risk identification.** Risk identification is one of the four strategic areas of action for disaster risk management in Colombia's National Development Plan. Through scientific agencies such as the Institute for Hydrological, Meteorological, and Environmental Studies (*Instituto de Hidrología, Meteorología y Estudios Ambientales*, IDEAM), the Institute for Geography and Cartography (*Instituto Geográfico Agustín Codazzi*, IGAC), and the Colombian Institute for Mining and Geology (*Instituto Colombiano de Minería y Geología*, INGEOMINAS), Colombia has developed detailed hazard maps and hazard monitoring systems covering the entire territory. The country is currently working with support from the Bank on integrating available technical information for improved functionality for policy makers.
- **Ex-ante investments should be undertaken in the area of disaster risk management.** Colombia has made significant investments in mitigating disaster risk, both by resettling people living in high-risk areas and by investing in retrofitting critical infrastructure such as roads, bridges, hospitals, and schools.¹¹ The NDP and the *Visión Colombia 2019* outline

9. The Hyogo Framework for Action (HFA) was formulated as a comprehensive, action-oriented response to international concern about the growing impacts of disasters on individuals, communities, and national development. Based on careful study of trends in disaster risks and on practical experience in disaster risk reduction, and subjected to intensive negotiations during 2004 and early 2005, the HFA was finally adopted by 168 governments at the World Conference on Disaster Reduction held in Kobe, Hyogo Prefecture, Japan, 18–22 January 2005.

10. IEG-World Bank (Independent Evaluation Group - World Bank). 2006. *Hazards of Nature, Risks to Development: An Evaluation of World Bank Assistance for Natural Disaster* (Washington, DC).

11. Section five, "Proposed Second Disaster Risk Management DPL with a CAT DDO" describes the extent of investments in vulnerability reduction carried out in Colombia.

ambitious targets in terms of reducing the vulnerability of infrastructure to adverse natural events such as earthquakes. The proposed operation will strengthen the country's risk financing strategy, thereby helping to minimize budget restructuring and ensure continuity in the implementation of development programs, including those financed by the Bank.

- **There is great value in having a prior risk financing strategy.** It is essential for faster recovery after a disaster event that a country be prepared for the challenge of financing the recovery and reconstruction process. When this is not done, global experience shows that the result is often expensive debt instruments, diversion of resources from ongoing development programs, or slow and insufficient reconstruction financing. Addressing this issue is one of the main purposes of the Second DPL with a CAT DDO. Colombia has access to reconstruction financing through a variety of sources. The proposed operation would serve as bridge financing, thus providing liquidity in the first period after a national disaster until recovery financing from other sources becomes available.
- **It is critical to secure a flexible source of funding to cover early recovery in case of a disaster triggered by a natural event.** Colombia as well as other countries have experienced that the immediate availability of liquidity is essential for a government to reestablish critical services as fast as possible in the aftermath of a disaster event. If a government has access to untied liquidity, this will accelerate recovery and minimize business interruption as well as secure the functioning of critical public facilities, such as those for health services. On average, 50 percent of the economic losses associated with large disasters triggered by natural events occur in the period after the event until the economy has recovered its normal functionality. The DPL with a CAT DDO instrument provides needed flexibility and speed in accessing short-term liquidity and allows the borrower to request disbursement in full or in part, depending on the country's particular needs.

52. **Lessons learned from the first DPL with a CAT DDO in Colombia include: increased awareness of risk and sources of financing, strengthening the disaster risk management framework, and the importance of immediate access to sources of emergency funding.** The first DPL with a CAT DDO in Colombia showed the utility of the instrument in supporting the GoC's overall risk financial strategy, thereby going beyond the project development objective through supporting a sustained dialogue with the GoC regarding its disaster risk management framework. The loan assisted in generating understanding of the government's contingent liabilities, and its awareness of the other sources of related technical assistance and financing available, such as the SECO partnership. In addition, this instrument brought the issue of disaster risk management directly to the attention of the Ministry of Finance, thereby helping to sensitize this section of government as to the importance of DRM programs. The loan was triggered and disbursed in full as a result of the 2010-2011 La Niña floods, thereby giving a critical financial cushion to the government that supported the government's emergency response. Importantly, the DPL with a CAT DDO instrument has been recognized to be an integral component of an overall DRM strategy which can be complemented by targeted support of the country's DRM framework at the territorial, sectoral and subnational levels.

D. Analytical Underpinnings

53. **The design of the proposed operation is backed by extensive analytical work in the field of disaster risk reduction conducted by GFDRR, the World Bank, IADB, and specialized agencies of the United Nations System, and has provided the basis for the dialogue with the Government of Colombia during the design of this Second DPL with a CAT DDO.** The general framework for analysis and preparation of this operation is built on the findings from a number of key documents and publications as follows.
54. **The Hyogo Framework for Action.**¹² This document, endorsed by the GoC at the World Conference for Disaster Reduction in 2005, provides the guidelines for comprehensive disaster risk management actions. This framework makes a clear case for the need to have an ex-ante risk financing strategy, such as that supported by this Second DPL with a CAT DDO.
55. **Natural Disaster Hotspots: A Global Risk Analysis, the World Bank.**¹³ This is a comprehensive analysis of the level of countries' risk exposure to hydrometeorological and geotectonic hazards. The study found Colombia among countries most exposed to multiple hazards, based on land area exposed and percentage of total population considered at a "relatively high mortality risk from multiple hazards." This high risk has been confirmed by the substantial human, economic, and financial losses experienced by Colombia during the heavy rains of 2010-2011, a disaster which triggered disbursement of Colombia's first DPL with a CAT DDO.
56. **The Global Assessment Report on Disaster Risk Reduction.**¹⁴ This assessment is a comprehensive review and analysis of natural hazards threatening humankind. It also critically examines DRM instruments where significant barriers still exist, such as land use planning, building codes, and ecosystem management, and where new approaches need to be adopted. The study concluded that disaster risk is increasing faster in low- and lower-middle-income countries with rapidly growing economies, and that countries with small and vulnerable economies are less resilient. While Colombia is considered an upper-middle-income country, in the recent past its economy has been affected by external shocks, including those caused by natural hazards. This further supports the importance for the GoC to strengthen its DRM institutions, in addition to improving development practices through land use planning and reducing risk in the housing sector, which was one of the most affected in the recent floods.
57. **Natural Hazards, UnNatural Disasters. The Economics of Effective Prevention.**¹⁵ This report provides an approach that focuses on the economics of reducing the vulnerability to disasters

12. "Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters," Final Report of the World Conference on Disaster Reduction, United Nations International Strategy for Disaster Reduction Secretariat, United Nations, Geneva.

13. M. Dilley, R. S. Chen, U. Deichmann, A. L. Lerner-Lam, and M. Arnold, *Natural Disaster Hotspots: A Global Risk Analysis*, Disaster Risk Management Series, World Bank and Colombia University, Washington, DC, 2005.

14. Global Assessment Report on Disaster Risk Reduction, "Revealing Risk, Redefining Development." United Nations International Strategy for Disaster Reduction Secretariat, United Nations, Geneva, Switzerland, 2011.

15. *Natural Hazards, UnNatural Disasters. The Economics of Effective Prevention*, World Bank and United Nations, 2010. Prepared under the technical coordination of the GFDRR, this report's main findings are: (a) a disaster exposes the cumulative implications of many earlier decisions, some taken individually, others collectively, and a few by default; (b) prevention is often possible and cost-effective; (c) many measures—private and public—must work well

triggered by natural events, and presents examples from around the world that demonstrate that government investments in ex-ante measures, instead of solely in emergency response and recovery actions, can be more cost-effective. In line with this approach, the Second DPL with a CAT DDO is one of the ex-ante measures that the GoC is proactively adopting toward reducing its vulnerability to disasters triggered by natural events, protecting, in turn, its economy.

58. **These documents, in addition to a variety of country studies related to disaster risk management and risk financing,¹⁶ have contributed to making the economic, human, and financial risk associated with adverse natural events more readily understood by policy makers.** The studies provide detailed information that gives actionable and rational support to the decision to invest in risk identification and reduction, the improvement of development planning, as well as the use of ex-ante risk financing instruments. These studies also make the argument that securing funds ex-ante is essential for a cost-effective government risk financing strategy.

together for effective prevention; and (d) the exposure to hazards will rise in cities, but greater exposure need not increase vulnerability.

16. See Annex 14 for a complete list of country studies.

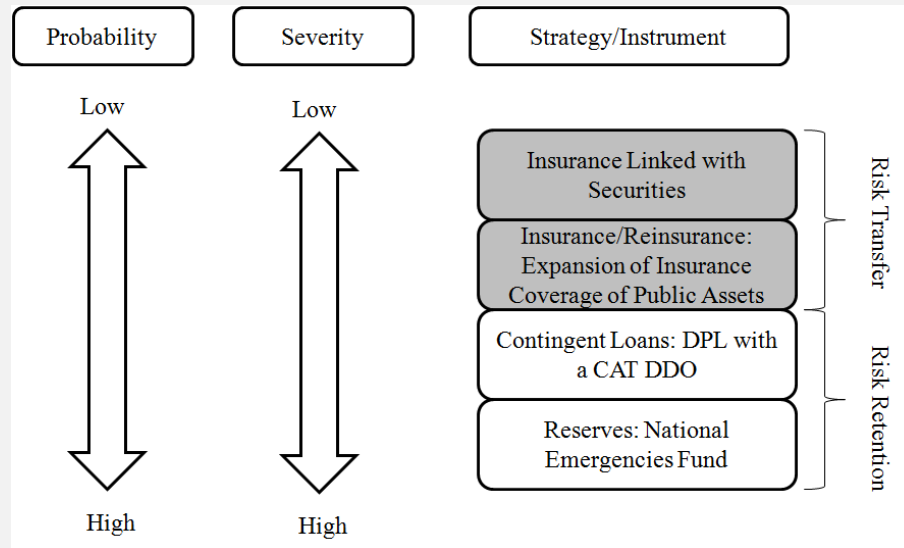
V. PROPOSED SECOND DISASTER RISK MANAGEMENT DPL WITH A CAT DDO

A. Operation Description

59. **The development objective of the Second DPL with a CAT DDO operation is to strengthen the Government's program for reducing risks resulting from adverse natural events.** In order to be eligible, the borrower must have an adequate hazard risk management program in place.
60. **The expected outcomes include:** (i) that the Colombian National Government increases its capacity for disaster risk reduction planning and implementation, (ii) that technical capacities and institutional organization for including risk assessment in land use planning are improved, and (iii) that knowledge and capacity to reduce risk in the built environment are strengthened.
61. **The Development Policy Loan with a Catastrophe Deferred Drawdown Option (DPL with a CAT DDO) is a financial product that was approved by the Bank's Board of Directors on March 5, 2008.** The DPL with a CAT DDO can help address Colombia's immediate liquidity needs in the aftermath of a catastrophic disaster. The DPL with a CAT DDO is a flexible and prompt financial tool to address risks to which the country is prone (see Box 3 for a description of the components of a catastrophe risk financing strategy). It would enable the GoC to focus on emergency response measures in the aftermath of a disaster rather than spend valuable time and resources for fund-raising activities. So far, there are seven DPLs with a CAT DDO approved by the World Bank Board for Guatemala, El Salvador, Costa Rica, Panama, Colombia, and Peru, and most recently the Philippines. The maximum funding amount of a DPL with a CAT DDO constitutes 0.25 percent of the national GDP of the country, or up to US\$500 million. The GoC has requested a Second DPL with a CAT DDO in the amount of US\$250 million. Loan pricing for DPLs with a CAT DDO is in line with standard IBRD terms, however the front-end fee has increased from 25 basis points (0.25 percent) to 50 basis points (0.50 percent), and a 25-basis-point (0.25 percent) fee will be charged at each renewal of the loan.

Box 3: Catastrophe Risk Financing Strategy

A risk financing strategy should differentiate between a range of higher-frequency/lower-cost events and lower-frequency/higher-cost events. Lower layers of risk (higher-frequency/lower-cost events) can generally be financed through reserve mechanisms, special budget appropriations, and budget reallocations. These sources of funds are rarely sufficient to face higher layers of risk for which other risk financing instruments are generally needed. A DPL with a CAT DDO operation is designed to provide liquidity in case of medium-size (or cumulative) disasters that cannot be totally funded with the internal reserves and to provide bridge financing while other sources of funding are being mobilized in case of major disaster. See figure below.



Source: World Bank, Financial and Private Sector Development – Global Capital Markets Development – Non-Bank Financial Institutions Unit (FPD-GCMNB), 2008.

62. **Drawdown Trigger.** Funds may be drawn down by the GoC upon occurrence of a disaster triggered by a natural event, but specifically excluding disasters triggered by anthropogenic causes, resulting in a declaration by decree of a national situation of disaster by the President of Colombia, in accordance with Article 56 of Law 1523 of 2012, or as may be amended by the Borrower.¹⁷ Since 1989, there have been eleven declarations of disaster (under the Law 919 of 1989¹⁸): five at the municipal level, four at the departmental level, but only two for a national disaster, as illustrated in Table 6. The disbursement for this operation would be triggered only by a declaration of a national situation of disaster¹⁹. Note that these are the same criteria as for the first DPL with a CAT DDO, which was approved by the Board on December 18, 2008, and

17. See Annex 9 for a detailed description of the Colombian legal basis for declarations of emergencies and Annex 11 for a detailed account of the history of declarations of disasters under Decree Law No. 919/89.

18. Law 919 of 1989 was repealed by article 96 of Law 1523 of 2012.

19. Under the Colombia disaster risk management legal framework, the declaration of a national situation of disaster is the highest affirmation of emergency caused by a natural hazard.

which fully disbursed on December 27, 2010.²⁰ The request came after a state of national disaster, declared by a Borrower’s Presidential Decree as a result of a disaster triggered by a natural event in the Borrower’s territory, in accordance with the Borrower’s legislation.

Table 6: Application of Law Decree No. 919 from 1989 to 2011 by Scope of Disaster Declaration

Scope of Declaration	National	Departmental	Municipal
Natural Hazard	Eje Cafetero Earthquake 1999 Flood 2010-2011	Earthquake Flooding Erosion, Flash floods	Volcanic Eruption Landslides Floods
Number of Declarations	2	4	5

63. **Drawdown Period and Renewals.** The drawdown period for this operation will be three years. The Second DPL with a CAT DDO may be renewed up to four times for a total of 15 years. Renewals require that the original program remain largely in place, meaning having an adequate macroeconomic framework and disaster risk management program. Renewal will take place no earlier than one year, and no later than six months, before the expiration date.
64. **The principal actions to be taken by Colombia under the program to improve its capacity to manage risk resulting from adverse natural events are grouped into three policy areas included in the National Development Plan 2010-2014: Prosperity for All, enacted as Law 1450 of June 16, 2011.** The proposed policy areas are: 1) Strengthening disaster risk management institutional and planning capacity, 2) Strengthening the institutional framework and capacity for including risk assessment in land use planning, and 3) Strengthening policies and tools to reduce risk in the housing sector. The NDP elevates disaster risk management (DRM) to a national development priority in different ways: Chapter III on Sustainable Growth and Competitiveness defines specific strategies for risk reduction for the housing sector and urban management. DRM is also included in relation to agriculture and rural development. Chapter VI, Environmental Sustainability and Risk Prevention, approaches DRM with a holistic view proposing the formulation of five strategic policies and in addition there is a special section related to the response to the 2010-2011 flooding.
65. **Table 7 illustrates the relationship of the program’s developmental objective, the associated policy issues and prior actions, and the identified outcomes and benchmarks.**

20. The January 29, 2008 Memorandum to the Executive Directors states that “for a CAT DDO, the drawdown is available only if a pre-specified trigger linked to a natural catastrophe - typically the borrower’s declaration of a state of emergency - has been met.”

Table 7: Second DPL with a CAT DDO: Government of Colombia's Prior Actions

Development Objective: Strengthen the Government's program to reduce risks resulting from adverse natural events		
Policy Issue	Prior Action	Outcome Indicator
Strengthening disaster risk management institutional and planning capacity	The Borrower has: (a) approved a national policy and a national system for disaster risk management, as evidenced by Law 1523 of April 24, 2012 and (b) created a national unit for the coordination of a national disaster risk management system, as evidenced by Decree 4147 of November 3, 2011.	<p>Increase GoC capacity for disaster risk reduction planning and implementation:</p> <ul style="list-style-type: none"> • The new Agency for the Coordination of the National DRM framework has put in place new instruments for inter-agency coordination. (Baseline: 0, Target: 2) • Number of formulated Municipal Plans for Disaster Risk Management under the technical assistance of UNGRD. (Baseline: 388, Target: 688)
Strengthening the institutional framework and capacity for including disaster risk management in land use planning	The Borrower has mandated the identification and zoning of hazard and risk areas and the definition of specific mitigation measures as part of the review process for the issuance of new land use plans and for the revision of existing land use plans as evidenced by Article 189 of Decree 019 of January 10, 2012.	<p>Improve technical capacities and institutional organization for including risk assessment in land use planning:</p> <ul style="list-style-type: none"> • Number of municipalities that under the new Decree have reviewed or formulated new plans with the guidelines for disaster risk management in their territorial development plans (POTs) that have been agreed upon with the Regional Autonomous Corporation (CAR). (Baseline: 0, Target: 25) • Number of watershed management plans (POMCA) that have incorporated disaster risk management in their formulation. (Baseline: 0, Target: 15)

<p>Strengthening policies and tools to reduce risk in the housing sector</p>	<p>The Borrower has enacted a law which mandates the development of a methodology for the formulation and consolidation of a national inventory of settlements in high risk areas, as evidenced by Article 218 of Law 1450 of June 16, 2011.</p>	<p>Strengthen knowledge and capacity to reduce risk in the built environment:</p> <ul style="list-style-type: none"> • MVCT and other national entities provide technical assistance and training to municipalities for the formulation of the inventory of settlements in high risk areas. (Baseline = 0, Target = 250) • Number of formulated municipal high risk inventories under the methodology established by MVCT. (Baseline = 0, Target = 25)
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66. **The prior actions agreed with the Government are consistent with the five good practice principles on conditionality as identified by the Bank's 2005 review and its updates.** Information in Box 2 describes how this Second DPL with a CAT DDO is aligned with each of these principles.

Box 4: Operational Consistency with Bank Good Practices Principles on Conditionality

Principle 1: Reinforce ownership

- *Alignment with Government goals:* This operation is driven by the Government of Colombia and enjoys solid ownership in the country. The Second DPL with a CAT DDO is supporting the Government's National Development Strategy and is aligned with its *Visión Colombia 2019*. This operation recognizes the priority given to disaster risk management by the Government of Colombia.
- *Positive track record of reform by the Government:* The Government has strong policy planning and implementation capabilities and has shown stable commitment to the program and its objectives since 2002. This is the fourth operation with Bank involvement focusing on disaster risk management. The two existing APLs are on their way to meet or exceed expected outcomes. The first DPL with a CAT DDO served its purpose when it disbursed at the request of the Government within 72 hours when Colombia was affected by severe flooding in December 2010.
- *Timely and demand-driven analytical support:* The operation is underpinned by knowledge services under the APL series and supported by grant resources for risk financing and disaster risk reduction to the Government, which were requested by the Government and have served as inputs for relevant policy design and implementation.

Principle 2: Agree up front with the Government and other financial partners on a coordinated accountability framework

The proposed loan is based on a coherent framework of previous actions and expected outcomes that are drawn from the Government's program.

- *Jointly designed policy matrix.* The Government and the Bank have prepared an operational policy matrix, agreeing on prior actions for Board approval and expected program outcomes based on the Government's National Development Plan 2010–2014.

Principle 3: Customize the accountability framework and modalities of Bank support to country circumstances

The loan features follow the client's requests and the policy matrix has been adapted to country circumstances.

- *Adaptation of Bank services to a sophisticated MIC.* Through the two APLs and with this Second DPL with a CAT DDO, the Bank has offered different products tailored to the needs of the Government. Knowledge services have informed policy making and supported the implementation of the Government's disaster risk management program. The close tie to the Government's National Development Plan assures the Government's full ownership of the reform agenda supported by the operation. *The policy matrix is based on the Government's program.* The accountability framework is fully consistent with the Government's program, and specific actions

and outcomes are drawn entirely from its program. This operation does not support politically sensitive reforms.

Principle 4: Choose only actions critical for achieving results as conditions for disbursement

- As indicated, funds may be drawn down upon occurrence of a disaster triggered by a natural event resulting in a declaration of a national-level disaster by the President of Colombia through an executive decree, in accordance with Law Decree No. 919 of May 1989.

Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support

- The policy matrix contains outcomes that have been defined by the Borrower and are closely linked to the supported policy actions. This will help the Bank and the Government review progress during project implementation.

B. Policy Area, Issues and Actions

Policy Area: Strengthen the Government's program to reduce risks resulting from adverse natural events

Policy Issue 1: Strengthening disaster risk management institutional and planning capacity

Context and Policy Description:

67. **The GoC recognizes the importance of improving the framework for disaster risk management.** This has been underscored most recently by the 2010-2011 La Niña when floods and landslides affected more than 90 percent of the country's municipalities, which can be largely attributed to deficiencies in a coordinated approach to risk identification, risk reduction, and impact preparedness. The Government has since included DRM as a prominent element of Colombia's National Development Plan, which established an objective of formulating a National Policy on Disaster Risk Management, in addition to updating the regulatory framework and management tools of the National System for Disaster Management and Prevention (SNPAD).
68. **Colombia has built a National System for Disaster Management and Prevention (SNPAD), articulated around a National Plan for Disaster Management and Prevention.** The system has its mandate in Law 46 of 1988 and Decree Law 919 of 1989 that includes both public and private agencies with responsibilities for risk mitigation and prevention as well as emergency response and rehabilitation.²¹ The system is coordinated by the Directorate of Risk Management, currently presided over by the Minister of Interior and Justice. Furthermore, the system has an operative arm coordinated by a National Operative Committee and a technical/scientific arm coordinated by the National Technical Committee. The system has regional committees presided over by the departmental governors and local committees presided by mayors.²²
69. **Through its SNPAD, Colombia has established itself as a leader in instituting a legal framework that supports a comprehensive, multisectoral approach to disaster risk management.** The role of Colombian experts and graduate-level trainees in disaster risk management in the country has been important in this shift and its consolidation.²³ The country is a leader in risk reduction approaches and measures such as the introduction of building codes and enforcement, municipal programs, and the integration of science and technology with public policy making.

21. The GoC has emergency protocols spelled out under the National Emergency Response Guide (*Guía de Actuación en Caso de un Desastre Súbito de Cobertura Nacional*), which was adopted by President Directorate 005 of November 27, 2001. In addition, Law 050 also calls for the strengthening of this protocol. The NDP also notes that there are existing protocols at the local and national level regarding the humanitarian side of the emergency response. However, it calls for strengthening these protocols, since the recent disaster triggered by *La Niña* event made evident the existing institutional and management challenges.

22. See Annex 3 for a more detailed discussion on the SNPAD, including an organizational chart.

23. See resources under La Red at www.desinventar.org.

70. **Colombia has decentralized the legal responsibility for disaster risk reduction to the municipal level.**²⁴ In this process, the municipalities rely on three main instruments to mainstream disaster risk reduction in development strategies. These are municipal development plans, land use plans, and environmental management plans. The national Government is currently implementing programs to provide technical assistance to municipalities to formulate disaster risk management plans, which in turn will inform the municipal development plans.²⁵
71. **Investments in disaster risk management, including risk reduction, are done at three levels in Colombia; by the national Government, by departmental governments, and by municipal governments.** The role and responsibility of municipalities is addressed in the new Congressional Bill (*Proyecto de Ley 050, 2011*).²⁶ Although the legal responsibility to invest in risk reduction is decentralized, it is important to note that inequality in the development of the Local Committees for Disaster Prevention and Emergency Response (*Comités Locales para la Prevención y Atención de Desastres, CLOPAD*), is due to limited access to required financial, technical, and human resources. While in theory investments made at the local level are intended to be on ex-ante measures such as reforestation and watershed protection, in practice many of the CLOPADs are only called upon for response efforts in the event of emergency or disaster. For this specific reason, the UNGRD and the MVCT are providing technical assistance to the municipalities to improve their capacities in understanding DRM, through defining priorities, DRM planning, and providing recommendations to strengthen risk analysis and regulations related to land use. Similarly, most of the investments at the national level are focused on ex-post measures (emergency response and reconstruction process).²⁷ A recent country-level analysis shows that the GoC should assume a more prominent role in promoting local capacities, improving coordination and strengthening investments in risk management (knowledge, risk reduction, and disaster management). Figures 2, 3, and 4 show the distribution of the investments in accordance with the strategies laid out in PNPAD.²⁸

24. Law 9/89, Law 291, Law 152/94, Law 388/97, Law 902/04, and Decree 4002/04 regulate the municipalities' responsibilities with respect to disaster risk management. Law 715/01 offers municipalities the opportunity to use untied transfers to invest in disaster mitigation. Disaster response is organized at four levels. Local communities are first responders, but if an event is of such a scale that they cannot cope on their own, first Municipalities, then Provinces, and then the State takes over the response responsibility.

25. The MAVDT is providing training and has developed material specifically for the purpose of building capacity among subnational entities. Materials include: S. A. Cuatro, *Lineamientos relacionados con las consideraciones jurídicas, administrativas, financieras, procedimentales, técnicas y sociales para la intervención, recuperación, manejo integral y control de áreas liberadas por procesos de reasentamiento, con aplicación a un caso piloto* (2006); MAVDT (Ministerio de Ambiente, Vivienda y Desarrollo Territorial) *Guía metodológica incorporación de la prevención y la reducción del riesgo en los procesos de ordenamiento territorial* (Bogotá, Colombia, 2005).

26. The main motivations for reviewing Law 46 and Decree 919 and to propose a new Congressional Bill (*Proyecto de Ley 050, 2011*) have been the lack of organization, outdated regulatory framework, inconsistency with the Constitution of 1991, and unclear role of different levels of government, evident during the rainy season of 2010.

27. The involvement of the GoC in disaster response applies only when a National Disaster Declaration is established by Presidential Decree in those circumstances in which the capacity of local and regional governments has been exceeded. Colombian policies are cognizant of the need to ensure that such declarations do not affect the autonomy and governance of local/regional governments.

28. Calculations from the Colombia Country Disaster Risk Management Assessment (CCDRMA) based on information provided by National Department of Planning.

Figure 2: National Investments in Disaster Risk Management

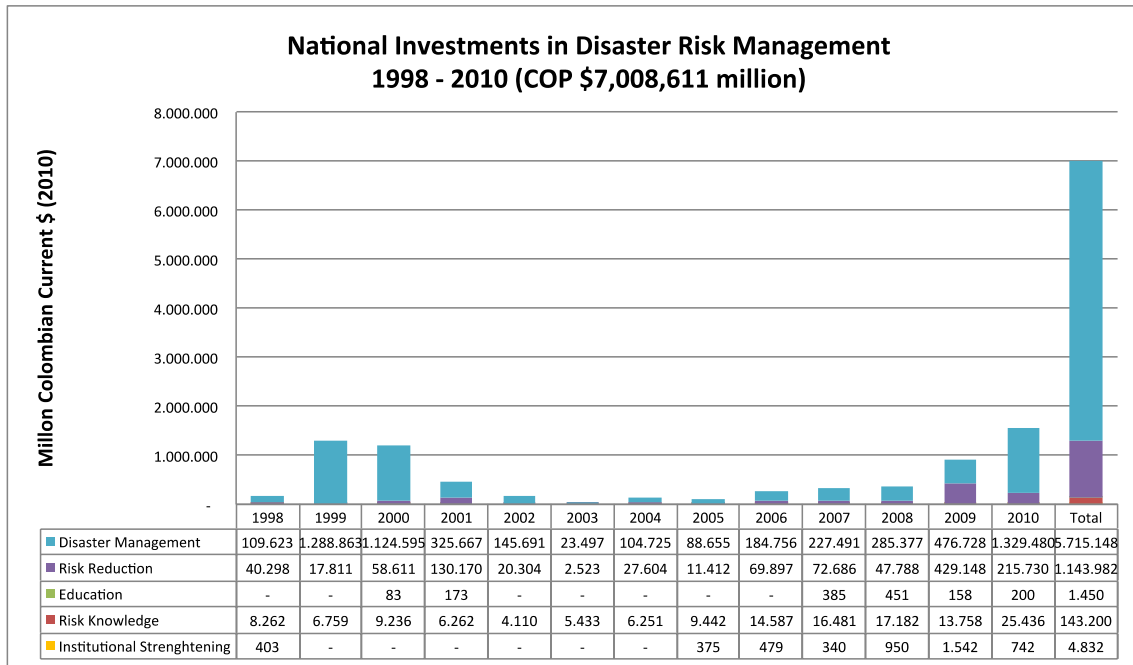


Figure 3: Departmental Investments in Disaster Risk Management

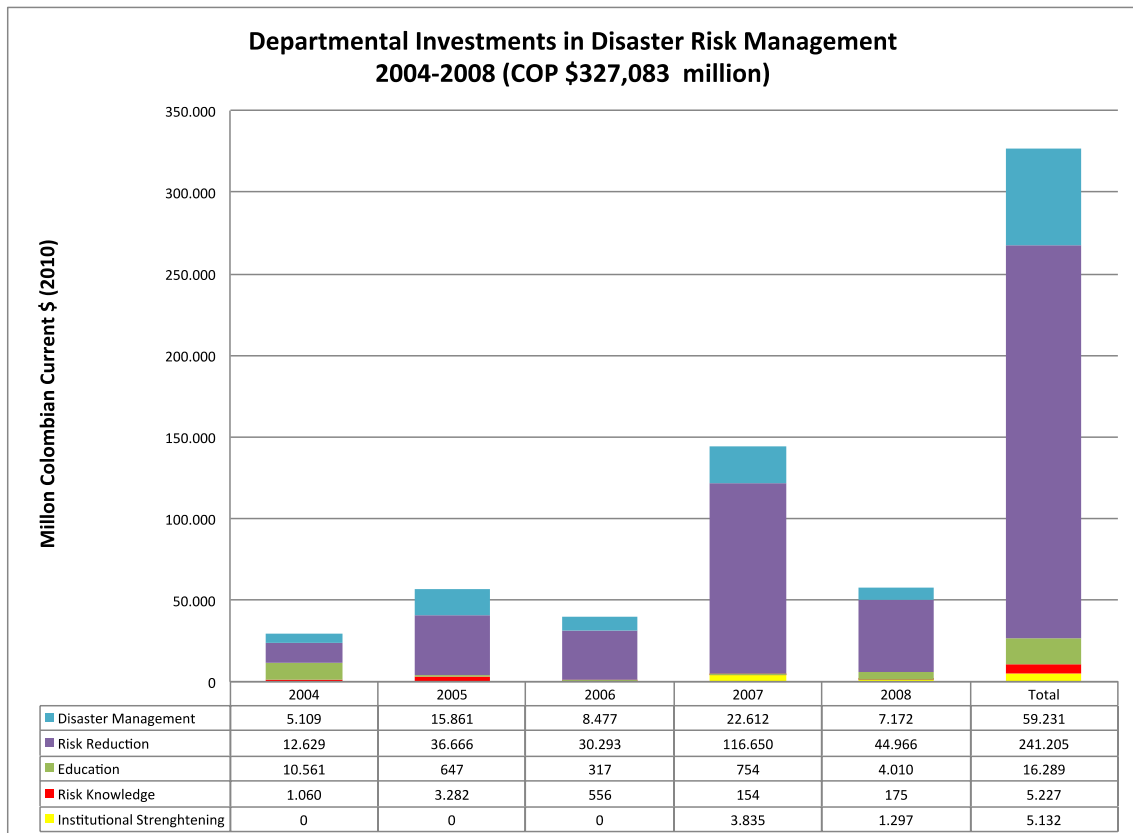
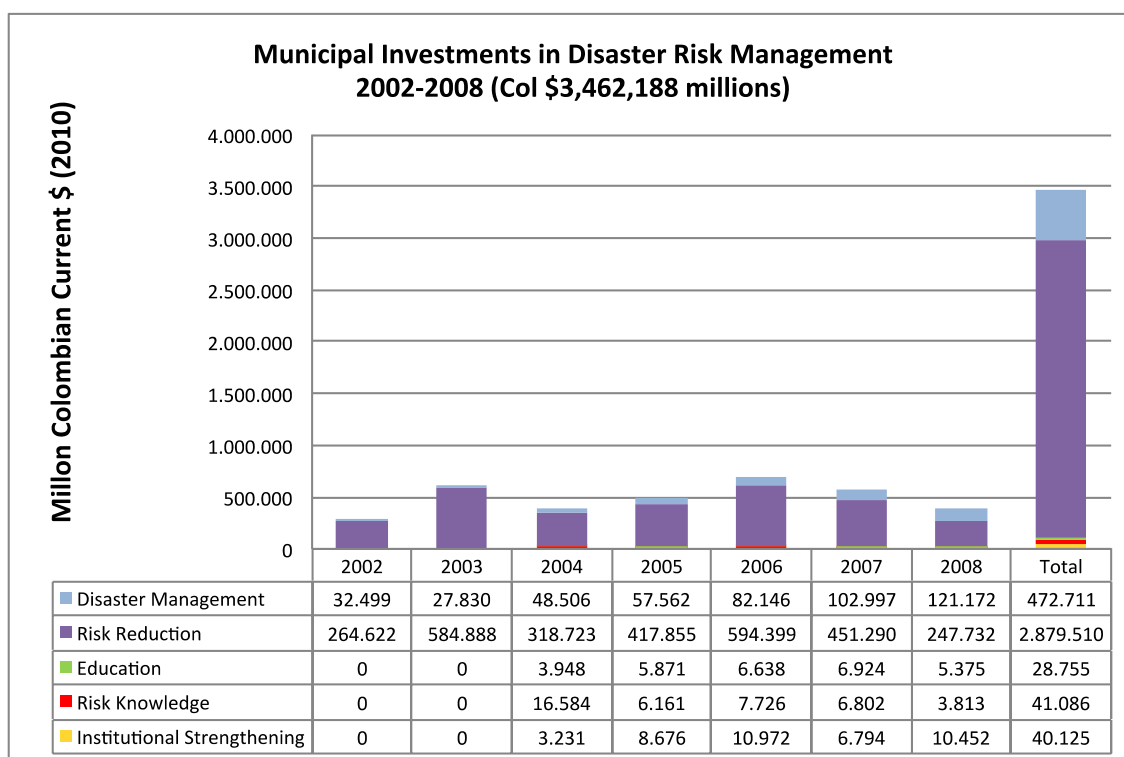


Figure 4: Municipal Investments in Disaster Risk Management



72. **The National Development Plan 2010-2014: Prosperity for All, enacted as Law 1450 of June 16, 2011, defines as goals the review of policies and the adoption of legal reforms of the National System for Disaster Management and Prevention.** The NDP recognizes that disaster risk management is essential to consolidate the objectives of poverty reduction in particular because the country's poor population is more likely to be more affected and less resilient to disasters. The 2010-2014 NDP establishes the goal of formulating a National Disaster Risk Management Policy and accordingly updates the regulatory framework and management tools of SNPAD. Through this action, the country has made explicit its commitment to develop priority actions aimed at forecasting, controlling, and reducing disaster risk.

Policy Challenges:

73. **While recognizing the progress of SNPAD in its capacity to manage disaster risk, institutional and legal developments have not yielded the expected results.** The National Plan for Disaster Management and Prevention (1993) and Decree Law 919 of 1989 have not evolved in line with changes in the Constitution, decentralization and international agreements signed by Colombia, such as the Hyogo Framework for Action of 2005. In addition, necessary interventions that support nongeneration of future risk have been limited by constraints in institutional capacity, research, and technological development, and limited coordination between implementing entities which have hampered the effectiveness of the SNPAD.

74. **Municipalities have struggled to identify and implement appropriate risk management solutions.** The SNPAD does not clearly articulate and regulate responsibilities between different levels of government, nor does it ensure sufficient capacity at local levels to efficiently manage disaster risk. Consequently, with the notable exception of 5 to 10 local governments, municipalities require much in the way of technical assistance and financing to manage disaster risks appropriately.

Government Program Supported by This Operation:

***Prior Action:** The Borrower has: (a) approved a national policy and a national system for disaster risk management, as evidenced by Law 1523 of April 24, 2012; and (b) created a national unit for the coordination of a national disaster risk management system, as evidenced by Decree 4147 of November 3, 2011.*

75. **Law 1523 of April 24, 2012 which supports a national policy on disaster risk management and a National System for Disaster Risk Management as an important component to improve the implementation of risk management plans at the local level.** The Law reflects a paradigm shift in which disaster risk management is explicitly recognized as a part of the development process. Based on the goals of the National Development Plan 2010-2014 and the philosophy of the Hyogo Framework for Action (HFA), the Law also considers a process to assess, monitor, generate awareness, and reduce and control risk for disaster preparedness, relief, rehabilitation, and reconstruction. The Law recognizes that disaster risk management is related to the treatment of the environment, protection of ecosystems, and rural and urban land use. The new national system will clarify the roles and responsibilities among different levels of government, provide stronger incentives for local governments to invest in risk reduction, and strengthen technical assistance provided by the national government to local governments for identification and management of disaster risk.
76. **Issuance of a Presidential Decree that proposes to elevate the Directorate of Disaster Risk Management (DGR) from the Ministry of the Interior to a stand-alone national unit for DRM under the Presidency.** This restructuring will strengthen technical capacity and politically empower the DGR to effectively coordinate different ministries and territorial institutions needed for the implementation of the National Disaster Risk Management System.
77. **Formulation of strategic plans that will guide the performance of the different actors and the implementation of DRM policies defined under the Congressional Bill.** Strategic plans as the National Disaster Risk Management Plan allow institutional articulation of goals, actions and resources of the National DRM System. The Strategy for a National Response orientates the relief and recovery process and defines responsibilities of the different actors involved after the occurrence of disasters at national level.
78. **Improvement of technical capacity of local authorities through technical assistance programs.** The UNGRD is providing technical assistance to municipalities to formulate Disaster Risk Management Plans with the aim of promoting a better understanding of DRM and improve the implementation of disaster prevention, risk reduction, and disaster relief strategies in local development processes.

Policy Issue 2: Strengthening institutional framework and capacity for including risk assessment in land use planning

Context and Policy Area Description:

79. **Law 388 of 1997 incorporated risk as an important component of municipal land management.** Responding to the process of decentralization under the Constitution of 1991, Law 388 intended that territorial dimensions should complement economic and social planning. It defined policies, guidelines, and regulations on land administration. Provides as environmental determinants of POT, those related to conservation and environmental protection, natural resources and prevention of natural hazards and risk. Establishes in particular, policies, guidelines and regulations on prevention of risk by natural events, the identification of high-risk areas for human settlement as well as management strategies of those areas exposed to natural risk. According to the Decree 1729/02, which governs the formulation of management plans and watershed management, the management of a basin is primarily intended to use planning and sustainable management of renewable natural resources so as to maintain or restore a proper balance between the economic exploitation of such resources and the conservation of biotic physical structures of the basin and particularly its water resources. The principles and guidelines include: prevention and control of watershed degradation and the necessity to consider the conditions of risk, and vulnerability and environmental risks that may affect the management of the basin. .
80. **Appropriate local water resource management was recognized as a key component to prevention and control of environmental degradation and risk management through Article 10 of Law 388 of 1997.** Since 2002, the Regional Environmental Autonomous Corporations (CARs) have been required to integrate specific environmental measures into watershed management plans (POMCAs) and associated municipal land use planning (POTs).²⁹ It is recognized that the POMCAs represent an umbrella of environmental issues which in theory determine the structure of municipal land use plans (POTs) and local risk management. The POMCAs, which are implemented by the CARs, typically include strategies that support risk management through erosion and deforestation controls, and appropriate water resource management that integrates flood risk management and environmental protection. The NDP 2010-2014 recognizes that 83 Watershed Management Plans have been approved to date, although they have not adequately incorporated the risk component. For this reason, the MADS and IDEAM are providing technical assistance to the CARs to strengthen their capacity for environmental and risk management in the formulation of POMCAs.³⁰

29. Law 1729 of 2002.

30. According to Decree Law 919/89 and Law 99/93 the Regional Autonomous Corporations advise and cooperate with local authorities for the purposes of including the issue of risk in planning. Decree Law 919/89 (Art. 64) defines that the CAR support the incorporation of disaster prevention in the development plans of local authorities, especially with respect to urban planning, high-risk areas and within human settlements through the development of inventories and analysis of high-risk areas and the design of dispute settlement mechanisms. This provision was ratified by Law 99 of 1993 in which Article 31 provides that the CAR, in coordination with other authorities, carry out analysis, monitoring, disaster prevention and control. In addition it requires that the CAR support these local bodies in the areas of prevention

81. **In the National Development Plan 2002-2006, “Towards a Communitarian State”, the Government determined concrete steps to strengthen public policies for risk management with priority in prevention.** In particular, it defines the necessity to incorporate disaster risk management into land use plans. Also, Decree 216/2003 established the responsibility of the Territorial Development Directorate of the Ministry of Environment, Housing, and Territorial Development to participate within its responsibilities in the National Plan for Disaster Prevention and Relief.
82. **In 2004, the use of risk assessments in urban land use planning was defined as a priority within policy document CONPES 3305, which established guidelines for optimizing urban development policy.** This included the incorporation of risk analysis and reduction in the different planning tools as key instruments to ensure the integration of disaster risk in urban development. Specifically, the CONPES proposed to incorporate disaster risk variables in the POTs, and made the MVCT explicitly responsible for the provision of technical assistance to municipalities. The Colombia Natural Disaster Vulnerability Reduction Project (P082429) continues to support the implementation of this policy guidance.
83. **The MVCT has provided support to 628 municipalities between 2006 and 2010 (equivalent to 57 percent of all municipalities) for the inclusion of risk analysis in their POTs.** This effort has resulted in a stronger awareness at the municipal level of the need to integrate disaster risk analysis in POTs, and a better identification of the municipalities’ disaster risk management problems. While the POTs are designed to guide medium- to long-term investments and land regulations, the development plans focus on the near term and reflect the preferences of elected officials. Lack of alignment between these instruments has slowed the rate socioeconomic transformation and disaster risk management implementation.
84. **The National Development Plan 2010-2014 gives priority to land use plans.** Article 220 of the NDP seeks to ensure non-generation or reproduction of disaster risk conditions; the Government may determine the allocation of resources for reconstruction processes in the municipalities affected by disasters triggered by natural events, including conducting a special review of the land use plans, according to Article 5 of Decree 4002 of 2004. This supports the inclusion of land use planning and its integration with risk management in Colombia’s *National Development Plan 2010-2014: Prosperity for All*, enacted as Law 1450.

Policy Challenges:

85. **As evidenced by the major floods that affected Colombia between October 2010 and May 2011, the municipal land use plans (POTs) have not been adequately articulated with flood risk aspects of watershed management plans (POMCAs).** The legal basis for this articulation exists, but institutional coordination and appropriate guidance on how to integrate watershed planning with territorial planning has been lagging. Despite the legal requirements established under Law 9 of 1988, Law 388 of 1997, and more recent efforts made to incorporate

and environmental emergencies and disasters; and move forward programs for high-risk urban areas through such measures as erosion control, reforestation, and stream management.

considerations of risk in municipal land use planning and as an important variable and by-product of environmental degradation, results are still incipient. As of November 2010, only one third of the country's watershed management plans have been formally adopted, which are associated with 21 percent of the national territory. The majority of these POMCAs have yet to incorporate elements of risk management.

86. **The main technical reason for decentralization is to improve productivity and efficiency in providing local services; however, in regards to disaster risk management, this hypothesis is not being met.** Only to the extent that local authorities have the technical, administrative, and financial capacities to execute disaster risk management will quality and efficiency be achieved. Municipalities with 10,000 to 50,000 residents have the highest rates of loss of lives and destroyed homes per 100,000 inhabitants, which generally coincide with the lowest technical and financial capabilities of local authorities.³¹

Government Program Supported by This Operation:

Prior Action: The Borrower has mandated the identification and zoning of hazard and risk areas and the definition of specific mitigation measures as part of the review process for the issuance of new land use plans and for the revision of existing land use plans as evidenced by Article 189 of Decree 019 of January 10, 2012.

87. **The National Development Plan 2010-2014 gives priority to DRM inclusion in land use plans and Article 189 of Decree 019 of 2012 mandated the assessment and regulation of DRM during the revision or formulation of POTs.** The MVCT will regulate and establish guidelines for the technical requirements to include disaster risk evaluation and management strategies in land use planning. As defined in the NDP, a variety of strategies will be defined, based on hazard assessment and risk zoning, to contribute to progress toward the construction of a "Policy for Intervention in Areas of Risk".
88. **The National Development Plan established the objective of retroactively building risk management into watershed management plans that have already been adopted.** To facilitate this, the MADS and IDEAM are currently providing technical assistance to the CARs for the formulation of disaster risk management strategies within POMCAs, with priority placed on those areas most affected by the 2010-2011 floods.
89. **The provision of technical assistance for the inclusion of risk in land use plans is another of the goals of the NDP.** The MVCT will continue providing support to municipalities for inclusion of risk reduction in their land management plans (POT).

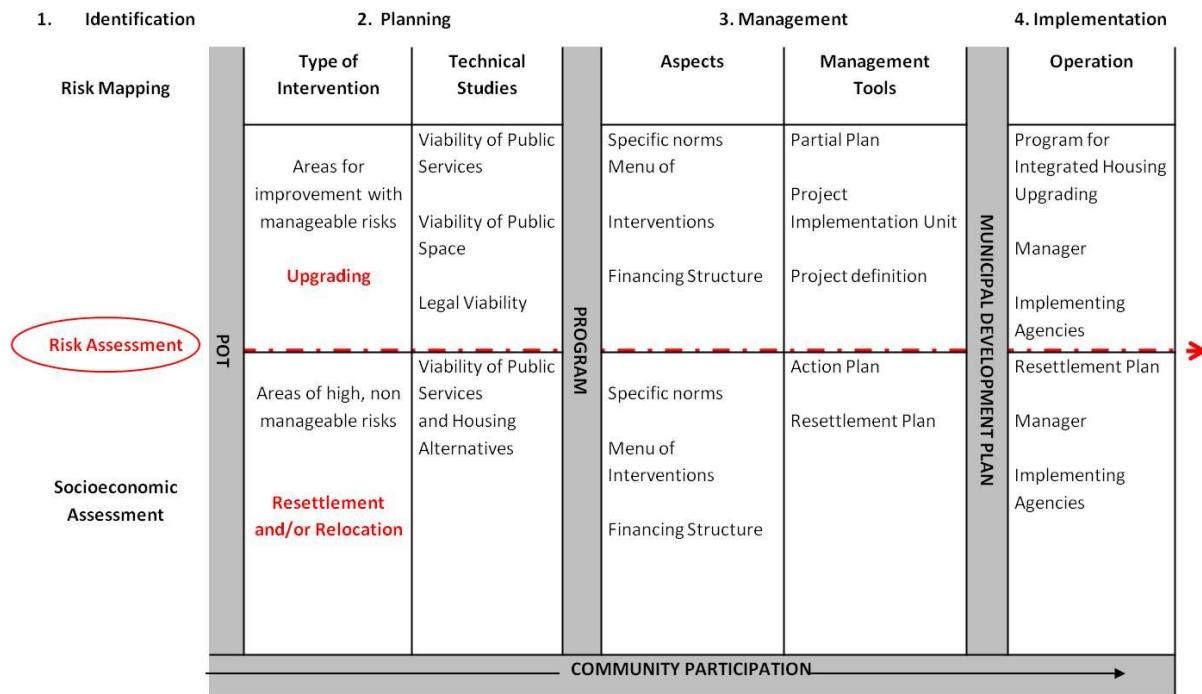
31. World Bank. 2011. Colombia Country Disaster Risk Management Assessment.

Policy Issue 3: Strengthening policies and tools to reduce risk in the housing sector

Context and Policy Area Description:

90. **Reducing housing vulnerability has been part of the National Affordable Housing strategy since 1991.** Law 03 of 1991 created the National Program for Social Interest Housing, formed by public entities and including both public and private entities performing functions leading to the financing, construction, improvement, relocation, licensing, and legalization of housing tenure. The Affordable Housing Law introduced the concept of disaster risk management by regulating relocation of human settlements located in areas of high risk. Despite the inclusion of DRM, emphasis was placed for many years on providing subsidies for new housing.
91. **In 2004, a strategy to improve conditions in slums was established.** CONPES 3305 of 2004 defined two complementary actions intended to improve living conditions of slums: i) provide support and technical assistance from the national government to local authorities for the Comprehensive Neighborhood Improvement program (*Mejoramiento Integral de Barrios*, MIB), and ii) implement a large-scale land titling program.
92. **A more strategic approach to disaster response resulted in the definition of financial instruments to support slum areas and disaster risk reduction in the housing sector.** Upon the occurrence of a strong rainy season, the Government issued the Decree 2480 of 2005, which determined conditions for application, allocation, and implementation of urban and rural housing allowance to households affected by disaster.
93. **In 2009, a national policy for Comprehensive Neighborhood Improvement (MIB) was defined, articulating land use planning and disaster risk management.** This policy was defined as an integrated urban action that covered risk reduction, improvement of infrastructure, rehabilitation of public spaces, and regularization and formalization of tenure. CONPES 3604 considered risk assessment as a critical input for the development of these programs, the identification of areas for improvement (mitigated risk), the basis for preventative resettlement or relocation (unmitigated risk), and the subsequent incorporation in POTs. Figure 5 illustrates the MIB implementation process.

Figure 5: Four Stages of MIB Projects



94. **The inclusion of disaster risk management in the ‘Liveable Housing and Cities’ strategic line of action of the National Development Plan 2010 – 2014 is a significant step to address two key drivers of disaster risk in Colombia: inappropriate land use planning and insufficient access to safe low-income housing.** It is an objective of the NDP to incorporate parameters of environmental sustainability and urban and risk management in developing cities. This will be achieved through the development of urban renewal programs, Comprehensive Neighborhood Improvement, efficient mobility systems, and proper management of waste and inputs in the production of the provision of public utilities and construction of buildings. To achieve this, an Urban Environmental Sustainability strategy includes: 1) continued support for the adjustment to the land use plans (POTs) to incorporate risk management (discussed in previous prior action); 2) implementation the National Policy on Comprehensive Neighborhood Improvement - Document CONPES 3604 of 2009; 3) development of programs and projects for urban renewal, through which the allocation of land for housing is prioritized, achieving an effective relationship with national systems of mobility and public space; 4) the provision of one million new safe houses; and 5) the provision of additional tools to assist municipalities identify and implement solutions to their disaster risk problems.

Policy Challenges:

95. **It is estimated that about 50 percent of households in Colombia today live in conditions highly vulnerable to natural hazards due to inadequate land use management and insufficient housing standards.** It is estimated that 80,000 new unregulated homes are built

every year. Additionally close to 6 million homes were constructed prior to 1984 when Colombia issued its first earthquake design and construction standards (Law 1400, 1984).³²

96. **Over the last 40 years, losses in the housing sector as a result of disasters triggered by natural events have amounted to 190,000 houses destroyed and 1,000,000 affected.** The associated cost of these losses arising from high-impact, low-frequency events has been estimated to be approximately US\$2.04 billion. At the same time, more frequent intermediate- and small-scale disasters have caused losses amounting to \$US5.05 billion. Housing losses can generally be attributed to informality, lack of design standards, poor construction practices, or location in unsuitable areas. From 1970 to 2010, the culmination of these factors contributed to approximately 51 percent of homes destroyed being located in areas exposed to floods and landslides, while 26 percent of the homes destroyed were associated with damage caused by earthquakes due to poor construction.
97. **The construction of municipal inventories of settlements in high risk areas has rarely been carried out.** Due to the low technical capacity of municipalities and the lack of guidelines about how to address the evaluation of areas in high risk, this obligation that rests at the mayoral level has very low rate of fulfillment. Although Law 9 of 1989 (*Reforma Urbana*) was the first initiative among other later provisions for municipal development planning that obligated municipalities to formulate an inventory of human settlements at high risk and relocate those identified to appropriate areas, municipalities have not have taken the necessary measures to comply with this mandate.

Government Program Supported by This Operation:

Prior Action: *The Borrower has enacted a law which mandates the development of a methodology for the formulation and consolidation of a national inventory of settlements in high risk areas, as evidenced by Article 218 of Law 1450 of June 16, 2011.*

98. **MVCT will establish a methodology for the formulation and consolidation of a national inventory of settlements in high risk areas.** The ability to measure and monitor settlements in high risk areas will enable the national government better to target its assistance for integration of risk assessment in territorial planning to municipalities. The improved clarity and national government assistance is in turn expected to lead municipalities to a more systematic approach to reduce existing risk. The development of a methodology and formulation of a national inventory of settlements in high risk areas in Colombia, as established in Article 218 of Law 1450, is a Prior Action for the operation.

32. Approximately 75 percent of Colombians live in urban areas and cities have the highest proportion of the country's housing deficit. According to the 2005 census, the overall housing deficit is at 3.8 million households, of which 2.2 million households are in urban areas. Of the urban deficit, it is estimated that approximately 1.0 million is quantitative, while the remaining 1.2 million households experience qualitative shortcomings in relation to poor structure and inadequate access to basic services. Approximately 20 percent of these households are also located in high risk areas. Between 1993 and 2005 the overall housing supply expanded by an average of 261,000 units per year. However, over 62 percent (or about 162,000 units) this offer was in the informal sector, contributing to the growing qualitative deficit and risk growth (Macroyectos PAD).

VI. OPERATION IMPLEMENTATION

A. Poverty and Social Impact

99. **This operation is expected to have significant positive impacts for the poor by providing support to the GoC's policies that seek to alleviate poverty by strengthening disaster risk management (DRM) in Colombia.** Ninety-nine percent of people affected by the close to 6,000 large scale natural disasters worldwide registered between 1970 and 2002 were people in developing countries.³³ In Colombia in the last three decades close to 10,000 people have died and more than 14 million people have been affected just from recurrent small scale disasters like flooding and landslides. The La Niña floods of 2010-2011 affected 3.5 million people. The vast majority of these people are from the lowest income quintiles.
100. **Poor populations are less resilient than others to exogenous shocks and when shocks occur, the poor tend to suffer larger damages relative to their livelihoods.** Ninety-nine percent of people affected by the close to 6,000 large-scale disaster triggered by natural events worldwide registered between 1970 and 2002 were people in developing countries.³⁴ In Colombia, over the last three decades close to 10,000 people have died and more than 14 million people have been affected from recurrent small-scale disasters like flooding and landslides. The La Niña floods of 2010-2011 affected 3.5 million people. The vast majority of these people are from the lowest income quintiles. This is because the poorer segments of the population often live in the most vulnerable locations and live in inadequately constructed housing.³⁵ In addition, the poor have limited labor skills, fewer assets, and little or no savings. They have little opportunity for risk diversification and restricted access to credit. Because of this, they are less able to cushion the impact on consumption of disruptions to income. Exogenous shocks can also increase poverty indirectly through the effects of lower economic growth, higher inflation, and through consequential lower Government spending for social services.³⁶
101. **The implementation of the Second DPL with a CAT DDO in Colombia is expected to have a positive direct impact on poverty and other social issues.** The proliferation of informal settlements is being addressed through the expansion of available supply of low-income housing units. This approach is being undertaken within the context of ex-ante risk evaluation and appropriate land use management in order to break the cyclical nature of poverty and disaster risk. With technical support from the MVCT and the UNGRD under the Government's National Development Plan, municipalities are integrating disaster risk management in their territorial land use (POTs) and development plans and ensuring relevant investments. In this context, the operation specifically supports Congressional Bill 050 of 2011, which updates the

33. Rasmussen, Tobias, *Macroeconomic Implications of Natural Disasters in the Caribbean* (Washington, DC: IMF, Working Paper 04/224, 2004).

34. Rasmussen, Tobias. *Macroeconomic Implications of Natural Disasters in the Caribbean* (Washington, DC: IMF, Working Paper 04/224, 2004).

35. World Bank. *Caribbean Economic Overview 2002: Macroeconomic Volatility, Household Vulnerability, and Institutional and Policy Response* (Washington, DC: World Bank Report No. 24165-LAC, 2003).

36. International Monetary Fund Assistance for Countries Facing Exogenous Shocks (Washington DC, 2003, available at <http://www.imf.org/external/np/pdr/sustain/2003/080803.pdf>).

regulatory framework and management tools for the SNGDR, which in turn establish the prioritization of actions and investments based on risk, poverty, and inequality indexes as defined by the National DRM Council. Additionally, the Bill provides for indigenous representation on Territorial Councils, which ensures civil society participation in the preparation and ongoing assessment of the development plans of departments and municipalities.

102. **Additionally, the proposed operation is likely to have positive indirect effects on the poor and vulnerable groups through the support to the National Development Plan.** The project directly supports two of the pillars in the national development plan, and the Second DPL with a CAT DDO would reduce the risk of interruption and diversion of resources from the other pillars of the national development plan targeted at alleviating the needs of the poor and most vulnerable. Furthermore, by supporting the GoC's continuity of development plans, the project would help ensure that activities that minimize the vulnerability of women and female-headed households in a post-disaster context are maintained, thus strengthening gender equity in disaster risk management.³⁷ Within Colombia, a number of agencies are responsible for the consideration and inclusion of social issues within the risk management strategy (the UNGRD and the *Instituto Colombiano de Bienestar Familiar*) and programs (*Acción Social* and *Unidos*).
103. **Significant stakeholder consultation has been carried out and is ongoing under the APL1.** These consultations consist of meetings and training sessions with Municipalities to understand their needs on DRM, including why some invest in vulnerability reduction and others do not, and with communities to understand why some communities are better prepared for emergency response than others. This information is being captured by the DNP, the UNGRD, and the MVCT. These agencies are seeking more efficient ways to build awareness and capacities in communities and at the municipal level to address disaster risk. Since 2006, 354 municipalities have been consulted and have received training on disaster risk management and how to incorporate it in territorial planning. These activities will continue over the next three years.
104. **The Government of Colombia has a strong track record in terms of addressing broader social impacts of disaster management.** The experience in Bank-financed operations for issues related to resettlement of disaster-affected peoples and of inhabitants of high-risk zones, in particular in the context of the resettlement framework elaborated and implemented for the Bogotá DVRP (7365-CO), shows that the Government's capacity and policy approach to ensure successful implementation capacity in addressing the social and environmental impacts related to hazard risk management are strong and well established. The Bank's social safeguards team has accompanied the GoC in the formulation of this framework, and has highlighted it as best practice in a recent publication.³⁸ More than 1,000 people have already been resettled from areas of high non-mitigable risk in La Nueva Esperanza neighborhood of Bogotá.

37. See UNISDR, UNDP, and IUCN (2009), "Making Disaster Risk Reduction Gender-Sensitive: Policy and Practical Guidelines."

38. See The World Bank and GFDRR. 2011. *Preventive Resettlement of Populations at Risk of Disaster: Experiences from Latin America*. Edited by Elena Correa, Social Development Specialist at the World Bank. http://www.gfdrr.org/gfdrr/sites/gfdrr.org/files/publication/preventive_resettlement_LAC_experiencesDS150.pdf.

105. **Despite these advances, there is scope for expansion and enhancement of existing activities, protocols, and proposals of the GoC's Disaster Risk Management System to achieve more effective targeting of vulnerable populations.** For example, at the national level, strategies to implement preventive resettlement will continue its formulation of a "Policy for Intervention in High Risk Areas," which was proposed in the NDP 2006 – 2010 and is reiterated in the NDP 2010-2014 as a goal for risk reduction of vulnerable populations living in high-risk or informal settlements. This policy is to be developed in the coming years by the GoC, but does not form part of the proposed Second DPL with a CAT DDO operation. Other policies and protocols that should also be strengthened within the context of poverty alleviation include: (a) the participation of Indigenous and other vulnerable communities in disaster prevention, response, and reconstruction activities, and (b) the improvement of measures to ensure effective response systems for vulnerable populations and their alignment with international human rights principles and standards.³⁹

B. Environmental Aspects

106. **This operation is likely to have a significant positive impact on the environment.** The Ministry of Environment and Sustainable Development is one of the key agencies for disaster risk management in Colombia. Since one of the objectives of the operation is to support the Government's effort to mainstream disaster risk management into a number of key sectors, the operation's design is proactive with respect to internalizing environmental concerns, reflected in the role of the MADS as one of the key agencies for disaster risk management in Colombia. Improving capacities for disaster risk management will have positive environmental impacts through better environmental management in territorial planning, through improving security of water supply and sanitation, and through strengthened integrated watershed management. The MADS is mandated to support regional authorities in implementing binding land use zoning regulations.

C. Implementation, Monitoring, and Evaluation

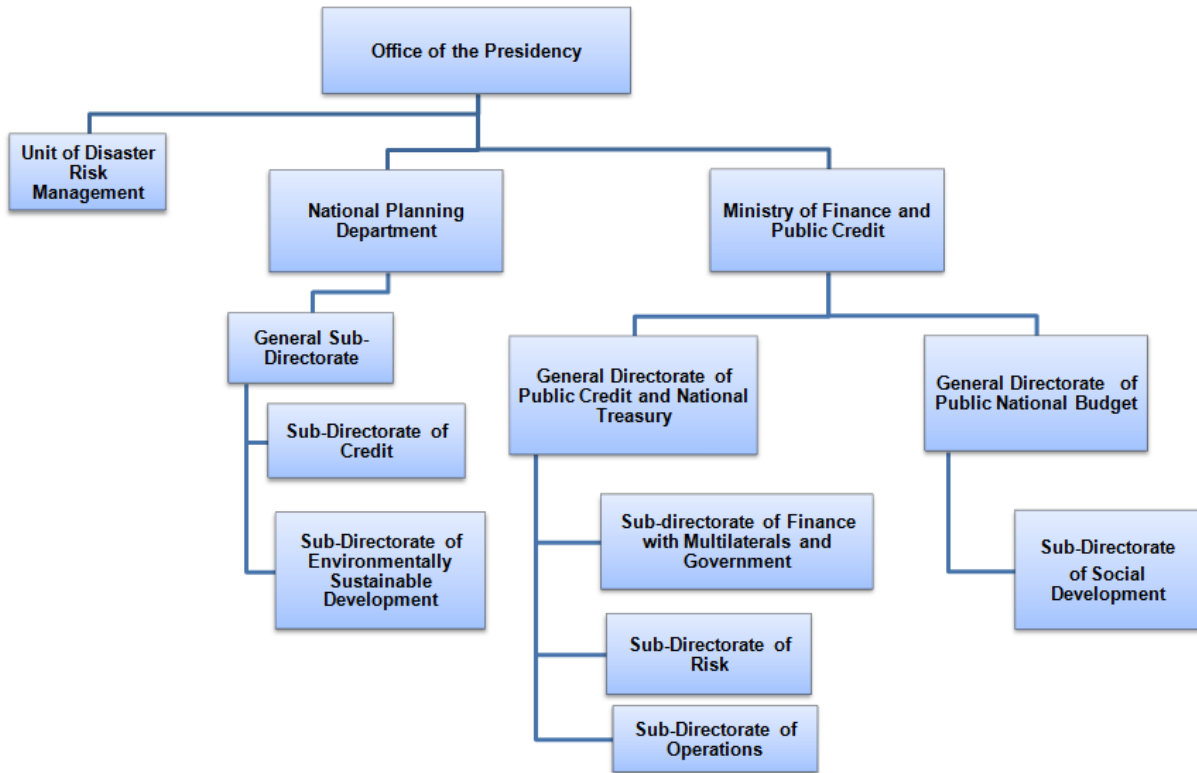
107. **Three agencies are involved in the coordination and monitoring of the proposed program.** While the Ministry of Finance is the main counterpart of the Bank for this Second DPL with a CAT DDO, the National Planning Department and the National Unit for Disaster Risk Management (*Unidad Nacional para la Gestión del Riesgo de Desastres, UNGRD*)⁴⁰ will coordinate implementation of the program. The UNGRD is in charge of directing and coordinating the National System for Disaster Prevention and Response (*Sistema Nacional para la Prevención y Atención de Desastres, SNPAD*), according to the guidelines emitted by the National Committee for Disaster Prevention and Response (*Comité Nacional para la Prevención y Atención de Desastres, CNPAD*). In the context of the Project, this unit will be responsible for programming and conducting annual simulations of the administrative process necessary to trigger the loan, as well as for providing information on the impact of disaster events, and advising the President of Colombia on preparation of a Declaration of Disaster, if

39. "IASC Operational Guidelines on the Protection of Persons in Situations of Natural Disasters." The Brookings Institute – Bern Project on Internal Displacement, Inter-Agency Standing Committee, January 2011.

40. UGDR was established by Decree 4147, November 3, 2011 under the Office of the Presidency, and replaced the Directorate for Risk Management under the Ministry of Interior and Justice.

necessary. The National Planning Department (DNP) will be responsible for formulating, in coordination with the other executing agencies, the CONPES documents that authorize contracts using public funds, the granting of guarantees and other operations, as well as requiring and consolidating information from the different entities for the elaboration of the annual report regarding the country's progress in the implementation of the Risk Management Policies. The Ministry of Finance and Public Credit will be in charge of elaborating the requests for disbursement, based on the supporting documents from the UNGRD (National Disaster Decree and Specific Action Plan) and would be in charge of putting forward to the World Bank requests for extension and/or modifications to the loan in accordance with the terms established. For activation and disbursement of the CAT DDO, the Ministry will also be responsible for uploading the financial resources from the loan to the Integrated Financial Information System (*Sistema Integrado de Información Financiera*, SSIF). Figure 6 shows the institutional framework between the various agencies described above.

Figure 6: Institutional Framework for Implementation



108. **Bank staff will assist the Government in monitoring the progress of the implementation of the proposed operation.** Given the characteristics of the DPL with a CAT DDO, the Bank is responsible for monitoring the implementation of the program supported by the DPL during the drawdown period (the period of three years, which can be extended for up to four additional three-year periods, during which the loan with the DDO can be disbursed). This would be done through frequent visits to the country and regular communication with the MHCP, the UNGRD, and the DNP. Table 7 summarizes the selected benchmarks that the Government is working towards and that will form part of the Government-Bank supervision dialogue. These benchmarks are drawn entirely from the Government’s existing program of actions to reduce risks resulting from adverse natural events and constitute only a subset of a much larger constellation of indicators that the Government has established for itself to guide future implementation and further strengthening of its program. The benchmarks are only for the purpose of guiding Country-Bank dialogue and do not constitute conditions for either disbursement or renewal of the DPL with a CAT DDO.

D. Fiduciary Aspects

109. **The public financial management systems are adequate to support development policy lending.** The country public financial management (PFM) systems, at the national level, show advanced levels of performance which are close to good international practices, according to the most recent Public Financial Management and Procurement Report (2009). Moreover, Colombia has an effective track record of implementing PFM reforms, which have been

supported by the Bank through a package of financing instruments and knowledge services. Salient features of the PFM systems are summarized below.

110. **The budget is comprehensive, well documented, and implemented as planned, with actual expenditures deviating only slightly from planned levels.** Budget planning is based on a multi-year perspective and annual formulation reflects a functioning policy-based system. Execution of budgeted expenditures suggests a largely credible budget, although some arrears may exist. The Borrower has published its annual budget in a timely fashion.
111. **Revenue and expenditure controls are comprehensive, although some concerns arise with the quality of revenue reporting.** Records and controls on cash flows, balances, and public debt support sound fiscal management and provide public institutions with the tools for predicting funding to execute their budgets in an orderly manner.
112. **The consolidated public accounts are prepared within six months of the end of the fiscal year.** They include full information on revenues, expenditures, and financial assets and liabilities. Year-end accrual-based financial statements are issued by the Accountant General and presented within six months by May 15 of the following year to the Controller General for audit purposes. The Controller General's auditing policies and procedures provide for the application of financial, compliance, and performance procedures consistent with national government auditing standards. Audit reports are submitted before July 1 of the following fiscal year to the Congress and the President of the Republic.

E. Procurement

113. **An assessment of the public procurement system concludes that Colombia has made progress over the past five years, although further work is needed.** The study, carried out in 2009, used the OECD-Development Assistance Committee (DAC) methodology and was supported with technical and financial assistance from the World Bank. There have been major leaps forward in modernizing the procurement system, but work remains in terms of consolidating gains and ensuring sustainability. In 2004, the Government created the inter-sectoral commission of public procurement (CINCO) to oversee and lead the procurement reforms. In 2006, an electronic public procurement system was launched. In 2007-08, Colombia enacted a new law and associated regulatory decrees, thereby bringing the Colombian system close to internationally agreed standards. Important remaining challenges include (1) the development and implementation of an IT system to support e-procurement; and (2) the development of a permanent oversight and regulatory body with sufficient resources and capacity to effectively replace CINCO as the champion for further modernization efforts.

F. Disbursement and Auditing

114. **Disbursement arrangements will follow the procedures for DPL DDO and the deferred drawdown provisions as set out by the DPL with a CAT DDO instrument.** Upon effectiveness and compliance with any withdrawal tranche release conditions, the Second DPL with a CAT DDO may be drawn down at any time subsequent to a disaster triggered by a natural event resulting in a declaration of national emergency in accordance with the Colombian Laws. Following the Borrower's request, the Bank would deposit the funds into an account

denominated in US dollars of the Central Bank (*Banco de la República*) for subsequent credit into the Treasury Single Account of the Ministry of Finance and Public Credit, thus becoming available to finance budgeted expenditures. The Ministry of Finance and Public Credit will provide the Bank with a written confirmation of the described transaction after funds are disbursed by the Bank.

115. **There is no evidence that the banking control environment into which the DPL proceeds would flow is other than adequate.** This assessment is based on a review of the 2010 audit report of the *Banco de la República*, the latest IMF Central Bank safeguards assessment (2010), and the 2011 IMF Article IV Consultation. Based on the assessment of the Borrower's current public financial management systems and the conclusion that the fiduciary arrangements for this financing are adequate, the Bank will not require an audit of the designated account, and no additional fiduciary arrangements are considered necessary at this time.

G. Risks and Risk Mitigation

116. **The proposed loan is considered to be of moderate risk.** The prior actions needed for this loan have been achieved. Even so, progress of the overall program is subject to moderate risks primarily due to the challenges that may derive from the interinstitutional arrangements that need to continue to exist for multisector coordination, such as those associated with the decentralization of capacities for disaster risk management.
117. **There is a risk of institutional transition due to Ministerial divisions that took place in August 2011, which could result in changes in policy orientation.** However, this risk is considered low given commitments already established as law in the National Development Plan. Following these Ministerial changes, the Bank has continued to engage with GoC staff to present its recommendations for key policies supported by this operation. Implementation capacity and sustainability could also be affected by institutional changes in the MVCT (now MVCT and MADS) and the UNGRD. However, this risk is considered low as the expectations are that the Ministerial restructuring will result in institutional improvements.⁴¹
118. **Continued uncertainty and risks associated with the global economic outlook constitute a major downside risk to Colombia's macroeconomic outlook.** Aggregate demand may be negatively affected by a shock to consumer and business confidence and reduced dynamism from the oil and mining sectors from a further drop in commodity prices. Such a development, in turn, would hurt fiscal performance and possibly delay a planned fiscal adjustment. However, the authorities have some monetary and fiscal space which could be utilized to counter additional external shocks. The policy rate could be further reduced while carefully monitoring inflation developments, while public investment spending could be boosted, particularly out of the proceeds of a sale of public assets. The IMF Flexible Credit Line, combined with ample international reserves, provides an additional buffer on the external side.

41. The separation of the ministries will strengthen the roles of each in their areas of comparative advantage. For the Ministry of Environment and Sustainable Development (MADS) the issue of strengthening the protection and preservation of natural resources from the pressures imposed by Colombia's development will be a priority. The Ministry of Housing, City and Territory (MVCT) will prioritize the provision of adequate housing to more families living in poverty and focus on issues surrounding water resources and water supply and sanitation.

Annex 1: Letter of Development Policy

Translation of Letter of Development Policy

May 16, 2012

Letter of Policy

Mr.
Robert Zoellick
President
World Bank
Washington, DC

Subject: Letter of Policy – Second Disaster Risk Management DPL with a CAT DDO.

Dear Mr. Zoellick,

In recent years the Colombian government has managed to design and implement a successful program to strengthen public finances consistent with its macroeconomic policy, being important to highlight the tax reform package passed during 2010 and 2011 among which are the Legislative Instruments of Fiscal Sustainability, the General System of Royalties, in addition to the Law of Fiscal Rule; these reinforce the objectives outlined in the Fiscal Responsibility Act of 2003 and create a new legal and institutional framework for fiscal policy implementation. This framework and a set of rules aimed at promoting economic growth and competitiveness are key to explaining the positive performance of the country.

Indeed, the strengthening of economic and fiscal fundamentals has yielded favorable results in terms of economic growth, job creation and labor formalization. In addition, the Colombian economy managed to resist the adverse effects of the international financial crisis in 2008 and 2009, maintaining economic growth in 2009 of 1.7 percent, while in other economies in the region showed a more pronounced slowdown. In 2010 and 2011, meanwhile, economic growth has expanded at rates of 4.0 percent and 5.9 percent respectively.

In turn, the increased rate of investment in recent years which rose from 16.6 percent of GDP in 2002 to 27.1 percent in 2011, reflects the expansion of productive capacity of the economy in the medium term and has represented a GDP growth potential to levels close to 5.0 percent. The proposed targets of the National Development Plan 2010-2014 relating to the promotion of strategic sectors such as science and technology, infrastructure, and strengthening educational policies will allow further progress on a path of sustainable economic growth that could be nearly 6 percent over the coming years.

In 2011, the unemployment rate stood at single digit levels by the end of the year (9.0 percent reached in October 2011 nationally), which had not been seen since 2007, during which the economy was in its expansion phase. Similarly, formal employment in major cities registered an average growth of 5.5 percent during 2011, consistent with the greater growth of the economy.

On the fiscal front, countercyclical policy efforts during the economic slowdown between 2008 and 2009, amounted to a temporary deterioration of the public balance. Indeed, the fiscal deficit registered an increase from 2.3 percent in 2008 to 4.1 percent in 2009, at the level of the National Central Government (CNG). However, with the recovery of economic growth and the effects of the reforms adopted in late 2010, the deficit of the CNG began to re-enter a declining trend and stood at 3.9 percent in 2010 and 2.8 percent in 2011, according to preliminary figures. Importantly, this decrease took place even with the costs associated with the winter emergency that affected the country over the past two years, which reflects progress in fiscal consolidation and sustainability of public finances in the short and medium term.

In this context, despite the remarkable macroeconomic and fiscal developments, it is very important to have mechanisms and instruments which, as part of a policy for disaster risk management, protect public finances to the occurrence of a catastrophe of great magnitude and in turn can expand the national government's ability to respond in a timely and appropriate way to such situations.

Colombia, with its topography, climate and geology, is susceptible to the occurrence of different physical phenomena, which added to the vulnerability of the population and their livelihoods and dynamic pressures, such as environmental degradation, rapid urbanization and climate change result in the configuration of complex scenarios of disaster risk. Indeed, our country has the level of highest occurrence of disasters in Latin America over the last 30 years, averaging over 600 events per year, with geological events (earthquakes and volcanic eruptions) the most impact and hydrometeorological phenomena (floods and landslides) the most recurrent. Among the disasters of greatest economic impact are: the earthquake in Popayan (1983) accounted for losses to GGDP in the amount of 0.98 percent and the earthquake in the coffee growing region (1999) of 1.84 percent; on the other hand, recurrent disasters that occurred between 1970 and 2000 showed a cumulative effect of 2.3 percent of last year's GDP and the damages caused by the phenomenon of La Niña 2010-2011 amounted to 1.4 percent of GDP in 2011.

Against this, Colombia's commitment to risk management has a history dating back to the creation of the National System for Disaster Prevention and Response (SNPAD), through Law 919 of 1989, and the adoption of the National Plan for the Prevention and Response of Disasters, through Decree 93 of 1998. This system was defined as sectoral and territorially decentralized, promoting participation of the private sector, public institutions and community and is characterized by autonomy and responsibility of the municipalities in planning of risk reduction activities, emergency care and those related to rehabilitation and post-disaster recovery.

Within public policy, following the occurrence of earthquake in the coffee growing region (1999) the National Government confirmed the importance of Disaster Risk Management in development policy by including it in their main instrument of Planning, the National Development Plan, in which we have received crucial support from the World Bank in guiding and accompanying the process of strengthening our National System for Disaster Risk Management.

As a result of this support, between 2005 to 2013 the Program for Disaster Vulnerability Reduction has been under implementation, funded in a first phase with the credit IBRD 7293-CO of an initial value of \$260 million. This program consists of five components, which in line with

the National Plan for Prevention and Attention to Disasters (1998) and the Hyogo Framework for Action relate to: the identification and monitoring of risk, risk reduction, development of policies and institutional strengthening, information and awareness in risk management and financial transfer of residual risk.

In particular, one of the important achievements of the program was the definition of a quick-disbursing option in the amount of \$150 million, which was replaced in 2009 by a new instrument developed by the World Bank, the Catastrophe Risk Deferred Drawdown Option or CAT DDO (for its acronym in English), which allowed quick access to resources by the National Government, headed by the MHCP, to support response to a national disaster, a fact which came to fruition in December 2010 in response to the impact generated at the country level based on the occurrence of the phenomenon of La Niña.

With regard to financial risk transfer, the program has prompted the national government and some local governments to begin using collective insurance strategies and instruments such as soft loans and contingent claims on fiscal vulnerability caused by disasters to the country.

The administration of President Juan Manuel Santos is committed in its efforts to ensure sustainable development for Colombia, which allows the country to advance in its economic, social and environmental objectives, as evidenced by the National Development Plan 2010 - 2014 "Prosperity for All".

This planning tool recognizes that disasters are largely the result of inadequate development processes and weak planning of the territory and that increased vulnerability to certain hazards, intensified by environmental degradation, confirms the need to integrate environmental and risk management in planning with the objective of promoting sustainable national economic development.

It also recognizes that the country's growth can be influenced by the occurrence of disasters of great intensity, such as earthquakes, as well as disasters of lesser intensity and higher recurrence such as floods and landslides, which have an impact on the resilience or recovery of the population and tend to perpetuate impoverishment of affected communities.

Faced with this reality while acknowledging the progress of SNPAD, the NDP recognized limitations of legal and institutional development and called for the definition an updated national policy on risk management with based on principles incorporated in the National Constitution, such as decentralization, and international agreements signed by Colombia, such as the Hyogo Framework for Action in 2005 and conceptual progress presented by the International Strategy for Disaster Reduction.

In relation to the above, we have defined the following strategies for strengthening risk management: improving risk identification and monitoring, increased preventive measures and risk mitigation, strengthening policies and institutions and reduced fiscal vulnerability to disasters faced by the State.

Among the advances in strengthening policy reform is the National System for Disaster Prevention enacted by Law 1523 of 2012, which adopted the National Policy on Disaster Risk Management and established the National System for Disaster Risk Management. Within these elements disaster

risk management is established through processes for disaster risk awareness, risk reduction and disaster response, which will henceforth be the policy making lines of the system.

As such, mindful of the need for the country to continue progress in reducing its fiscal vulnerability to disasters and to strengthen its national framework for risk transfer and financing, the Government requested Bank support in the preparation a second Development Policy Loan (DPL for its acronym in English) to improve Disaster Risk Management with a line of contingent credit with free destination (CAT DDO).

To this end, the Government has defined key strategies for developing policy for disaster risk management as follows: (i) strengthening institutional capacity for disaster risk management and planning, (ii) institutional strengthening and capacity to incorporate risk assessment in spatial planning, and (iii) strengthening of policies and tools to reduce risk in the housing sector.

Consistent with the points raised above, during the next three years the country is committed to advancing the following:

(i) Increase government capacity for planning and implementing national policy on disaster risk management related to the development of specific and participatory plans aimed at reducing risk, risk financing, and disaster response and to formulate Municipal Plans for Disaster Risk Management;

(ii) Improve the technical and institutional capacity to mainstream risk in regional planning through the establishment of guidelines on technical requirements to be met by Watershed Management Plans and Land Use Management Plans and the incorporation of these guidelines in the plans to be reviewed during the period

(iii) Improve knowledge and capacity to reduce risk in the housing sector, through assistance and training to municipalities for developing inventories of populations located in areas at risk.

Thus, the Government of Colombia wishes to reiterate its commitment to disaster risk management presented in this document and welcomes the opportunity created by this second DPL with Deferred Drawdown Option - CAT-DDO.

Thank you for your attention.

Kind regards.

Juan Carlos Echeverry Garzón
Minister
Finance and Public Credit

Mauricio Santa María Salamanca.
Director General
National Planning Department

República de Colombia



Ministerio de Hacienda y
Crédito Público

Departamento
Nacional
de Planeación

16 de Mayo de 2012

CARTA DE POLITICA

Señor
ROBERT ZOELLICK
Presidente
Banco Mundial
Washington, DC

**Asunto: Carta de Política – Second Disaster Risk Management DPL with a CAT
DDO DPL**

Estimado Señor Zoellick,

En los últimos años el Gobierno colombiano ha logrado diseñar y ejecutar un exitoso programa de fortalecimiento de las finanzas públicas congruente con su política macroeconómica, siendo importante resaltar el conjunto de reformas fiscales aprobadas durante los años 2010 y 2011 entre las que se encuentran los Actos Legislativos de Sostenibilidad Fiscal, del Sistema General de Regalías, así como la Ley de Regla Fiscal; las cuales refuerzan los objetivos trazados con la ley de Responsabilidad Fiscal del año 2003 y crean un nuevo marco legal e institucional para la ejecución la política fiscal. Este marco y otro conjunto de normas orientadas a promover el crecimiento económico y la competitividad, son claves para explicar el desempeño positivo del país.

En efecto, el fortalecimiento de los fundamentos económicos y fiscales ha permitido obtener resultados favorables en términos de crecimiento económico, generación de empleo y formalización laboral. Además, la economía colombiana logró resistir los efectos adversos de la crisis financiera internacional en los años 2008 y 2009, manteniendo un crecimiento económico en 2009 del 1.7%, mientras que en otras economías de la región se observó una desaceleración más acentuada. En los años 2010 y 2011, por su parte, el crecimiento económico se ha expandido a tasas del 4.0% y 5.9%, respectivamente.

A su vez, el aumento de la tasa de inversión durante los últimos años, que pasó del 16.6% del PIB en 2002 al 27.1% en 2011, refleja la ampliación de la capacidad productiva de la

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economía en el mediano plazo y ha representado un crecimiento del PIB potencial a niveles cercanos al 5.0%. Los objetivos propuestos con el Plan Nacional de Desarrollo 2010-2014 relacionados con el impulso a sectores estratégicos como los de ciencia y tecnología, infraestructura, y el fortalecimiento de las políticas educativas permitirán seguir avanzando en una senda de crecimiento económico sostenible que puede ser cercana al 6% durante los próximos años.

En el año 2011, la tasa de desempleo se ubicó en niveles de un dígito a finales del año (alcanzó un 9.0% en octubre de 2011 a nivel nacional), lo cual no se registraba desde el año 2007, período en el cual la economía se encontraba en su fase expansiva. Igualmente, el empleo formal en las principales ciudades registró un crecimiento promedio de 5.5% durante el año 2011, consistente con el mayor crecimiento de la economía.

En el frente fiscal, los esfuerzos en materia de política contracíclica durante la fase de desaceleración de la economía entre los años 2008 y 2009, implicaron un deterioro transitorio del balance público. En efecto, el déficit fiscal registró una ampliación, al pasar de 2.3% en 2008 a 4.1% en 2009, a nivel del Gobierno Nacional Central (GNC). Sin embargo, con la recuperación del crecimiento económico y los efectos de las reformas aprobadas a finales de 2010, el déficit del GNC comenzó a entrar nuevamente en tendencia decreciente y se ubicó en 3.9% en 2010 y en 2.8% en 2011, de acuerdo con cifras preliminares. Es importante destacar que este descenso se presentó incluso a pesar de los costos asociados con la emergencia invernal que afectó al país en los últimos dos años, hecho que refleja el progreso en materia de consolidación fiscal y sostenibilidad de las finanzas públicas en el corto y mediano plazo.

En ese contexto, y a pesar de los destacados avances macroeconómicos y fiscales, resulta muy importante contar con mecanismos e instrumentos que, en el marco de una política de gestión de riesgo de desastres, protejan las finanzas públicas ante la ocurrencia de una catástrofe de grandes magnitudes y a su vez permitan ampliar la capacidad del Gobierno Nacional para dar una respuesta oportuna y adecuada a situaciones de este tipo.

Colombia, por sus condiciones topográficas, climáticas y geológicas, es susceptible a que en su territorio se presenten diferentes fenómenos físicos, que sumados a las condiciones de vulnerabilidad de la población y sus medios de vida, así como presiones dinámicas; entre las que se cuentan la degradación ambiental, la rápida urbanización y el cambio climático; resultan en la configuración de complejos escenarios de riesgo de desastres.

En efecto, nuestro país presenta el nivel de ocurrencia de desastres más alto en América Latina en los últimos 30 años, con un promedio superior a los 600 eventos por año, siendo los eventos geológicos (sismos y erupciones volcánicas) los de mayor impacto y los fenómenos hidrometeorológicos (inundaciones y deslizamientos) los de mayor recurrencia. Dentro de los desastres de mayor impacto económico se encuentran: el terremoto de Popayán (1983) que representó en pérdidas el 0.98% del PIB y el terremoto del Eje Cafetero (1999) 1.84% del PIB; por su parte, los desastres recurrentes ocurridos entre 1970 y el año 2.000 presentaron un efecto acumulado del 2.3% del PIB de este

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último año y los daños generados por el Fenómeno de La Niña 2010-2011 ascendieron al 1.4%¹ del PIB de 2011.

Frente a lo anterior, el compromiso de Colombia con la gestión del riesgo tiene una historia que data de la creación del *Sistema Nacional para la Prevención y Atención de Desastres (SNPAD)*, mediante la Ley 919 de 1989 y la adopción del *Plan Nacional para la Prevención y Atención de Desastres*, Decreto 93 de 1998. Dicho *Sistema* se definió como intersectorial y descentralizado territorialmente; promoviendo la participación del sector privado, las instituciones públicas y la comunidad y se caracterizó por dar autonomía y responsabilidades a los municipios en la planeación de actividades de reducción del riesgo, de atención a emergencias y aquellas relacionadas con la rehabilitación y recuperación post-desastre.

En materia de política pública, a raíz de la ocurrencia del terremoto del Eje Cafetero (1999) el Gobierno Nacional ratificó la importancia del tema de Gestión del Riesgo en las políticas de desarrollo mediante su incorporación en su principal instrumento de Planificación, el Plan Nacional de Desarrollo, para lo cual hemos recibido un apoyo fundamental del Banco Mundial en la orientación y acompañamiento del proceso de fortalecimiento de nuestro Sistema Nacional para la Gestión del Riesgo de Desastres.

Como resultado de este apoyo, se implementa desde 2005 y hasta 2013, el Programa de *Reducción de la Vulnerabilidad Fiscal del Estado frente a los Desastres*, financiado en una primera fase con la operación de crédito BIRF 7293 CO por valor inicial de US\$260 millones. Dicho programa consta de cinco componentes, que en consonancia con el *Plan Nacional para la Prevención y Atención de Desastres* (1998) y el *Marco de Acción de Hyogo* se relacionan con: la identificación y monitoreo del riesgo; la reducción del riesgo, el desarrollo de políticas y fortalecimiento institucional; la información y sensibilización en gestión del riesgo y la transferencia financiera del riesgo residual.

De manera particular, uno de los logros importantes del *Programa* fue la definición de una opción de rápido desembolso por US\$150 millones, la cual fue sustituida en 2009 por el nuevo instrumento desarrollado por el Banco Mundial, *Catastrophic Risk Deferred Drawdown Option* o CAT DDO (por sus siglas en inglés), el cual permitió el acceso de recursos en forma rápida al Gobierno Nacional, en cabeza del MHCP, como apoyo para atender un desastre de carácter nacional, hecho que se materializó en diciembre de 2010 como respuesta al impacto que generó para el país la ocurrencia del Fenómeno de La Niña.

Con relación a la transferencia financiera del riesgo, el *Programa* ha impulsado que el gobierno nacional y algunos gobiernos locales hayan comenzado a utilizar las estrategias de aseguramiento colectivo e instrumentos tales como créditos blandos y créditos contingentes frente a la vulnerabilidad fiscal que generan los desastres para el país. La administración del Presidente Juan Manuel Santos está comprometida en sus esfuerzos por garantizar un desarrollo sostenible para Colombia, que le permita al país avanzar en

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¹ BID – CEPAL. Valoración de daños y pérdidas por ola invernal 2010-2011 (“la niña”) en Colombia. 2011.

los objetivos económicos, sociales y ambientales, tal y como se evidencia en el *Plan Nacional de Desarrollo 2010 - 2014 "Prosperidad para Todos"*.

Dicho instrumento de planificación reconoce que los desastres son, en buena parte, el resultado de procesos de desarrollo inadecuados y débil planeación del territorio y que el aumento de las condiciones de vulnerabilidad ante ciertas amenazas, intensificadas por la degradación ambiental ratifica la necesidad de integrar la gestión ambiental y del riesgo en la planificación con el fin de propender por la sostenibilidad del desarrollo económico nacional.

Así mismo reconoce que el crecimiento del país puede verse alterado por la ocurrencia de desastres de gran intensidad, tales como los sismos, en tanto que desastres de menor intensidad y alta recurrencia como las inundaciones y los deslizamientos, tienen un impacto en la capacidad de resiliencia o de recuperación de la población y tienden a perpetuar la condición de pobreza de las comunidades afectadas.

Frente a esta realidad y sin desconocer los avances del *SNPAD*, el *PND* planteó la limitación del desarrollo institucional y legal para la definición de una política nacional de gestión del riesgo actualizada con los principios que incorporó la Constitución Política Nacional, como el de descentralización, así como los acuerdos internacionales suscritos por Colombia, como el Marco de Acción de Hyogo en 2005 y el avance conceptual presentado por la Estrategia Internacional para la Reducción de Desastres.

En relación a lo anterior, se han definido las siguientes estrategias para el fortalecimiento de la gestión del riesgo: mejoramiento de la identificación y monitoreo del riesgo, incremento en las medidas de prevención y mitigación del riesgo, fortalecimiento de políticas e instituciones y reducción de la vulnerabilidad fiscal del Estado en caso de desastres.

Entre los avances en materia de fortalecimiento de políticas, se encuentra la reforma de Sistema Nacional para la Prevención y Atención de Desastres, mediante la Ley 1523 de 2012, por la cual se adoptó la Política Nacional del Riesgo de Desastres y se estableció el Sistema Nacional de Gestión del Riesgo de Desastres. Allí se establecen como procesos de la gestión del riesgo de desastres el conocimiento, la reducción del riesgo y el manejo de desastres, los cuales serán en adelante las líneas de formulación de política del Sistema.

Así, consciente de la necesidad de que el país continúe avanzando en la reducción de su vulnerabilidad fiscal frente a los desastres y con el fin de fortalecer su marco nacional de transferencia y financiación del riesgo, el Gobierno Nacional solicita el apoyo del Banco en la preparación de un segundo Préstamo para Políticas de Desarrollo (DPL por sus siglas en inglés) destinado a mejorar la Gestión de Riesgo de Desastres con una línea de crédito contingente de libre destinación (CAT-DDO).

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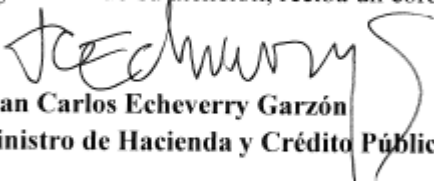
Para tal efecto, el Gobierno Nacional ha definido como estrategias fundamentales para el desarrollo de la política de gestión del riesgo de desastres los siguientes: (i) el fortalecimiento de la capacidad institucional para la gestión del riesgo de desastres y la planificación, (ii) el fortalecimiento de la institucionalidad y la capacidad para incorporar la evaluación de riesgos en la planificación del territorio, y (iii) el fortalecimiento de las políticas y herramientas para reducir el riesgo en el sector de vivienda.

Consecuente con los aspectos señalados anteriormente, durante los próximos tres años el país se compromete a avanzar en las siguientes acciones:

- (i) Aumentar la capacidad del gobierno para la planificación e implementación de la política nacional de Gestión del riesgo de desastres, relacionados con la elaboración de planes concretos y participativos orientados a la reducción de riesgo, su financiamiento, y respuesta a desastres, así como a la formulación de Planes Municipales para la Gestión del Riesgo de Desastres;
- (ii) Mejorar la capacidad técnica e institucional para incorporar el tema de riesgo en la planificación del territorio, por medio de la definición de directrices sobre los requisitos técnicos que deben llenar los Planes de Ordenamiento y Manejo de Cuencas y los Planes de Ordenamiento Territorial y la incorporación de dichas directrices en los planes que se revisen durante el periodo
- (iii) Mejorar el conocimiento y la capacidad para reducir el riesgo en el sector vivienda, mediante la asistencia y capacitación a los municipios para la formulación de inventarios de población localizada en zonas de riesgo.

De este modo, el Gobierno de Colombia desea reiterar su compromiso con la gestión del riesgo de desastre que se presenta en este documento y acoge con beneplácito la oportunidad generada por este segundo DPL con Opción de desembolso diferido - CAT-DDO.

Agradeciendo su atención, reciba un cordial saludo.


Juan Carlos Echeverry Garzón
Ministro de Hacienda y Crédito Público

Revisó: María Fernanda Suárez Londoño
MGL Miguel Ángel Gómez López


Mauricio Santa María Salamanca.
Director General
Departamento Nacional de Planeación

Revisó: Carolina Urrutia Vasquez
Natalia Bargans Ballesteros

Annex 2: Second Disaster Risk Management DPL with a CAT DDO Policy Matrix

Development Objective: Strengthen the Government’s program to reduce risks resulting from adverse natural events		
Policy Issue	Prior Action	Outcome Indicator
<p>Strengthening disaster risk management institutional and planning capacity</p>	<p>The Borrower has: (a) approved a national policy and a national system for disaster risk management, as evidenced by Law 1523 of April 24, 2012 and (b) created a national unit for the coordination of a national disaster risk management system, as evidenced by Decree 4147 of November 3, 2011.</p>	<p>Increase GoC capacity for disaster risk reduction planning and implementation:</p> <ul style="list-style-type: none"> • The new Agency for the Coordination of the National DRM framework has put in place new instruments for inter-agency coordination. (Baseline: 0, Target: 2) • Number of formulated Municipal Plans for Disaster Risk Management under the technical assistance of UNGRD. (Baseline: 388, Target:688)
<p>Strengthening the institutional framework and capacity for including disaster risk management in land use planning</p>	<p>The Borrower has mandated the identification and zoning of hazard and risk areas and the definition of specific mitigation measures as part of the review process for the issuance of new land use plans and for the revision of existing land use plans as evidenced by Article 189 of Decree 019 of January 10, 2012.</p>	<p>Improve technical capacities and institutional organization for including risk assessment in land use planning:</p> <ul style="list-style-type: none"> • Number of municipalities that under the new Decree have reviewed or formulated new plans with the guidelines for disaster risk management in their territorial development plans (POTs) that have been agreed upon with the Regional Autonomous Corporation (CAR). (Base line: 0, Target: 25) • Number of watershed management plans (POMCA) that have incorporated disaster risk management in their formulation. (Baseline: 0, Target: 15)

<p>Strengthening policies and tools to reduce risk in the housing sector</p>	<p>The Borrower has enacted a law which mandates the development of a methodology for the formulation and consolidation of a national inventory of settlements in high risk areas, as evidenced by Article 218 of Law 1450 of June 16, 2011.</p>	<p>Strengthen knowledge and capacity to reduce risk in the built environment:</p> <ul style="list-style-type: none"> • MVCT and other national entities provide technical assistance and training to municipalities for the formulation of the inventory of settlements in high risk areas. (Baseline = 0, Target = 250) • Number of formulated municipal high risk inventories under the methodology established by MVCT. (Baseline = 0, Target = 25)
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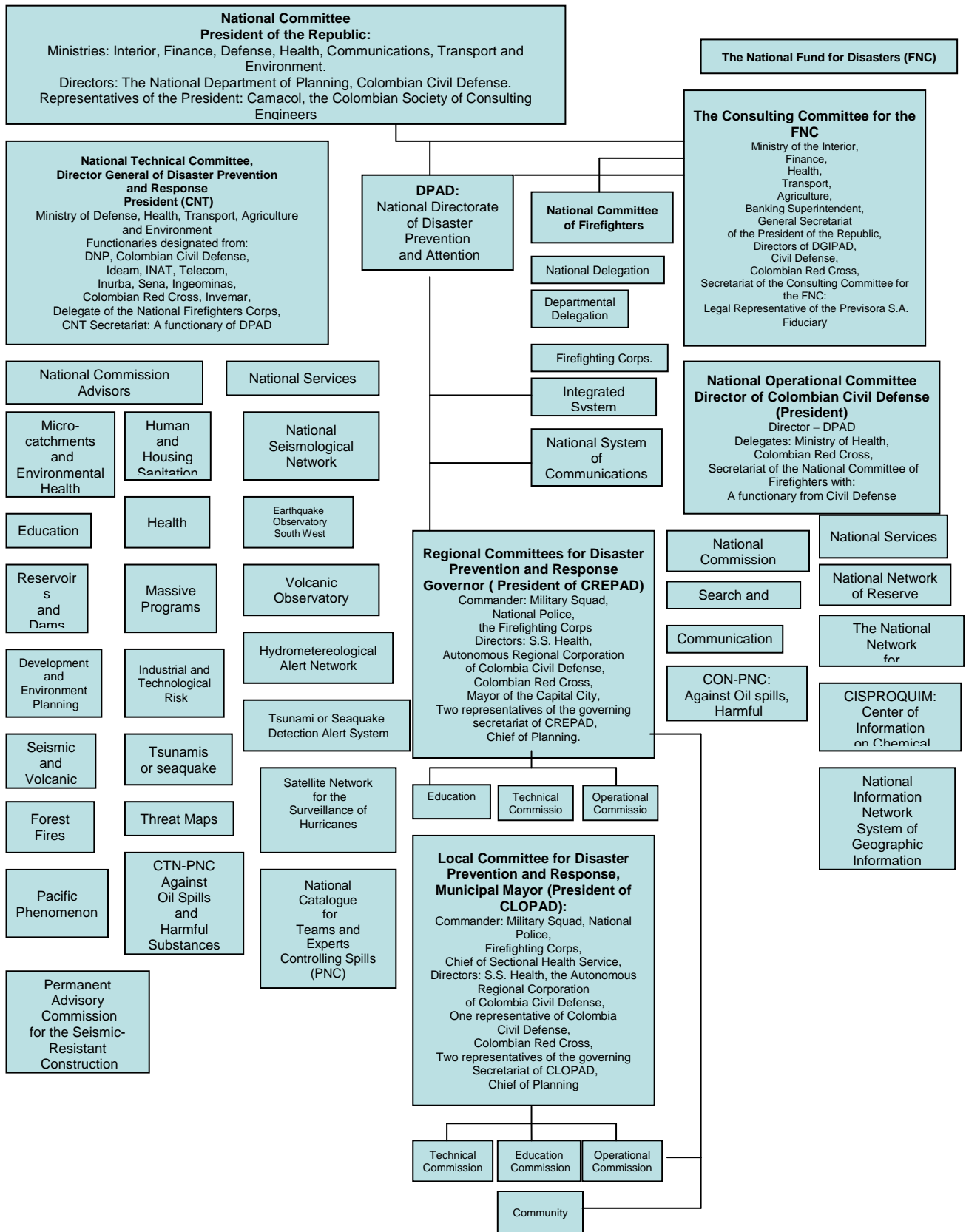
Annex 3: Organization of the National System for Disaster Management and Prevention

1. The National System for Disaster Management and Prevention (SNPAD), created by Law 46 (1988), is an interinstitutional entity made up of public and private actors, such as the National Committee for Disaster Prevention and Response, which is presided over by the National Technical Committee and the National Operational Committee, Regional Committees for Disaster Prevention and Emergency Response (Comités Regionales para la Prevención y Atención de Desastres, CREPAD) and Local Committees for Disaster Prevention and Emergency Response (Comités Locales para la Prevención y Atención de Desastres, CLOPAD), ministries, administrative departments, and other decentralized entities involved in prevention and response. The SNPAD is responsible for (a) the prevention and mitigation of risk, (b) attention to emergencies, and (c) the rehabilitation of territories affected by disasters.

2. The Directorate of Disaster Prevention and Attention not only is the managing coordinator of all the entities within the System, but also has the following responsibilities:
 - To propose national strategies for risk management;
 - To ensure the implementation of PNPAD;
 - To provide technical, informational, economic, and educational support to members of the SNPAD;
 - To coordinate and ensure the functionality and organization of the committees, commissions, and national services, without ignoring the management that the Secretariat has developed; and
 - To provide support to regional and local committees.

3. The following chart illustrates how the SNPAD is organized:

Figure A1: SNPAD Organizational Chart



Annex 4: National Plan for Disaster Prevention and Response

The National Plan for Disaster Prevention and Response (PNPAD) and the Implementation Strategy

1. Ten years after the creation of SNPAD, the PNPAD was formulated through Decree 93 of 1998. The objective of the plan is to orient the state's and civil society's actions toward (a) prevention and mitigation of risks, (b) preparation for response and recovery in the case of a disaster, and (c) contribution to the reduction of risk and the sustainable development of vulnerable communities before natural and technological hazards.

2. The strategies and projects for implementing the PNPAD are detailed in Table A1 below.

Table A1: National Plan for Disaster Prevention and Response

Decree 93/1998	
OBJECTIVES	PROJECTS
OBJECTIVES	<ul style="list-style-type: none"> • Reduction of risks and prevention of disasters • The right response to a disaster • Rapid recovery of affected zones
STRATEGIES	PROJECTS
Knowledge of anthropic and natural risks	<ul style="list-style-type: none"> • Installation and consolidation of networks, detection and alert systems for the surveillance, and proper warning for the population • Development of methodological instruments to evaluate risk • Identify and complement the hazard and risk inventory at municipal and department levels
Incorporation of prevention and reduction of risk in planning	<ul style="list-style-type: none"> • Incorporation of preventative and securing criteria in development plans • Management and treatment of human settlements and infrastructure localized in risky zones • Articulation of the environmental policies and the prevention of disasters
Programs that strengthen institutional development	<ul style="list-style-type: none"> • Strengthening of the national entities in the system • Strengthening the regional and local committees on disaster prevention and response • Strengthening the operational entities • Steps of protection and contingency in infrastructure works • Development and actualization of emergency and contingency plans • Design efficient mechanisms and preferential treatment of reconstruction projects • Integration of information systems
Programs for the socialization of prevention and mitigation of disasters	<ul style="list-style-type: none"> • Public information for the prevention and adequate reaction of the community in the case of a disaster • Incorporation of prevention concepts and environmental protection in the formal education • Development of a national system of the capacity of functionaries and community trainers

As part of PNPAD’s general strategy to consolidate the execution of the national plan, there is a focus in the short to medium term (a) establishing knowledge on natural and technological risks, (b) incorporating prevention and reduction of risks in planning, (c) strengthening institutional development, and (d) promoting awareness of prevention and mitigation of disasters.

Table A2: Strategies to Consolidate the Execution of the National Plan for Disaster Prevention and Response in the Short and Medium Terms

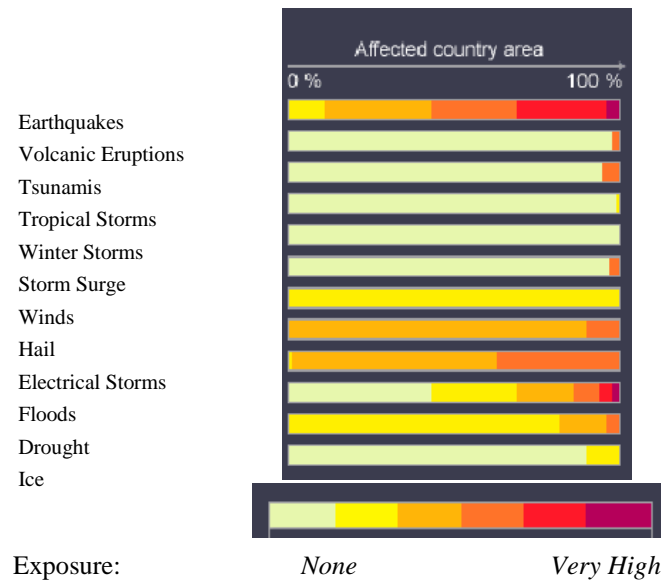
CONPES 3146 of 2001	
STRATEGIES	ACTION
Knowledge of technological and natural risks	<ul style="list-style-type: none"> • Advance knowledge • Develop an integrated information system • Consolidate the monitoring and alarm networks
Prevention and mitigation of risks in planning	<ul style="list-style-type: none"> • Territorial planning • Sectoral planning
Institutional strengthening of the SNPAD	<ul style="list-style-type: none"> • Inter-institutional articulation and coordination • Articulation of the instances and entities of the SNPAD in the national, regional, and local fields
Socialization of the prevention and mitigation of risks and disasters	<ul style="list-style-type: none"> • Training and capacity building • Communication of information for decision making • Awareness campaign for citizens

Annex 5: Exposure to Natural Hazards in Colombia

1. Colombia is endowed with a wide diversity of geology, geomorphology, climate, and biodiversity, which is expressed in a set of phenomena that represent a potential hazard to social and economic development of the country. Located in the northwest corner of South America, it covers an area of 1,141,748 km², 35 percent located along the Andes. The complex mountain range is the result of a long evolution during which two lithospheric masses (tectonic plates) collided. It crosses the country from north to south, and is manifested in significant seismic and volcanic activity. Colombia's position in the humid tropics under the influence of the Intertropical Confluence Zone generates high and frequent rainfall, governed by a bimodal distribution, which is strongly altered in the presence of the phenomena El Niño and La Niña, which leads to flooding in the low plains and torrential floods and landslides on steep terrain both in the Andean mountain range and in other peripheral systems.

2. Colombia has the 11th highest economic risk to multiple hazards in the world according to the Natural Disaster Hotspot study by the World Bank; 84.7 percent of Colombia's population and 86.6 percent of its assets are located in areas exposed to two or more natural hazards.⁴² The exposure is to both low-frequency high-impact events such as earthquakes, volcanic eruptions, and an occasional Atlantic hurricane, and to high-frequency but lower-impact events, such as floods and landslides (Figure A2).

Figure A2: Colombia: Affected Area, according to Type of Hazard



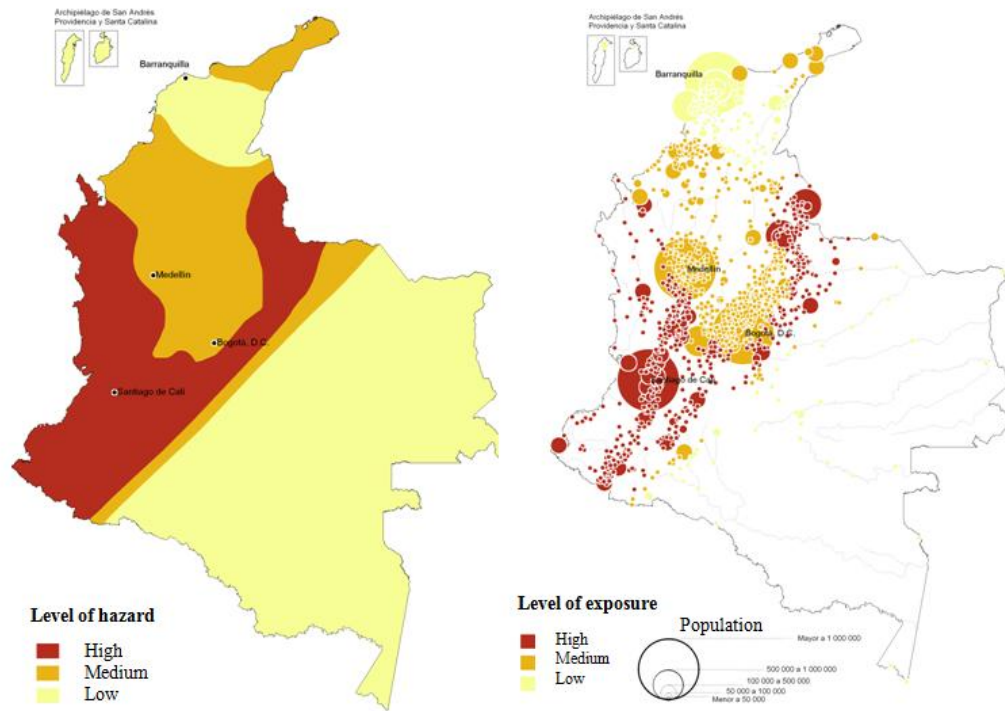
Source: Munich Re

42. See World Bank, *Natural Disaster Hotspots, A Global Risk Analysis* (Washington, DC: Disaster Risk Management Series, 2005), Table 7.2.

Seismic Hazard and Exposure

3. Colombia is situated on the confluence of three tectonic plates: the Nazca Plate, the Caribbean Plate, and the South American Plate. This means it is affected by a variety of seismic sources associated with the Pacific subduction zone as well as surface faults associated with the accumulation of forces on the continent (Corporación OSSO 1998). The direct effects of seismic vibrations acting on the surface that affect the infrastructure express the seismic hazard. These vibrations depend on the characteristics of the earthquake, magnitude, and depth, as well as the characteristics of the soil and subsoil. Earthquakes in general are considered high-impact, low-frequency events.
4. Twenty-four percent of the territory, mainly in the Pacific region, is exposed to high seismic hazard, 20 percent of the territory is exposed to moderate seismic hazard, while 55 percent is exposed to low hazard (see Figure A2). The Pacific region is exposed to high seismic hazard associated with the Pacific subduction zone, the seismic source with the ability to release the greatest amounts of energy in the country. In this source the 1906 and 1979 earthquakes were generated, which also caused tsunamis that affected mainly the town of Tumaco, located on the Pacific Coast of Nariño. In the Andean region the seismic hazard is associated with the activity of various geological fault lines: the Romeral, Cauca, Palestina, and Frontal de la Cordillera Oriental. These fault lines tend to generate shallow earthquakes of great destructive power, such as the Suaza (1827), Huila (1967), Popayán (1983), Paez (1994), Tauramena (1995), and Armenia (1999) earthquakes, among others. Some of these earthquakes generated significant mass movements due to the topography and geology of this region. In the northern Valle del Cauca, Chocó and south of Coffee Region present intermediate depth seismicity (between 66 and 300 km), with events of magnitude around 6.0 to 6.5 with major damage. Examples include the earthquake in Cali (in 1925) and Manizales, Pereira, and other locations between the southern and the northern Antioquia Valle del Cauca (in 1938, 1960, 1961, 1973, 1979, and 1995).
5. The departments of Huila, Chocó, Valle del Cauca, Nariño, Risaralda, Cauca, and Quindío have more than 95 percent of their territory exposed to high seismic hazard and they each have in their history at least one seismic event with significant loss documented since 1566, according to the Colombian historical seismic catalog.
6. Eighty-six percent of Colombian population is located in high and medium seismic hazard zones. The greatest exposure is concentrated in 488 municipalities representing 36 percent of the population, while 50 percent of the population is located in medium hazard zones representing 472 municipalities. At the municipal level, Cali has the largest population exposed to high hazard, followed by other cities like Cucuta, Bucaramanga, Pereira, Villavicencio, and Pasto. The maps below show the seismic hazard areas in the country, including the exposure of major urban areas.

Figure A3: Seismic Hazard Map (500-Year Return Period) and Population Exposure



Source: Corporación OSSO, 2011 from AIS, 2010

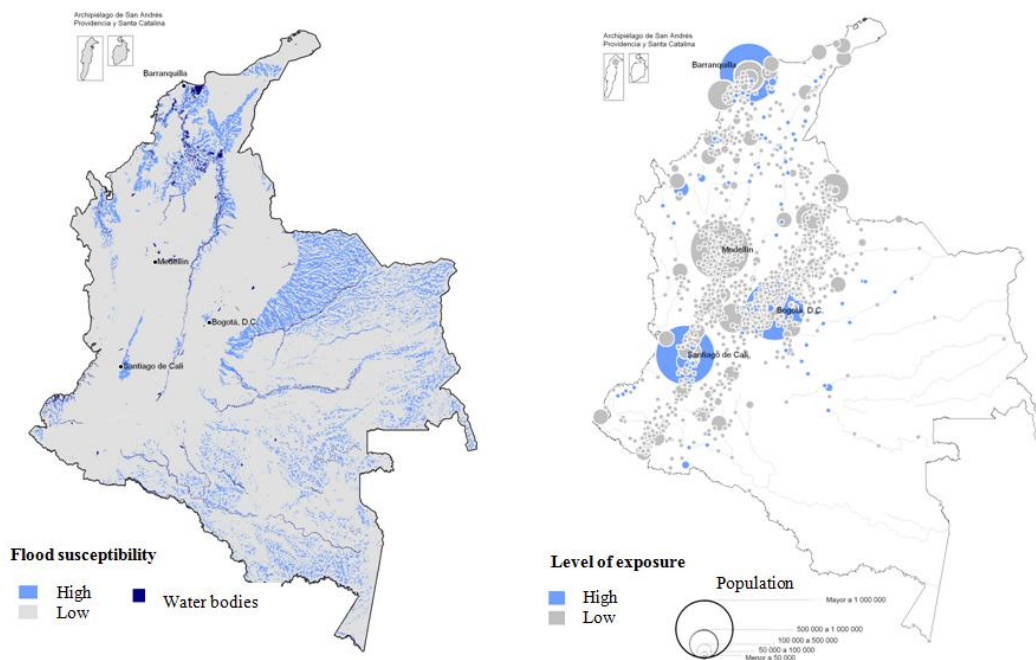
Flood Susceptibility and Exposure

7. In Colombia, the presence of low-lying plains in the east of the country and the alluvial valleys along the Caribbean and Pacific coasts and flood plains located in river valleys, coupled with the precipitation conditions in the country, facilitate the occurrence of floods. Some slowly affect large tracts of land, while others, associated with heavy rainfall in the upper watersheds on high slopes, are much faster. The flood hazard is normally defined as the probability of overflow from rivers as a result of continuous heavy rains, or the increase of the level of the waters to the point where the river leaves its natural channel. The hazard may cause negative impacts on population, agriculture, and infrastructure (CAN 2009). In addition, more frequent urban flooding can occur, associated with inadequate maintenance of sewerage systems.
8. The potential of flooding is assessed from the interpretation of geomorphological variables and an average annual precipitation model. The resulting map divides the country into two zones, according to the susceptibility of land to flooding: high and low susceptibility to flooding.
9. Twelve percent of the national territory is located in areas with high flood susceptibility. These areas are mainly located in the Orinoco and Amazon lowlands associated with the basins of the Orinoco and the Amazon. In the Caribbean, the flood potential is associated

with the Magdalena River, the Momposina Depression, and the Sinu River valleys, as well as Alto San Jorge. Another important area with a high flood potential is located in the Cauca river valley and the lowlands near the Atrato River in Choco (Figure A3), as in the savannah of Bogotá.

10. The Casanare (45 percent), Arauca (37 percent), Vichada (16 percent), Vaupés (14 percent), and Guainía (13 percent) departments in the Orinoco watershed are noted for the percentage of their territory subject to high flood potential, which is associated with the plains of the Meta, Guaviare, and Arauca rivers. In the Caribbean region, the departments noted for their susceptibility to flooding are Cesar (24 percent), Magdalena (24 percent), Sucre (21 percent), Atlantic (14 percent), Bolivar (14 percent, located in the Momposina Depression), and Córdoba by the Sinu River. The department of Amazonas (13 percent) in the plains of the Putumayo and Caqueta rivers is also noted for its high flood potential.
11. The population located in areas with high flooding potential is distributed in 79 municipalities representing 28 percent of the total national population. The most exposed departments are Guaviare, Valle del Cauca, and Atlantic, as well as the Capital District of Bogotá. At the municipal level, Bogotá, Cali, and Barranquilla are the municipalities with the largest populations located in areas of greatest potential for flooding, followed by Apartado (Chocó), Chia (Cundinamarca), and Jamundí (Valle) (see Figure A4).

Figure A4: Zones of Flood Susceptibility and Population Exposure

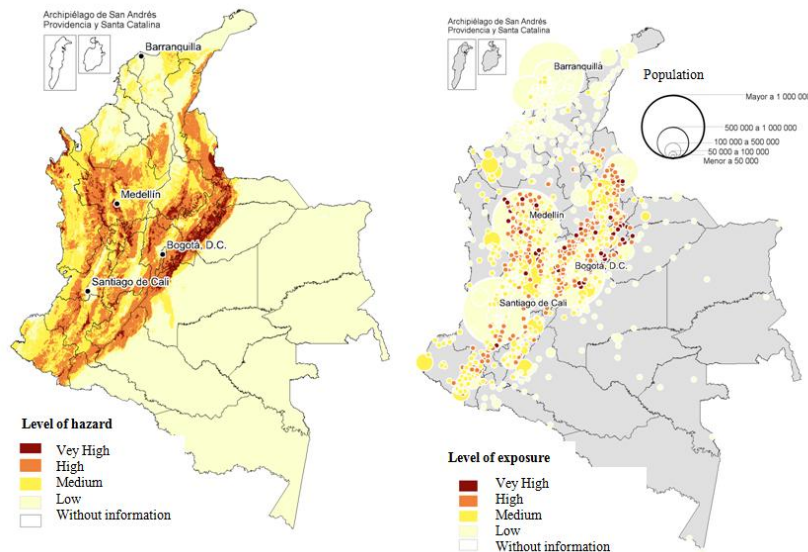


Source: Corporación OSSO, 2011, IDEAM (2010)

Landslides

12. Landslides are the second most frequently occurring disaster type in the country. In Colombia, the topographical and climatic conditions are ideal for the occurrence of mass movements, a situation that is accentuated by anthropogenic processes that take place in the mountainous areas.
13. Eleven percent of the country is exposed to very high and 5 percent to high landslide hazard, mainly in the departments located in the Andean region. The highest landslide hazard is mainly concentrated in: (i) the Cauca and Patia river basins, (ii) the northeastern mountain ranges, and (iii) along the Romeral fault system in the western mountain range (see Figure A5). In the latter, mass movements are induced by earthquakes and instability in the area due to the fracturing of material associated with the presence of faults. The high hazard areas are mainly located in some sectors of the Central Mountain Range, Sierra Nevada de Santa Marta, Quetame, and Santander massifs, and the foothills of the Eastern Mountain Range (Cordillera Oriental). The very low hazard areas, accounting for 50 percent of the national territory, are mainly located in the Orinoco and Amazon regions. The Caribbean and Pacific regions are mostly exposed to low landslide hazard. The medium hazard areas (10 percent of the country) are located in valleys between the mountain ranges in the Western, Central, and Eastern Cordilleras.
14. Between 1970 and 2010, the population exposed to high and very high landslide hazard increased 1.7 times, while the population exposed to medium landslide hazard increased almost twice. The largest number of people exposed to landslide hazard lives in the municipalities of Manizales, Fusagasugá, Facatativá, Pamplona, Pereira, Villavicencio, Pasto, Popayán, and Armenia.

Figure A5: Distribution of Landslide Hazard and Population Exposure

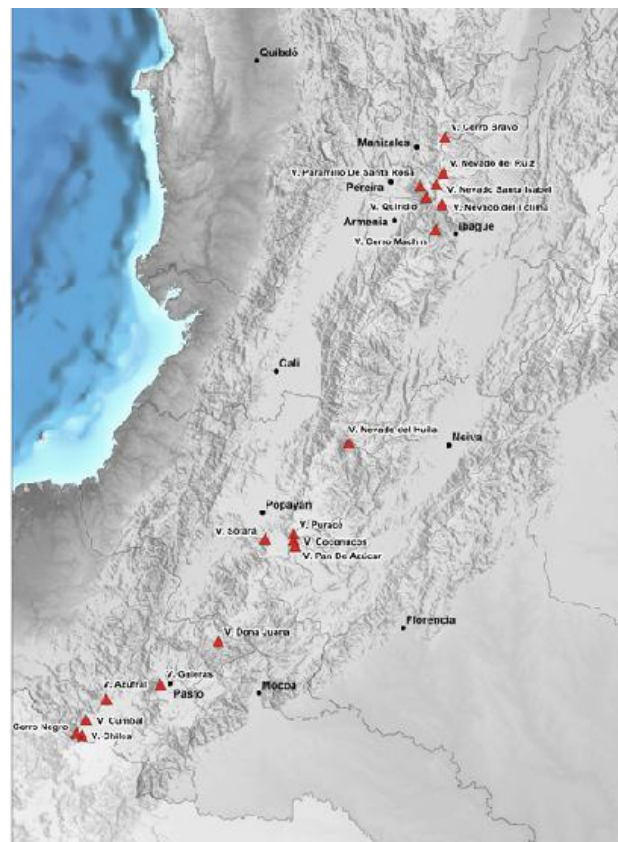


Source: Source: Corporación OSSO, 2011; from SGC, 2010

Volcanic Hazard

15. Volcanic hazard in Colombia is generated by a series of active or potentially active volcanoes distributed mainly along the Central Cordilleras. There are 14 active volcanoes in the country, which are monitored through the Volcano Observatory in Manizales, Popayán, and Pasto by INGEOMINAS. The volcanoes are located on the Western Cordilleras in southern Nariño (Chiles, Cumbal, Azufral); between southern Nariño and the Central Cordilleras (Galeras); and further north on the Central Cordilleras, all between latitudes $0^{\circ}50'N$ and $5^{\circ}45'N$ (see Figure A6).

Figure A6: Major Active Volcanoes in Colombia



■ Capital of Department

▲ Volcanoes

Source: Corporación OSSO, 2011 from SGC, 2011

16. The most disastrous volcanic effects in Colombia have been the result of lahars and mudflows, such as the eruption of the Nevado del Ruiz volcano, which occurred on November 13, 1985, and led to more than 22,000 casualties. Avalanches and the sudden release of accumulated water from melting ice due to an eruption form lahars. Mudflows may be formed by abundant pyroclastic rock flow or heavy rainfall after eruptions. Almost all the volcanoes in Colombia are over 4,000 meters in height and many of them have permanent glaciers and seasonal snow.

Annex 6: Determinants of Vulnerability in Colombia

1. Disasters are the result of the occurrence of natural hazard events that affects a vulnerable community or assets. While natural hazard events are largely exogenous factors that are hard or almost impossible to control, vulnerability is a manifestation of the development patterns of a given community.
2. Vulnerability is the degree of susceptibility and resilience of a community's assets, population, and environment in the face of change due to external conditions. Vulnerability is a key factor in understanding historical trends and analyzing potential impacts of natural events on the country.
3. Vulnerable populations around the world are economically fragile by definition and often have few or no assets or savings to help them recover from disasters. When a disaster strikes, it can destroy their existing wealth as well as their income opportunities and livelihoods, thereby further increasing their vulnerability.
4. The remarkable increase in the number of reported disaster events in Colombia (see Annex 7) is to a large extent due to an increase in vulnerability, and possibly in part due to climatic trends. Vulnerability has largely increased in Colombia due to insufficiently planned urban growth, inadequate environmental management and land use planning, and lax application of building codes.

Increasing Population in Urban Areas

5. As is the case in most Latin American countries, Colombia has seen a large increase in its urban population in the last fifty years. From 1950 to 2005, the percentage of Colombia's population living in urban areas increased from 39 to 73 percent,⁴³ and it is projected that by 2020, 80 percent of the population, or approximately 43 million people, will live in cities. Moreover, the majority of the projected urban growth is in medium-sized cities, which are relatively less equipped with DRM capacity.

Unplanned Urban Growth

6. In Colombia, the seven most important cities house 40 percent of the country's households and 60 percent of total household income.⁴⁴ The biggest city by far is Bogotá, with 18 percent of households and where 30 percent of household income is generated.

43. DANE (2005).

44. Bogotá, Medellín, Cali, Barranquilla, Cartagena, Bucaramanga, and Pereira.

7. With increased urbanization has come increased vulnerability, as most Colombian cities have followed an unplanned growth pattern. Some of the most important challenges in urban areas include the predominance of unplanned expansions, a sharp increase in informal settlements, lack of adequate construction practices, environmental degradation, poor transport infrastructure, and a lack of adequate public spaces.
8. Informal settlements are a physical and spatial manifestation of poverty and inequality in cities. According to the latest census, conducted in 2005, in four of Colombia's main cities, 18 percent of the residential area corresponds to informal settlements. These areas usually suffer from a lack of basic and social services and from prevalent unemployment. Currently close to 1.3 million homes in the country are in this situation (affecting 16 percent of the total urban families in Colombia). Of these homes, 63 percent suffer from poor construction quality, and 20 percent are located in high-risk areas. It has been estimated that 17 percent of homes are in such inadequate quality or high risk that it is not possible to retrofit them.
9. The environmental degradation that has resulted from the development of areas that are not suitable for urbanization, such as damage to important water sources, loss of vegetation coverage, loss of natural drainage capacity, increased erosion, and so forth, has led to increased risk to disasters triggered by natural events.
10. Although Colombia has made substantial progress through important urban reforms and comprehensive legislation on territorial planning,⁴⁵ the implementation and reinforcement of these laws have been very weak. For example, by 2005 (eight years after the Territorial Planning Law 388 passed in 1997), 97 percent of all the municipalities in the country and every major city with more than 100,000 inhabitants had adopted a Territorial Organization Plan (POT). The quality of the POTs varies substantially—there are a few very high-quality plans, but most are very weak. Only a few of these plans have implemented the management and financial tools made available by the legislation. For most people, the relation between the POTs and the Municipal Development Plans is not very clear. The Government of Colombia is working to change the public's perception of the POTs, so that they are understood as a valuable tool for long-term planning and not just another document to comply with.

Displacement Is Exacerbating Unplanned Growth in Urban Areas

11. Internal population displacement is one of the sources leading to this increase in urban population in Colombia. According to official registries,⁴⁶ 1.9 million people were internally displaced between 1995 and 2006. The problem was exacerbated between 2000 and 2002 as a result of increased violence and internal conflict. During that time, internal displacement increased 325 percent on average, affecting 900 out of the country's 1,119 municipalities.

45. Law 9 on Urban Reform, 1989, and Law 388 on Territorial Development, 1997.

46. Official Registry on Displaced Populations (*Registro Único de Población Desplazada RUPD—ACCI*).

Table A3: Colombia's Population and Annual Average Growth Rates: 1951–2005

	Population (millions)						Annual Growth Rate (%)					
	1951	1964	1973	1985	1993	2005	1951	1964	1973	1985	1993	1951
	-	-	-	-	-	-	1964	1973	1985	1993	2005	2005
Total Population	11.9	17.4	22.9	27.8	33.1	41.4	2.9	2.9	1.6	1.4	1.9	2.3
<i>Total Urban Population</i>	5.1	9.8	13.5	18.7	23.5	31.5	4.4	4.3	2.7	1.9	2.4	3.3
<i>Total Rural Population</i>	6.8	8.3	9.3	9.1	9.5	9.9	1.5	1.2	-0.2	0.4	0.3	0.7

Annex 7: Historic Occurrence and Impacts of Disasters in Colombia

1. The number of disasters in Colombia is on the rise. The DesInventar database contains over 28,000 records of losses in Colombia for the period 1970-2011, of which about 60 percent were reported since 1990. The data presented in Table A5 shows a clear increase. This increase, though it undoubtedly matches the increase in population and property at risk, can be considerably influenced by availability and quality of the main sources of information.

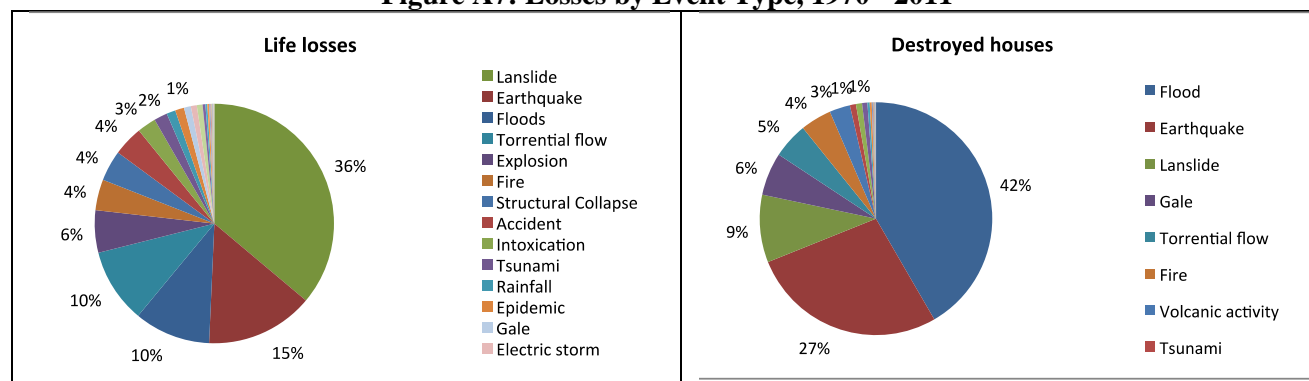
Table A4: Number of Events Registered and Losses by Decade

Principal Information Source	Decade	Number of Events Registered	Deaths	Affected People	Destroyed Houses	Affected Houses
Newspaper Reports	1970–1979	5,657	4,025	1,710,541	23,060	25,584
	1980–1989	5,123	28,316	4,727,790	29,317	15,873
Official (DGR since 1992)	1990–1999	6,465	3,957	9,204,412	88,956	191,828
	2000–2009	9,270	2,180	9,284,073	41,689	470,987
	2010–2011	2,187	519	2,823,885	7,403	358,378
Total		28,702	38,997	27,750,701	190,425	1,062,650

Source: Corporación OSSO, 2011.

2. The impact of the 2010-2011 rainy seasons reflects the complexity of hazard risk in Colombia and the gaps and deficiencies facing its disaster risk management. When compared with recent records of reported disasters from the period 2000-2009, the recent flooding affected approximately 3.5 million people and resulted in accumulated damages and losses amounting to 25 percent of the previous decade's totals (see Figure 1), one-third of reported deaths and affected persons, and approximately 50 percent of houses damaged.
3. The highest percentages of losses and damages were accumulated between 1970 and 2011 and correspond to landslides and flooding respectively. The majority of the events are associated with hydrometeorological phenomena, which are characterized by their high frequency. In the case of flooding, impacted areas are more widespread, while landslides tend to be more location-specific. Phenomena such as earthquakes and volcanic eruptions usually concentrated heavy losses in a relatively short time period. These losses may be infrequent but generate large shocks such as the disaster of 1985 caused by the Nevado del Ruiz volcanic eruption.

Figure A7: Losses by Event Type, 1970 - 2011



Source: Corporación OSSO (2011).

4. Some of the most damaging earthquakes in recent Colombian history include the following:

- In December 1979 a magnitude 8 earthquake occurred on the Pacific coast of Colombia near Tumaco; 300 people were killed, and the event caused approximately US\$28 million in damages. Immediately after the earthquake a tsunami swept inland, destroying fishing villages and taking the lives of 672 people, destroying 3,081 houses, and damaging 2,119 more. In total, 1,011 people were affected, and it was estimated that damages amounted to US\$16.7 million; the damages amounted to 0.06 percent of the GDP.
- The Popayán earthquake in 1983 caused 300 deaths, the destruction of 2,470 houses, and the damage of 11,722 more. Twenty thousand people were affected, and there was approximately US\$377.8 million in damages: amounting to 0.98 percent of the GDP.
- Another devastating earthquake (6.4 on the Richter scale), which occurred in Quindío in January 1999, heavily affected the town of Armenia, causing severe economic and social impacts in this coffee plantation region. It resulted in the death of 1,186 people, impacted the lives of 1,205,933, and caused damages of approximately US\$1.857 million. Additionally, heavy losses were experienced as a result of the destruction of 8,000 coffee farms.
- Most recently, in May 2008, El Calvario, a 5.9-magnitude earthquake occurred in the town of Puente Quetame, in Cundinamarca. Houses collapsed and reconstruction of the affected structures cost approximately US\$10 million.

5. One of the most catastrophic volcanic eruptions of the 20th century was the 1985 eruption of Nevado del Ruiz. It resulted in the thawing of a glacier that turned into avalanches and lahars, which wiped out Armero and partially destroyed the town of Chinchina. These avalanches caused approximately 25,000 deaths and 5,000 injuries. Nearly 15,000 people were directly impacted, and there were widespread economic losses. Damage was estimated at US\$1 billion.⁴⁷ In Armero alone, the losses due to damaged assets and commerce exceeded US\$240

47. EM-DAT.

million, as nearly 20,000 hectares of cultivated land were buried, and 20,000 head of livestock were lost.⁴⁸

6. There have also been damaging floods. In November 1970, 307 people died and 5,105,000 people were affected. In 1984, a devastating flood that ranged across 1,680 square kilometers affected 194,000 people, causing estimated losses of US\$400 million. In 2000, floods covered an area of 19 square kilometers, killing 96 people and affecting 500,000. Floods in February 2005 caused US\$10 million in damages.
7. The disaster caused by La Niña (2010-2011) is among the top five disasters that have caused the greatest impact on the country in the last 25 years. The events that have been classified as most destructive and have caused more economic and social losses are the Popayán earthquake (1983), the eruption of Nevado del Ruiz (1985), the Atrato earthquake (1992), the Tierradentro-Paez earthquake (1994), and the Coffee Axis (Eje Cafetero) earthquake (1999). Table A6 shows the estimated value of damage for each disaster (ERN, 2004). Note that in four of the five events, the reconstruction value is less than the estimated damages.
8. Colombia has also historically been affected by hurricanes, though its location is somewhat protected from the common hurricane tracks. In October 1988 Hurricane Joan caused severe damage to the Caribbean coast of Colombia, estimated at US\$50 million before it continued its westward path and made landfall in Bluefields, Nicaragua.

48. IADB (Inter-American Development Bank) and IDEA (Universidad Nacional de Colombia - Instituto de Estudios Ambientales), Programa de Información e Indicadores de Gestión de Riesgos. Aplicación del Sistema de Indicadores a Colombia 1980-2000 (Manizales, Colombia, 2004).

Table A5: Socioeconomic Impacts of Recent Disasters in Colombia

Disasters Reported by Presidential Period, According to CRED–EM-DAT, and the Colombia’s Hazard Risk Assessment, 2004 (ERN)

Presidential Period	Disaster Event	Socioeconomic Impact	Damages Estimated in US\$ Thousands	Damages Estimated in Relation to the GDP
1978–1982	Earthquake and tsunami in Nariño (1979)	Loss of life for more than 400 people	\$28,000	0.06%
1982–1986	Popayán Earthquake (1983)	Destruction of 13,650 dwellings and more than 300 deaths	\$410,900	0.98%
	Volcanic eruption of the Ruiz and avalanche of Armero (1985)	Total destruction of the city of Armero; 26,000 deaths	\$1,000,000	0.70%
1986–1990	Slippage of Villatina (1987)	199 deaths (640 from CRED)		
	Tidal wave (1988)	500,000 affected people	\$50,000	-
1990–1994	El Niño phenomenon (1991–1992)	Energy sector rationings for two years		
	Earthquake and avalanche in Cauca–Rio Paez (1994)	1,600 families left homeless	\$2,400	0.18%
1994–1998	El Niño phenomenon (1997–1998)	600 deaths Fiscal deficit increased by 4.8%	\$564	-
1998–2002	Earthquake in the Eje Cafetero (1999)	1,185 deaths	\$1,500,000	1.84%
2002–2006	2005 flooding	474,607 people affected	\$10,000	-
2006–2010	2007 flooding	1,162,135 people affected	-	-
2010–2014	La Niña phenomenon (2010–2011)	2,300,000 people affected	\$1,694,402	

Source: World Bank based on information from “EM-DAT: The OFDA/CRED International Disaster Database,” 2008.

Annex 8: Potential Economic Losses of Disasters in Colombia

1. Information on disaster risk can take many forms; one of them is the country's risk from a macroeconomic and financial perspective. The Disaster Deficit Index (DDI)⁴⁹ measures the economic loss that a country could suffer if a catastrophic event takes place, and the implications in terms of resources needed to address the situation.
2. The DDI is the relationship between the demand for contingent resources to cover the losses generated by the maximum considered event (MCE) and the economic resilience. The MCE is calculated based on a model that takes into account diverse hazards and the physical vulnerability of elements exposed to it. The economic resilience is defined as the availability of internal and external funds for restoring affected inventories. The following equation shows the relationship:

$$DDI = \text{Maximum Considered Event Loss} / \text{Economic Resilience}$$

3. A DDI greater than 1.0 denotes a lack of financial capacity to face extreme disasters, outstripping even resources available when accruing as much in debt as possible. A bigger DDI represents a bigger deficit.
4. Table A7 presents the estimations of the DDI for Colombia between 1980 and 2008 for an MCE with 50, 100, and 500 years of return period (correspondingly 2 percent, 10 percent, and 18 percent probability of occurrence in 10 years). The DDI is greater than 1 for maximum events with 100 and 500 years of return, implying that in this case, the country would not have enough resources to face the associated losses and to restore the affected capital. On the other hand, for events with a return period of 50 years, Colombia has the capacity to cover the reconstruction costs with internal and/or external funds.

Table A6: DDI for Different Return Periods

DDI	1980	1985	1990	1995	2000	2005	2008
DDI ₅₀	0.47	0.80	0.81	0.82	1.32	0.21	0.12
DDI ₁₀₀	1.04	1.71	1.73	1.93	2.86	0.55	0.32
DDI ₅₀₀	4.58	6.36	6.41	6.11	7.07	2.87	1.85

Source: IADB and IDEA, 2004,⁵⁰ and IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010).

5. Since 2005, Colombia has demonstrated increased capacity to cover the costs of rebuilding from their own resources following a 100-year return period event. Equally, with the exception

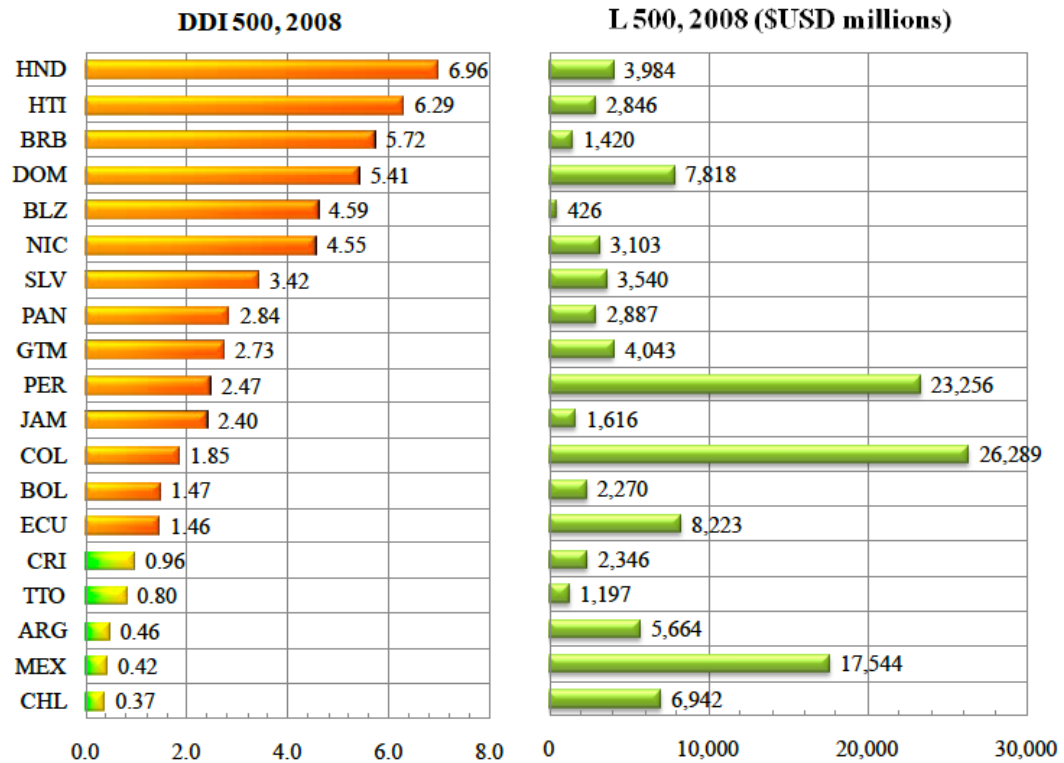
49. IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010). This report defines and estimates four indices: Disaster Deficit Index, Local Disaster Index, Prevalent Vulnerability Index, and Risk Management Index.

50. IADB (Inter-American Development Bank) and IDEA (Universidad Nacional de Colombia - Instituto de Estudios Ambientales), Programa de Información e Indicadores de Gestión de Riesgos. Aplicación del Sistema de Indicadores a Colombia 1980-2000 (Manizales, Colombia, 2004).

of the 2000 floods, the country has also been able to cope with the demand for resources in the aftermath of events of a 50-year return period.

6. According to comparative estimations of the DDI for an MCE with 500 years of return period in the year 2008, almost all countries in the Latin America and the Caribbean region but Chile, Mexico, Argentina, and Trinidad and Tobago have a DDI greater than 1 (Figure A8). Colombia, with a DDI of 1.47, is the twelfth most critical. In this event, Colombia could face a loss of US\$26.289 million, approximately 14 percent of its GDP.⁵¹

Figure A8: DDI in 500 Years for Countries in the Latin America and the Caribbean Region



Source: IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010).

51. The DPL with a CAT DDO is expected to serve as a bridge-financing instrument to fund the short-term liquidity gap. It is intended to finance government expenditures for the first three months after a disaster. During this period the Government is expected to raise additional funding.

Annex 9: Colombian Legal Framework for Disaster Declaration

National Constitution

Declaration of a State of Emergency

1. Article 215 of the Colombian Constitution establishes that, upon the likelihood of events that disturb or threaten to imminently disturb the economic, social, and ecological order in the country, or that become a grave public calamity, the president is empowered to declare a state of emergency for up to 30 days, not to exceed 90 days in a calendar year⁵².
2. Through such a declaration, the president can create presidential decrees with the force of law, aimed exclusively at addressing issues related to the crisis. Such decrees are limited to matters directly related to the state of emergency or to the establishment of new taxes or fees. In such cases, new revenue measures will cease to apply at the end of the next fiscal term, unless Congress grants them permanent status. The Government, in the decree in which it declares a state of emergency, will signal the term during which it will make use of the extraordinary faculties.

Law 1523 of 2012

National System for Disaster Risk Management

3. Law 1523 of 2012 established the National System for Disaster Risk Management and created the basis upon which the following legal instruments were created:

Definition of Disaster

4. Article 55 establishes that for the effect of the present law, a disaster is the result that triggered the manifestation of one or more natural or unintentional anthropogenic events, that in finding conditions of vulnerability in persons, property, infrastructure, livelihoods, service provision, or environmental resources, cause damages or losses of life, materials, economic or environmental assets, generating an intense, severe and extended disturbance, in the normal functioning of society, which requires the intervention of the State and the National System to implement actions of response, rehabilitation and reconstruction.

Declaration of Situation of Disaster

5. Article 56 establishes the mechanism for declaration of disaster as follows:

52. For the purposes of the Colombia Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option, a declaration of a situation of national disaster caused by natural hazards as defined in Article 56, Section 1 of Law 1523 (but excluding intentional and anthropogenic hazards) is used as a trigger for disbursement. The words 'state of emergency' are not used to avoid confusion with the economic and social and ecological state of emergency provided for under Section 215 of the Colombian Constitution.

“The President of the Republic can declare a disaster through decree and previous concept of the National Council and in the same act will classify it according to magnitude and effects, as of national, department, district, or municipal level.”

6. The declaration of a disaster can take place up to two months after the occurrence of relevant events. In that way, as long as no declaration from the president has been issued informing the return to a state of normalcy, he is empowered to modify the classification given to the disaster and thus the regime that can be applied.
7. Once disaster has been declared, the relevant norms from the special regime will be applied with compliance mandatory to the disaster situation as specified in the decree. Administrative authorities, according to the specific circumstance, can be established.
8. Article 65 refers specifically to the special administrative regime for Declaration or National Situation of Disaster, including legal norms related to contracts; lending, fiscal controls; procurement and expropriation; occupation and demolition; imposition of rights of way and eminent domain; conflict resolution; indebtedness and debt refinancing; suspension of executive proceedings, credits for affected people, incentives for rehabilitation, construction, and sustainable development; administration of grants; and other measures to ensure the return to a state of normalcy.

Declaration of Public Calamity

9. Article 57 establishes that governors and municipal mayors, with the prior approval of the Regional, District or Municipal Council of Disaster Risk Management, may declare a public calamity in their respective jurisdiction. The declarations will be produced and applied, in accordance with the declaration of disaster, Article 56.

Specific Action Plan for Recovery

10. Article 61 establishes that once a situation of disaster or public calamity has been declared, the National Unit for Disaster Risk Management, at national, department, district, or municipal level, will proceed to elaborate specific action plans for the rehabilitation and reconstruction of affected areas, and such action plans will be of a mandatory nature for all public and private entities who will have to contribute to its execution, within the timeframe mentioned in the declaration.
11. Whenever such a declaration is related to situations classified as department, district, or municipal in scale, the action plan will be elaborated and coordinated in its execution by the respective Regional, District or Municipal Council, according to the established guidelines dictated by the declaration, or those that modify it.

Annex 10: Decree of Declaration of National Disaster⁵³

REPUBLICA DE COLOMBIA



MINISTERIO DEL INTERIOR Y DE JUSTICIA

DECRETO NÚMERO 4579 DE 2010

7 DIC 2010

Por el cual se declara la situación de desastre nacional en el territorio colombiano

EL PRESIDENTE DE LA REPÚBLICA DE COLOMBIA

En ejercicio de sus facultades legales, y en especial de las conferidas por el artículo 19 del Decreto 919 de 1989

CONSIDERANDO:

Que según informe presentado por el IDEAM de fecha 6 de diciembre de 2010, el Fenómeno de la Niña 2010-2011 alteró el clima nacional desde el comienzo de su formación en el mes de junio de este año, ocasionando en los meses de julio y noviembre las lluvias más intensas y abundantes nunca antes registradas en el país en las regiones Caribe, Andina y Pacífica; además hizo que no se presentara la temporada seca de mitad de año en el norte y centro de la región Andina. El mes de agosto y septiembre se comportaron también con lluvias por encima de lo normal en la región Caribe y en el norte de la región Andina. Como consecuencia de ello, las partes baja y media de los ríos Cauca y Magdalena, así como algunos de sus afluentes, han presentado niveles nunca antes registrados en la historia de la hidrología colombiana.

Que igualmente, señaló el IDEAM que teniendo en cuenta las condiciones oceánicas y atmosféricas actuales, y de acuerdo al índice Multivariado ENSO- MEI (por sus siglas en inglés) que estiman la intensidad del fenómeno de La Niña, el valor registrado de este evento durante el 2010 indica que este ha sido el más fuerte en comparación con los eventos Niña desde 1949. Este fenómeno de variabilidad climática, ha ocasionado además, una mayor saturación de humedad de los suelos, generando eventos extraordinarios de deslizamientos y crecientes rápidas en cuencas, ríos y quebradas de alta pendiente en la región Andina, Caribe y Pacífica.

Que la Dirección de Gestión del Riesgo del Ministerio del Interior y de Justicia, según documento de fecha 6 de diciembre de 2010, informó al Gobierno Nacional que como consecuencia de la actual ola invernal se han presentado 206 muertos, 119 desaparecidos, 246 heridos, 337.513 familias afectadas, 2.049 viviendas destruidas y 275.569 viviendas averiadas en 654 municipios de Colombia.

Que la Dirección de Gestión del Riesgo del Ministerio del Interior y de Justicia –DGR- ha hecho presencia en las diferentes regiones afectadas y ha concluido según informe de fecha 6 de diciembre de 2010, que se ha presentado una afectación aproximada de 1.614.676 personas.

53 .Original decree used to disburse the first Colombia DPL with a CAT DDO.

Continuación del decreto "Por el cual se declara la situación de desastre nacional en el territorio colombiano"

Que según la información suministrada por los Ministerios de Agricultura y Desarrollo Rural, y de Educación Nacional, el día 6 de diciembre de 2010, debido a la fuerte ola invernal presentada en el territorio nacional se han ocasionado graves inundaciones, derrumbes, daños de vías, pérdidas de zonas agrícolas y de viviendas, centros educativos, daños en los servicios públicos, así como también se ha generado, con grave impacto para el país la afectación de 52.735 predios, 2.065.517 hectáreas, la muerte de 30.380 animales y el desplazamiento de 1.301.892.

Que los diferentes coordinadores de los Comités Regionales para la Prevención y Atención de Desastres CREPADS de los departamentos han solicitado por intermedio de la Dirección de Gestión del Riesgo del Ministerio del Interior y de Justicia, se reconozca la situación de los diferentes municipios que han sido afectados por la fuerte ola invernal.

Que el artículo 18 del Decreto 919 de 1989 define como desastre: "El daño grave o la alteración grave de las condiciones normales de vida en un área geográfica determinada causada por fenómenos naturales y por efecto catastróficos de la acción del hombre en forma accidental, que requiere por ello de la especial atención de los organismos del Estado y de otras entidades de carácter humanitario o de servicio social".

Que el Decreto 919 de 1989 consagra una serie de instrumentos legales que permiten generar acciones coordinadas tendientes a conjurar la crisis y procurar la rehabilitación y recuperación de las zonas afectadas.

Que el artículo 19 ibídem dispone que tal situación deberá ser declarada mediante decreto presidencial, hasta tres meses (3) después de haber ocurrido los hechos que la constituyen, clasificando su magnitud y efectos, previo concepto del Comité Nacional para la Prevención y Atención de Desastres.

Que el Comité Nacional para la Prevención y Atención de Desastres según consta en acta de fecha 7 de diciembre de 2010, señaló que la situación presentada a nivel nacional como consecuencia de la ola invernal era constitutiva de desastre, por lo tanto emitió concepto favorable para la declaratoria de desastre nacional.

Que de conformidad con el Decreto Ley 919 de 1989, declarada una situación de desastre se aplica un régimen normativo especial que contempla disposiciones excepcionales en materia de contratos; control fiscal de recursos, adquisición y expropiación, ocupación temporal y demolición de inmuebles, imposición de servidumbres, solución de conflictos, moratoria o refinanciación de deudas, incentivos de diverso orden para la rehabilitación, la reconstrucción y el desarrollo, administración y destinación de donaciones y autorización, control, vigilancia e inversión de los bienes donados.

Que se dará aplicación por parte de las autoridades competentes a lo dispuesto en los artículos 204 y 391 del Decreto 2685 de 1999 y demás disposiciones concordantes en materia aduanera para las mercancías que ingresen al país destinadas a los damnificados de situaciones de desastre.

Continuación del decreto "Por el cual se declara la situación de desastre nacional en el territorio colombiano"

Que es de interés del Gobierno Nacional, agilizar los procesos de rehabilitación y reconstrucción de tal manera que se realice el tránsito de la fase de atención de la emergencia hacia la recuperación de las condiciones normales de vida y reconstrucción de las zonas afectadas del territorio nacional.

DECRETA

ARTICULO PRIMERO.- Declárase la existencia de una situación de Desastre Nacional en todo el territorio nacional.

ARTICULO SEGUNDO.- Será de aplicación en todo el territorio nacional, el régimen normativo especial para situaciones de desastre contemplado en el Decreto 919 de 1989. Para el ingreso de las mercancías al país destinadas a los damnificados en situaciones de desastre se aplicará lo dispuesto en los artículos 204 y 391 del Decreto 2685 de 1999 y demás normas concordantes.

ARTICULO TERCERO.- La Dirección de Gestión del Riesgo del Ministerio del Interior y de Justicia procederá a elaborar con base en el Plan Nacional para la Prevención y Atención de Desastres, un Plan de Acción Específico para el manejo de la situación declarada que será de obligatorio cumplimiento por todas las entidades públicas o privadas que deban contribuir en su ejecución, de conformidad con lo señalado por el artículo 20 del Decreto 919 de 1989.

Parágrafo 1.- Los lineamientos generales para el manejo de la situación de desastre, comprende diez líneas de acción, a saber: 1) Asistencia Humanitaria a las familias afectadas con alimentación y elementos de dormitorio, aseo y cocina, durante el tiempo que dure la emergencia y un tiempo adicional necesario en el desarrollo del proceso de recuperación, 2) Administración y manejo de albergues y/o subsidios de arrendamiento temporal, para las familias que evacuaron sus viviendas, 3) Agua potable y saneamiento básico, 4) Salud integral, control y vigilancia epidemiológica, 5) Recuperación de vivienda (Averiada y destruida), 6) Incentivos del sector agropecuario, 7) Reactivación económica y social de la zona acordes con las líneas que el Departamento Nacional de Planeación establezca, 8) Ordenamiento territorial, 9) Alertas tempranas, y 10) Obras de emergencias (reforzamiento de terraplenes, obras de control) y obras de prevención y mitigación en la zona.

Parágrafo 2.- Como temas transversales en relación con las líneas de acción señaladas anteriormente, se deben tener en cuenta: 1) La Coordinación de las acciones del Sistema por parte de la Dirección de Gestión del Riesgo del Ministerio del Interior y de Justicia con los respectivos Comités Regionales y Locales, 2) Mantener clara y oportuna Información pública del desarrollo del Plan, 3) Activar las redes de comunicaciones que sean necesarias, 4) Activar las acciones necesarias de logística.

ARTICULO CUARTO.- Las entidades públicas y privadas integrantes del Sistema Nacional para la Prevención y Atención de Desastres, y las entidades públicas del orden nacional de carácter financiero, de acuerdo con su naturaleza y desde sus ámbitos de competencia y los lineamientos generales trazados por el Comité Técnico Nacional, deberán participar en la ejecución de las labores tendientes a atender, rehabilitar y recuperar la zona afectada. Para lo cual deberán designar un funcionario del más alto nivel con respaldo institucional, quien estará al frente del cumplimiento de las acciones que le compete a su entidad en el Plan de Acción.

7 DIC 2010

Continuación del Decreto "Por el cual se declara la situación de Desastre Nacional en el Territorio Colombiano"

ARTICULO QUINTO.- Para los efectos del presente decreto se entenderán como personas damnificadas o afectadas por el desastre, aquellas que se encuentren en los Censos de afectados elaborados por los Comités Locales de los municipios afectados, con el aval del respectivo Comité Regional y de una entidad operativa del Sistema Nacional para la Prevención y Atención de Desastres.

ARTICULO SEXTO.- El presente decreto rige a partir de la fecha de su publicación.

PUBLÍQUESE Y CÚPLASE

Dado en Bogotá D.C., a los

7 DIC 2010



EL MINISTRO DEL INTERIOR Y DE JUSTICIA,



GERMAN VARGAS LLERAS

Translation:

Ministry of Interior and Justice
Decree 4579
07/12/2010

By which is declared a national disaster in Colombian territory.

The President of the Republic of Colombia

In exercising its statutory powers, and especially those conferred by
Article 19 of Decree 919 of 1989.

Considering:

That according to the report presented by IDEAM dated December 6, 2010, the 2010-2011 La Nina Phenomenon alter the climate at the national level from the beginning of its development in June this year, resulting during the months of July and November in the heaviest and abundant rainfall ever recorded in the country in the Caribbean, Andean and Pacific regions; in addition, as a result of this Phenomenon there was nomad-year dry season in the northern and central Andean region. There was also above normal rainfall during the months of August and September also behaved with rainfall above normal in the Caribbean and northern Andes. As a result, lower and middle parts of the Cauca and Magdalena rivers, and some of its tributaries, presented levels never before recorded in the history of Colombian hydrology.

That IDEAM has also noted that given the current oceanic and atmospheric conditions, and according to the ENSO-MEI Index Multivariate (for its acronym in English) that estimate the intensity of the La Niña phenomenon, the carrying value of this event for 2010 indicates that this has been the strongest compared with Niña events since 1949. This phenomenon of climate variability, has sometimes led to a greater saturation of soil moisture, creating extraordinary events of rapid landslides and floods in watersheds, rivers and streams of high gradient in the Andean region, Caribbean and Pacific.

That the Risk Management Division of the Ministry of Interior and Justice, according to a document dated December 6, 2010, informed the Government that as a result of the current rainy season there are 206 dead, 119 missing, 246 wounded, 337,513 families affected, 2,049 houses destroyed and 275,569 damaged homes in 654 municipalities of Colombia.

That the Risk Management Division of the Ministry of Interior and Justice-DGR-has made presence in the regions affected and has concluded by report dated December 6, 2010, that there are approximately 1,614,676 people affected.

That according to information provided by the Ministry of Agriculture and Rural Development, and the Ministry of National Education, on December 6, 2010, due to the heavy rains in the country, there has been severe flooding, landslides, road damage, loss of agricultural and residential areas, schools, damage to public services, and also causing serious disruption to the country there have been 52,735 properties affected, 2,065,517 acres, the loss of 30,380 and the displacement of 1301 892 livestock.

That the coordinators of the Regional Committees for Disaster Prevention and Response CREPADS of the departments have requested through the Risk Management Division of the Ministry of Interior and Justice, that the situation of the various municipalities that have been affected by the heavy rainy season be recognized.

That Article 18 of Decree 919 of 1989 defines as a disaster: "The serious injury or serious disruption of normal life in a given geographical area caused by natural events and from catastrophic effects of human action by accident, that therefore requires the special attention of state agencies and other humanitarian organizations or social service. "

That Decree 919 of 1989 establishes a series of legal instruments that can generate coordinated actions designed to avert the crisis and ensuring the rehabilitation and recovery of affected areas.

That Article 19 *ibid* provides that such a situation will be declared by presidential decree, up to three (3) months after the events have occurred, classifying their magnitude and effects, prior concept of the National Committee for Disaster Prevention and Response.

That the National Committee for Disaster Prevention and Response, as recorded in the minutes dated December 7, 2010, said the situation presented at the national level because of the rainy season constitutes a disaster, and therefore issued agreement for declaration of national disaster. That pursuant to Decree Law 919 of 1989, after a disaster situation is declared, a special legal regime is applied that provides exceptional provisions for contracts, fiscal control of resources, acquisition and expropriation, temporary occupancy and demolition of property, imposition of easements , conflict resolution, moratorium or debt refinancing, incentives of various kinds for the rehabilitation, reconstruction and development, administration and allocation of grants and authorization, control, monitoring and investment of donated goods.

Application to be given by competent authorities as provided in Articles 204 and 391 of Decree 2685 of 1999 and other related provisions regarding customs for goods entering the country for the victims of disasters.

That it is in the interest of the national government, to streamline the process of rehabilitation and reconstruction so as to make the transition from the emergency response phase to the recovery of normal living conditions and reconstruction of affected areas of the country.

Decrees

Article One. - Declare the existence of a National Disaster situation throughout the country.

Article Two. -The special legal regime for disaster situations referred to in Decree 919 of 1989 shall apply throughout the national territory.For entry of goods into the country for the victims of disasters, the provisions of Articles 204 and 391 of Decree 2685 of 1999 will apply, and other concurrent regulations.

Article Three. - The Risk Management Division of the Ministry of Interior and Justice shall develop based on the National Plan for Prevention and Disaster Response, a Specific Action Plan for the management of the situation declared to be mandatory compliance by all public or

private entities that should contribute to its implementation, in accordance with the provisions of Article 20 of Decree 919 of 1989.

Paragraph 1. - The general guidelines for the management of disaster situations, comprises ten lines of action, namely: 1) Humanitarian assistance to affected families with food and items of bedroom, bathroom and kitchen for the duration of the emergency and an extra time in the development of the recovery process, 2) Administration and management of shelters and / or temporary rental subsidies for families who evacuated their homes, 3) Potable water and basic sanitation, 4) comprehensive health, epidemiological control and surveillance, 5) housing recovery (damaged and destroyed), 6) Incentives in the agricultural sector, 7) economic and social recovery of the area consistent with the guidelines established by the National Planning Department, 8) Land use, 9) Early warnings, and 10) Emergency Works (reinforcement of embankments, control structures) and prevention and mitigation works in the area.

Paragraph 2. - As cross-cutting issues related to the courses of action outlined above, it must be taken into account: 1) Coordination of the actions of the system by the Risk Management Division of the Ministry of Interior and Justice with the respective Regional and Local Committees, 2) Maintain clear and timely public information relating to the development of the Plan, 3) Enable the necessary communication networks, 4) activate the necessary logistics actions.

Article Four. - The public and private entities in the National System for Disaster Prevention and Response, and national public entities of a financial nature, according to its nature and from their areas of competence and the general guidelines set by the National Technical Committee, shall participate in the execution of the work aimed to respond, rehabilitate and restore the affected area. For which they must designate an official of the highest level with institutional support, who will lead the implementation of the actions that its organization is responsible in the Plan of Action.

Article Five. - For purposes of this Decree, persons affected by the disaster are understood to be those who are in the Census prepared by the Local Committees of the affected municipalities, with the approval of the respective Regional Committee and a functioning entity of the National System for the Disaster Prevention and Response.

Article Six. - This decree governs from the date of publication.

Let it be Published and Complied with

Issued in Bogotá D. C, on 12,07,2010

The Minister of Interior and Justice

GERMÁN VARGAS LLERAS

Annex 11: Declarations of Disasters under Law Decree 919/89

No.	Type	Decree	Date	Department (Municipalities)	Event
1	Departmental Disaster	D-2108	09/06/1994	Cauca (Caldono, Inzá, Jambaló, Toribío, Caloto, Totró, Silvia, Páez, and Santander de Quilichao) Huila (La Plata, Paicol, Yaguará, Iquira, Tesalia, and Nátaga)	Earthquake
2	National Disaster	D-182	01/26/1999	Quindío (Armenia, Calarcá, Córdoba, La Tebaida, Circasia, Filandia, Montenegro, Pijao, Quimbaya, Salento, and Buenavista) Risaralda (Pereira, Dosquebradas, and Santa Rosa de Cabal) Valle del Cauca (Obando, Ulloa, Caicedonia, Alcalá) Tolima (Cajamarca, Fresno)	Earthquake
3	Municipal Disaster	D-1516	08/13/1999	Cundinamarca (San Cayetano)	Landslides
4	Municipal Disaster	D-1563	08/15/2000	Cauca (La Sierra)	Landslides
5	Municipal Disaster	D-1080	04/30/2003	Caldas (Manizales)	Landslides
6	Departmental Disaster	D-1012	04/04/2005	Departamento de Santander	Flooding, Erosion, Avalanche
7	Municipal Disaster	D-4106	11/15/2005	Nariño (Pasto, Nariño, and la Florida)	Volcanic Event
8	Departmental Disaster	D-2457	06/28/2007	Antioquia (Nechi) Bolívar (Magangue, San Jacinto del Cauca, Montecrito, Tiquisio, Pinillos, and Achi) Sucre (Guaranda, Majagual, and Sucre)	Floods
9	Departmental Disaster	D-2943	11/03/2007	Córdoba (Montería, Cereté, Chima, Buenavista, Cotorra, La Apartada, Canalete, Pueblo Nuevo, San Pelayo, Momil, Purísima, Lórica, Ayapel, San Bernardo del Viento, Porto Libertador, and Valencia)	Floods
10	Municipal Disaster	D-505	02/23/2009	Cauca (Tumaco)	Floods
11	National Disaster ⁵⁴	D-4579	07/12/2010	National Territory	Floods

54. Additionally, Decree 4580, of December 7, 2010, declared a social, economic, and ecological emergency in all of the National Territory using Article 215 of the National Constitution.

Annex 12: Colombia's Disaster Risk Management Performance

- Table A8 shows Colombia's performance on an index designed to assess disaster risk management. The index, developed by the National University of Colombia and the IADB,⁵⁵ provides a qualitative measure of disaster risk management based on predefined benchmarks that risk management efforts should aim to achieve. The index is a subjective evaluation by public officials in the system based on standardized questionnaires. As such, the score is relative to Colombia's stated goals rather than directly comparable to other countries' scores on the same index. The table shows that Colombia has made significant advances over the past two decades. The two indicators in the areas of risk identification and risk reduction illustrate the important strategic move from disaster response to disaster risk management, which has been in progress since the mid-1990s.

Table A7: Disaster Risk Management Index for Colombia

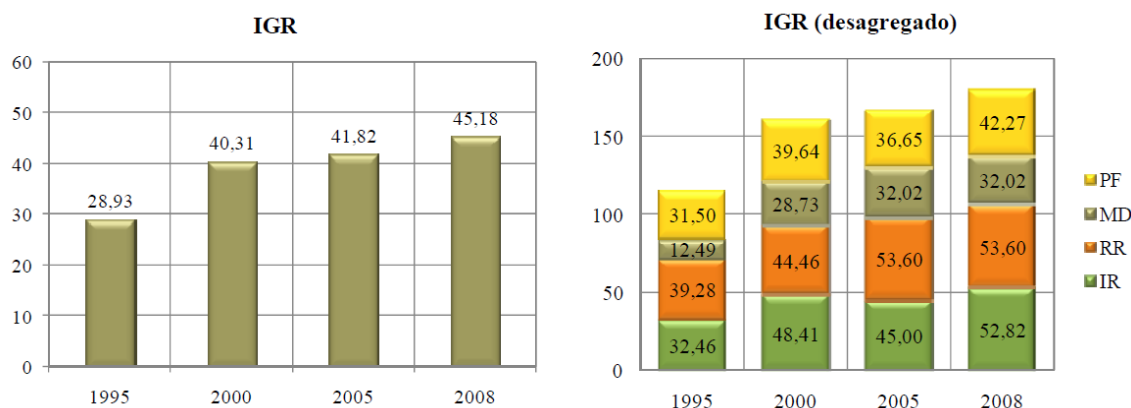
Index/Year	1995	2000	2005	2008
DRM _{RI}	32,46	48,41	45,00	52,82
DRM _{RR}	39,28	44,46	53,60	53,60
DRM _{DM}	12,49	28,73	32,02	32,02
DRM _{FP}	31,50	39,64	36,65	42,27
DRM	28,93	40,31	41,82	45,18

Source: IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010).

- The DRM Index (aggregated) has had a gradual progression from 1995 to 2008 (Figure A9). The progressive variation illustrates that there have been consistent advances in disaster risk management, in part supported by improved understanding of risk that has allowed advances in risk reduction measures, disaster management, and financing of potential losses. This balanced progress in risk assessments prevents deadlocks in the remaining risk management activities.

Figure A9: Disaster Risk Management Index for Colombia

Total (left) and Disaggregated (right)



Source: IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010)

55. IADB (Inter-American Development Bank), Indicators of Disaster Risk and Risk Management (Washington, DC, 2010). <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35160024>.

Table A8: Colombia - Disaster Risk Management

DISASTER RISK MANAGEMENT INDEX		1985	1990	1995	2000	2003	2005	2008	
DISASTER RISK MANAGEMENT	<u>Risk Identification</u>	RI1. Systematic inventory of disasters and losses.	2	3	3	4	4	3	4
		RI2. Hazard monitoring and forecasting.	1	2	3	3	3	3	4
		RI3. Hazard evaluation and mapping.	2	2	3	4	4	3	4
		RI4. Vulnerability and risk assessment.	1	1	2	3	3	3	3
		RI5. Public information and community participation.	1	1	3	2	2	3	3
		RI6. Risk management training and education.	1	2	3	2	2	3	3
	<u>Risk Reduction</u>	RR1. The extent to which risk is taken into account in land use and urban planning.	1	2	2	3	3	3	4
		RR2. Management of river basins and environmental protection.	1	2	3	2	2	3	3
		RR3. Implementation of control and protection techniques prior to hazard events.	1	1	2	2	2	3	3
		RR4. Relocation of persons living in disaster prone areas and improvements to housing in those areas.	1	2	3	2	2	3	3
		RR5. Updating and enforcement of safety standards and construction codes.	2	2	3	4	4	4	4
		RR6. Reinforcement and retrofitting of public and private assets.	1	1	2	3	3	3	4
	<u>Disaster Management</u>	DM1. Organization and coordination of emergency operations.	1	2	2	3	3	3	3
		DM2. Emergency response planning and implementation of warning systems.	1	1	2	2	2	3	3
		DM3. Supply of equipment, tools and infrastructure.	1	2	2	2	2	2	2
		DM4. Simulation, updating and testing of inter-institutional response capability.	1	1	1	2	2	2	2
		DM5. Community preparedness and training.	1	1	2	1	1	2	2
		DM6. Rehabilitation and reconstruction planning.	1	1	1	2	2	2	2
<u>Risk Transfer</u>	FP1. Decentralized organizational units, inter-institutional and multisector coordination.	1	2	3	2	2	3	3	
	FP2. Availability of resources for institutional strengthening.	1	2	3	2	2	2	3	
	FP3. Budget allocation and mobilization.	1	1	2	2	2	3	3	
	FP4. Existence of social safety nets and funds.	1	1	2	2	2	2	2	
	FP5. Insurance coverage and loss transfer strategies for public assets.	1	1	2	3	3	2	3	
	FP6. Housing and private sector insurance and reinsurance coverage.	1	2	2	3	3	3	3	

1 = Low 2 = Incipient 3 = Appreciable 4 = Good 5 = Optimal

3. **Identification of Risks:** in relation to the identification of risks, the index indicates that the country has had its ups and downs on the levels of appreciable and good performance in the indicators of systematic inventory of disasters and losses (RI1) and assessment and hazard mapping (RI3). Hazard monitoring and forecasting (RI2) remained constant during the period 1995-2005 in the appreciable level of performance, but in the period 2005-2008 it reached a good level. The vulnerability assessment and risk (RI4) went from incipient to the appreciable level in 1995-2000 and has remained at that level of performance. This indicator has the largest weight assigned to it so that its variation affects the outcome of IGRIR. Indicators of Public

Information and Community Participation (RI5) and training and education in risk management (RI6) had setbacks in the period 1995-2000 from the appreciable to the incipient level. In the following period, they moved back to the appreciable level and held steady until 2008.

4. **Risk Reduction:** the country has been progressively integrating risk reduction activities in the definition of land use and urban planning (RR1) and the strengthening and vulnerability reduction of public and private assets (RR6). Both of these areas moved from the incipient to the appreciable level during 1995-2000, and in the period 2005-2008 reached the good level. The implementation of techniques of protection and control of dangerous phenomena (RR3) remained at the incipient level during 1995-2000 and then moved forward and stayed constant at the appreciable level during the period 2005-2008. Updating and enforcement of building codes and standards (RR5) rose in the period 1995-2000 to the good level and has remained at this level of performance.
5. The involvement of watershed and environmental protection (RR2) as well as improved housing and human settlement relocation from risk prone-areas (RR4) had a loss of performance for the year 2000 from the appreciable to the incipient level, in the period 2000-2005 returned to the appreciable level, and stayed constant until 2008. This indicator, along with RR5 and RR6, concentrated about 70 percent of the weight of the indicators, so its progress has important implications in the outcome of DRMRR.
6. **Disaster Management:** IGRDM indicates that the country had a progressive advance from the low to appreciable level in some indicators from 1995 to 2003. From 1995 to 2000, the organization and coordination of emergency operations (DM1) advanced to the appreciable level and remained in this category until 2008. Planning for emergency response and alert systems (DM2) remained until 2000 at the incipient level and later moved to the appreciable level. Both the simulation, updating, and testing of inter-agency response (DM4) and the rehabilitation and reconstruction (DM6) increased from the low to the incipient level in 2000 and maintained this level of performance until 2008. Progress in the preparation and training of communities (DM5) was low in 2000, although the original levels have since increased and been sustained since 2005. Finally, the provision of equipment, tools, and infrastructure (DM3) has not changed in the period 1995-2008, remaining at a low level of performance. This indicator, along with DM4, accounts for 50 percent of the weights of the activities of disaster management, so that its variation has implications for the value of DRMDM.
7. **Governance and Financial Protection:** the country has advanced to the appreciable level in almost all subindicators. The inter-institutional, multi-sectoral, and decentralized organization (FP1) has been at an appreciable level except in 2000, in what appeared a throwback to the incipient level.
8. Also, reserve funds for institutional strengthening (FP2) experienced a throwback to the incipient level, only able to recover in 2008. Identifying and mobilizing budget resources (FP3), as well as insurance coverage and reinsurance and private sector housing (FP6), increased from incipient to appreciable levels in 2005 and remained there until 2008. Insurance coverage and loss transfer strategies of public assets (FP5) has performance gains and losses on the incipient and appreciable performance levels. The implementation of networks and social security funds (FP4) has been at an incipient level of performance throughout the period of analysis.

Annex 13: Government's Consultative Process for the National Development Plan

1. The National Planning Council (*Consejo Nacional de Planeación*) is the responsible entity for conducting the public consultation process associated with Colombia's National Development Plans (NDP). The Council, according to Article 9 of Law 152 of 1994, must be comprised of national and local agencies and organizations that provide suggestions and recommendations on the most important chapters and building blocks of the NDP⁵⁶. The Council is in charge of ensuring that civil society is well represented in the discussions regarding the formulation of the NDP. According to DNP, this is one of the most important instances of civil society participatory planning in the country.⁵⁷
2. The basic themes of the NDP were presented officially on November 12, 2010. To provide the GoC an opportunity to consider and include the proposals of these various groups in the formulation of the NDP 2010-2014, 20 regional and 10 thematic forums were held around the country during the months of November and December 2010 (Table A9). The principle objective of these forums was to have various sectors and local authorities participate and voice their opinion with respect to the proposed areas of action covered by the NDP.

Table A9: Dates and Cities for the Sectorial and Regional Forums

Sectorial Discussion Forums	
Sector/Theme	City and Date
Women	Cartagena, 12/10/10
Education and Culture	Bogota, 12/9/10
Social Issues	Bogota, 12/1/10
Economic Issues	Bogota, 11/19/10
Race	San Andres, 12/2/10
Communities of Color	Cali, 12/9/10
Indigenous Communities	Bogota, 12/3/10
Local Communities	Bogota, 12/14/10
Environment	Bogota, 12/15/10
Youth	Bogota, 12/16/10

56. Representation within the Council consists of: the highest administrative agencies at the national, regional, and local levels; the economic sector (trade unions and industry associations, farmers, financial institutions and insurance companies, entrepreneurs and service providers); the cultural and educational sector (universities, legally recognized organizations that bring together primary and secondary educational institutions - public and private, scientific, technical or cultural institutions, and organizations that bring together university students); the environmental community (organizations that protect and advocate for natural resources and the environment); and communities (national unions and community associations). Finally and importantly, it also has the representation of women, indigenous groups, and ethnic minorities. Members of the planning councils are elected through short list by the sectors and/or regions respectively. The respective local governments choose the representatives, for a period of eight years (according to the Constitution) in terms of the National Planning Council, in order to give continuity to the plans.

⁵⁷ See DNP. Sociedad Civil Iniciar  en Yopal Discusi n del Plan Nacional de Desarrollo.

Regional Discussion Forums	
Region	Date
Tunja	12/13/2010
Bogota	11/22/2010
Cucuta	11/19/2010
Pasto	12/02/2010
Manizales	11/23/2010
Cartagena	12/03/2010
Ibague	11/29/2010
Leticia	11/30/2010
Barranquilla	12/01/2010
Valledupar	12/02/2010
Medellin	12/03/2010
Cali	12/06/2010
Neiva	12/07/2010
Bucaramanga	12/09/2010
Sincelejo	12/10/2010
Santa Marta	12/13/2010
Popayan	12/14/2010
Pereira	12/14/2010
Villavicencio	12/15/2010
Armenia	12/01/2010

3. The Council also organized the XIV National Congress of Participatory Planning (*XIV Congreso Nacional de Planeación Participativa*) in the city of Yopal, where the Council of Bogota⁵⁸ conducted several sessions and numerous working groups with the heads of planning of the regions, including on issues of housing and institutional strengthening at the municipal level.

58. The District Council of Bogota is a political-administrative Corporation elected by popular vote that exercises its powers as the supreme authority of the District Capital of Bogota. The District Council carries out its regulatory functions and political control through three (3) specialized standing committees, as follows: First Committee on the Development and land use plan, Second Committee on Government, Third Committee on Finance and Public Credit. For more information, see

http://concejodebogota.gov.co/prontus_concejobogota/site/artic/20090909/pags/20090909143119.php

Annex 14: Consulted Resources

In preparing this document, a variety of country studies related to disaster risk management and risk financing were taken into account. Particularly important documents included the following:

- a. Coporación OSSO. *Comportamiento del riesgo en Colombia*. Análisis de la Gestión del Riesgo en Colombia. Banco Mundial. Cali, 2011.
- b. DNP: Plan Nacional de Desarrollo 2010-2014: “Prosperidad para todos.” (2010): <http://www.dnp.gov.co/PortalWeb/Inicio.aspx>
- c. Dirección de Gestión de Riesgo- Coporación OSSO: *Estudio sobre diagnóstico y lineamientos de política para el SNPAD*. Diciembre de 2009
- d. Contraloría General de la República, *Informe sobre el estado de los recursos naturales de la Contraloría General de la República*, Capítulo IV, sobre GRD. Bogotá. 2007
- e. IADB (Inter-American Development Bank), *Indicators of Disaster Risk and Risk Management* (Washington, DC, 2010) and IADB (Inter-American Development Bank) and IDEA (Universidad Nacional de Colombia - Instituto de Estudios Ambientales), *Programa de Información e Indicadores de Gestión de Riesgos. Aplicación del Sistema de Indicadores a Colombia 1980-2000* (Manizales, Colombia, 2004).
- f. Ghesquiere, Francis and Mahul, Olivier, *Sovereign Natural Disaster Insurance for Developing Countries: A Paradigm Shift in Catastrophe Risk Financing* (Washington, DC: World Bank Working Paper, 2007).
- g. Bellizzia, Gloria, *Análisis de las inversiones en gestión del riesgo en Colombia*, (Bogotá, Colombia: Departamento Nacional de Planeación, draft dated 2008).
- h. S. A. Cuatro, *Lineamientos relacionados con las consideraciones jurídicas, administrativas, financieras, procedimentales, técnicas y sociales para la intervención, recuperación, manejo integral y control de áreas liberadas por procesos de reasentamiento, con aplicación a un caso piloto* (Bogotá, 2006).
- i. MAVDT (Ministerio de Ambiente, Vivienda y Desarrollo Territorial), *Guía metodológica incorporación de la prevención y la reducción del riesgo en los procesos de ordenamiento territorial* (Bogotá, Colombia, 2005).
- j. Cummins, J David and Mahul, Olivier, *Catastrophe Risk Financing in Developing Countries: Principles for Public Intervention* (Washington, D.C.: World Bank, 2008).
- k. ERN (Evaluación de Riesgos Naturales), *Definición de la responsabilidad del Estado y su exposición ante desastres naturales y el diseño de mecanismos para la cobertura de los riesgos residuales del Estado* (Manizales, Colombia, 2005).

Annex 15: IMF Relations Note

COLOMBIA—ASSESSMENT LETTER FOR THE INTER-AMERICAN DEVELOPMENT BANK AND WORLD BANK

April 20, 2012

1. ***The Colombian economy grew strongly in 2011, supported by sound macroeconomic policies.*** Output growth rose to 5.7 percent from 4.3 percent in 2010, driven by strong private domestic demand. Inflation remained within the official target range of 2–4 percent and inflation expectations stayed well anchored. The central bank started to normalize monetary conditions in early 2011, increasing the policy rate by 225 basis points (to 5.25 percent) by February 2012. The flexible exchange rate helped mitigate the turmoil in global financial markets of mid-2011. The resumption of appreciation pressures in 2012 led the central bank to reinstate its program of daily purchases of US\$20 million in the interbank market. High oil prices and significant improvements in tax administration contributed to an improvement in the overall fiscal balance of about 1 percentage point of GDP in 2011.
2. ***The outlook for 2012 is positive, but downside risks to the external environment remain elevated.*** Real GDP growth is projected to moderate somewhat due to slow growth in key trading partners and the impact of policy tightening. With inflation projected to decline toward the mid-point of the official target range and the high credit growth showing signs of easing, the central bank is expected to end the monetary tightening cycle. Fiscal policy is expected to remain on a path of consolidation, achieving the government's target of a structural deficit in the central government of 2.3 percent of GDP in 2014. High commodity prices and favorable prospects for the Colombian economy will likely back continued brisk inflows of FDI. However, in terms of downside risk, Colombia's near-term outlook could be adversely affected if the global economy falters, commodity prices fall, and/or global financial conditions worsen.
3. ***The financial sector remains solid.*** Financial soundness indicators and supervisory practices are strong. Banks are well capitalized with low non-performing loans that are well provisioned. Credit to the private sector, which gained considerable steam in 2011, has shown signs of moderating. The authorities monitor credit developments closely and are determined to curb high household credit growth. In addition, the regulatory agency is contemplating the adoption of measures aimed at improving the quality of the banks' capital.
4. ***Colombia's medium-term outlook is favorable.*** A solid macroeconomic framework and abundant natural resources will continue to attract large FDI inflows and support growth. In addition, the government plans to undertake ambitious pension and tax reforms, which will strengthen further the fiscal position, and a royalty reform which aims at a more equitable distribution of oil reserves among regions. The reforms will also help address the extensive level of labor informality, which remains a key medium-term challenge due to the high minimum wage and non-wage labor costs.
5. ***The latest Executive Board assessment of Colombia is presented in Public Information Notice No. 11/96 for the 2011 Article IV Consultation.*** The IMF Executive Board approved a two-year Flexible Credit Line arrangement on May 6, 2011 (Press Release No. 11/165).

Table 1. Colombia: Selected Economic and Financial Indicators

I. Social and Demographic Indicators						
Population (millions), 2010	46.1				Physicians (per 1,000 people), 2008	1.43
GDP, 2011					Adult illiteracy rate (ages 15 and older), 2009	6.8
per capita (US\$)	7,115				Gross primary school enrollment rate, 2010	115.4
in billions of Col\$	615,772				Sustainable access to safe water, 2006	
in billions of US\$	327.7				(percent of population)	92.0
Unemployment rate, December 2011 (percent)	9.8				Gini index, 2010	55.9
Life expectancy at birth (years), 2009	73.0				Poverty rate (\$2 a day (PPP)), 2009	18.0
Under 5 mortality rate (per 1,000 live births), 2009	19.1				Extreme poverty rate (\$1 a day (PPP)), 2009	8.0
Net Foreign direct investment, 2011 (US\$ millions)	4,945				Public Debt (in percent GDP), 2011	34.1
Net Foreign direct investment (in percent GDP)	1.5				o/w external	13.1
II. Economic Indicators						
	2007	2008	2009	2010	Est. 2011	Proj. 2012
(Percentage changes, unless otherwise indicated)						
National income and prices						
Real GDP	6.9	3.5	1.7	4.0	5.9	4.7
GDP deflator	5.0	7.6	3.4	3.6	6.9	3.3
Consumer prices (average)	5.5	7.0	4.2	2.3	3.4	3.5
Consumer prices (end of period)	5.7	7.7	2.0	3.2	3.7	3.1
External sector (on the basis of US\$)						
Exports (f.o.b.)	21.4	26.0	-11.7	20.1	41.3	8.8
Imports (f.o.b.)	25.4	20.5	-16.2	22.7	35.2	10.1
Terms of trade (deterioration -)	4.3	10.5	-9.9	10.0	12.5	2.4
Real effective exchange rate (depreciation -)	7.7	0.4	5.2	5.5	4.1	...
Central government						
Revenue	14.8	16.0	2.8	-2.8	25.7	12.6
Expenditure	9.9	12.9	13.6	-1.9	16.5	10.6
Money and credit						
Broad money	17.4	18.5	8.1	11.5	18.9	14.6
Credit to the private sector	25.6	14.0	0.9	16.8	22.9	14.2
Interest rate (90-day time deposits; percent per year)						
Nominal	9.0	10.1	4.1	3.5	5.1	...
Real	3.3	2.4	2.1	0.3	1.4	...
(In percent of GDP)						
Central government balance	-2.7	-2.3	-4.1	-3.9	-2.8	-2.6
Combined public sector balance 1/	-0.7	-0.1	-2.7	-3.3	-2.2	-1.6
Public debt 2/	32.7	30.9	36.7	36.9	34.1	32.3
Public debt, excluding Ecopetrol	32.7	30.9	35.6	35.7	32.9	31.1
Gross domestic investment	23.0	23.5	22.4	22.0	23.5	22.8
Gross national savings	20.2	20.6	20.3	19.0	20.4	20.2
Current account (deficit -)	-2.8	-2.8	-2.1	-3.1	-3.0	-2.6
External debt	21.2	19.7	23.2	22.7	23.2	21.4
Of which: public sector	13.7	12.5	16.0	13.9	13.1	12.2
GIR in percent of short-term debt	198.7	207.3	242.5	194.7	153.8	150.7
(In percent of exports of goods and services)						
External debt service	39.2	32.0	37.9	30.2	29.0	37.3
Of which: public sector	15.6	12.7	11.7	11.0	9.0	9.2
Of which: Interest payments	9.2	7.7	8.1	7.5	6.0	6.9
Of which: public sector	6.4	5.5	5.7	5.4	4.1	4.0
(In millions of U.S. dollars)						
Changes in GIR	5,498	3,065	1,321	3,086	3,834	2,506
Exports (f.o.b.)	30,577	38,534	34,025	40,867	57,739	62,820
Of which: Petroleum products	7,318	12,204	10,254	16,483	27,954	32,637
Coffee	1,714	1,883	1,543	1,884	2,608	2,070
Gross official reserves (US\$ millions)	20,607	23,672	24,992	28,078	31,912	34,418
Share of ST debt at remaining maturity + CA deficit	121	145	131	115	104	106
In months of imports of goods and services	5.5	7.4	6.4	5.5	5.7	5.9

Sources: Colombian authorities; UNDP Human Development Report; World Development Indicators; and Fund staff estimates and projections.

1/ Includes the quasi-fiscal balance of Banco de la República, Fogafin balance, net cost of financial system restructuring, and statistical discrepancy.

2/ Includes Ecopetrol and Banco de la República's outstanding external debt.

Annex 16: Public Debt Sustainability Analysis

Table 10. Colombia: Public Sector Debt Sustainability Framework, 2007-2017
(In percent of GDP, unless otherwise indicated)

	Actual					Staff Projections						Debt-stabilizing primary balance 10/ 0.3	
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Baseline: Public sector debt 1/													
o/w foreign-currency denominated	32.7	30.9	36.7	36.9	34.1	32.3	31.8	31.0	30.9	30.4	29.6		
Change in public sector debt	-4.1	-1.8	5.8	0.2	-2.8	-1.8	-0.5	-0.7	-0.1	-0.5	-0.8		
Identified debt-creating flows (4+7+12)	-6.0	-2.0	-0.3	0.0	-2.6	-1.6	-0.9	-0.9	-0.3	-0.6	-0.9		
Primary deficit	-3.0	-3.5	-0.8	0.2	-0.7	-1.3	-1.2	-1.0	-1.0	-0.9	-1.0		
Revenue and grants	27.2	26.4	26.7	26.2	26.7	27.3	27.1	26.9	27.0	26.7	26.5		
Primary (noninterest) expenditure	24.2	22.9	25.9	26.4	26.0	26.1	25.9	26.0	26.0	25.8	25.5		
Automatic debt dynamics 2/	-1.5	1.6	0.7	-0.2	-1.8	0.3	0.6	0.4	0.7	0.3	0.1		
Contribution from interest rate/growth differential 3/	0.0	0.1	1.9	0.2	-1.5	0.3	0.6	0.4	0.7	0.3	0.1		
Of which contribution from real interest rate	2.3	1.2	2.3	1.6	0.4	1.7	2.0	1.7	2.0	1.6	1.4		
Of which contribution from real GDP growth	-2.3	-1.0	-0.5	-1.4	-1.9	-1.5	-1.3	-1.3	-1.3	-1.3	-1.3		
Contribution from exchange rate depreciation 4/	-1.6	1.5	-1.1	-0.4	-0.3	...	...	...	...	...	...
Other identified debt-creating flows	-1.4	-0.1	-0.2	-0.1	0.0	-0.6	-0.3	-0.4	0.0	0.0	0.0		
Privatization receipts (negative)	-1.4	-0.1	-0.2	-0.1	0.0	-0.6	-0.3	-0.4	0.0	0.0	0.0		
Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual, including asset changes (2-3) 5/	1.9	0.2	6.0	0.2	-0.2	-0.2	0.4	0.2	0.1	0.1	0.1		
Public sector debt-to-revenue ratio 1/	120.4	117.1	137.2	140.9	127.4	118.1	117.1	115.3	114.4	113.7	111.7		
Gross financing need 6/													
in billions of U.S. dollars	9.1	7.1	7.9	7.4	6.3	5.4	6.1	5.6	5.5	4.8	4.8		
	19.2	16.7	18.3	21.0	20.7	20.2	24.0	23.3	23.6	21.7	23.3		
Scenario with key variables at their historical averages 7/						32.3	30.4	28.2	26.3	24.4	22.5	0.0	
Scenario with no policy change (constant primary balance) in 2012-2017						32.3	31.7	30.7	30.3	29.4	28.4	0.2	
Key Macroeconomic and Fiscal Assumptions Underlying Baseline													
Real GDP growth (in percent)	6.9	3.5	1.7	4.0	5.9	4.7	4.4	4.5	4.5	4.5	4.5		
Average nominal interest rate on public debt (in percent) 8/	12.4	11.8	11.4	8.5	8.5	9.0	9.1	8.8	8.8	8.2	7.9		
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	7.3	4.3	8.0	4.8	1.6	5.7	6.6	6.0	7.1	5.6	5.1		
Nominal appreciation (increase in US dollar value of local currency, in percent)	11.1	-10.2	9.8	2.7	2.4	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	5.0	7.6	3.4	3.6	6.9	3.3	2.5	2.8	1.8	2.6	2.8		
Growth of real primary spending (deflated by GDP deflator, in percent)	6.5	-1.9	15.1	5.9	4.5	4.9	3.9	4.5	4.7	3.7	3.3		
Primary deficit 9/	-3.0	-3.5	-0.8	0.2	-0.7	-1.3	-1.2	-1.0	-1.0	-0.9	-1.0		

Source: IMF staff estimates.

1/ Gross debt of the combined public sector, including Ecopetrol and Banco de la República's outstanding external debt. Does not assume any drawings under the Flexible Credit Line arrangement or any contingent liability.

2/ Derived as $[(r - p(1+g) - g + ae(1+r))/(1+g+p+gp)]$ times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

3/ The real interest rate contribution is derived from the denominator in footnote 2/ as $r - \pi(1+g)$ and the real growth contribution as $-g$.

4/ The exchange rate contribution is derived from the numerator in footnote 2/ as $ae(1+r)$.

5/ For projections, this line includes exchange rate changes.

6/ Defined as public sector deficit, plus amortization of medium and long-term public sector debt, plus short-term debt at end of previous period.

7/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.

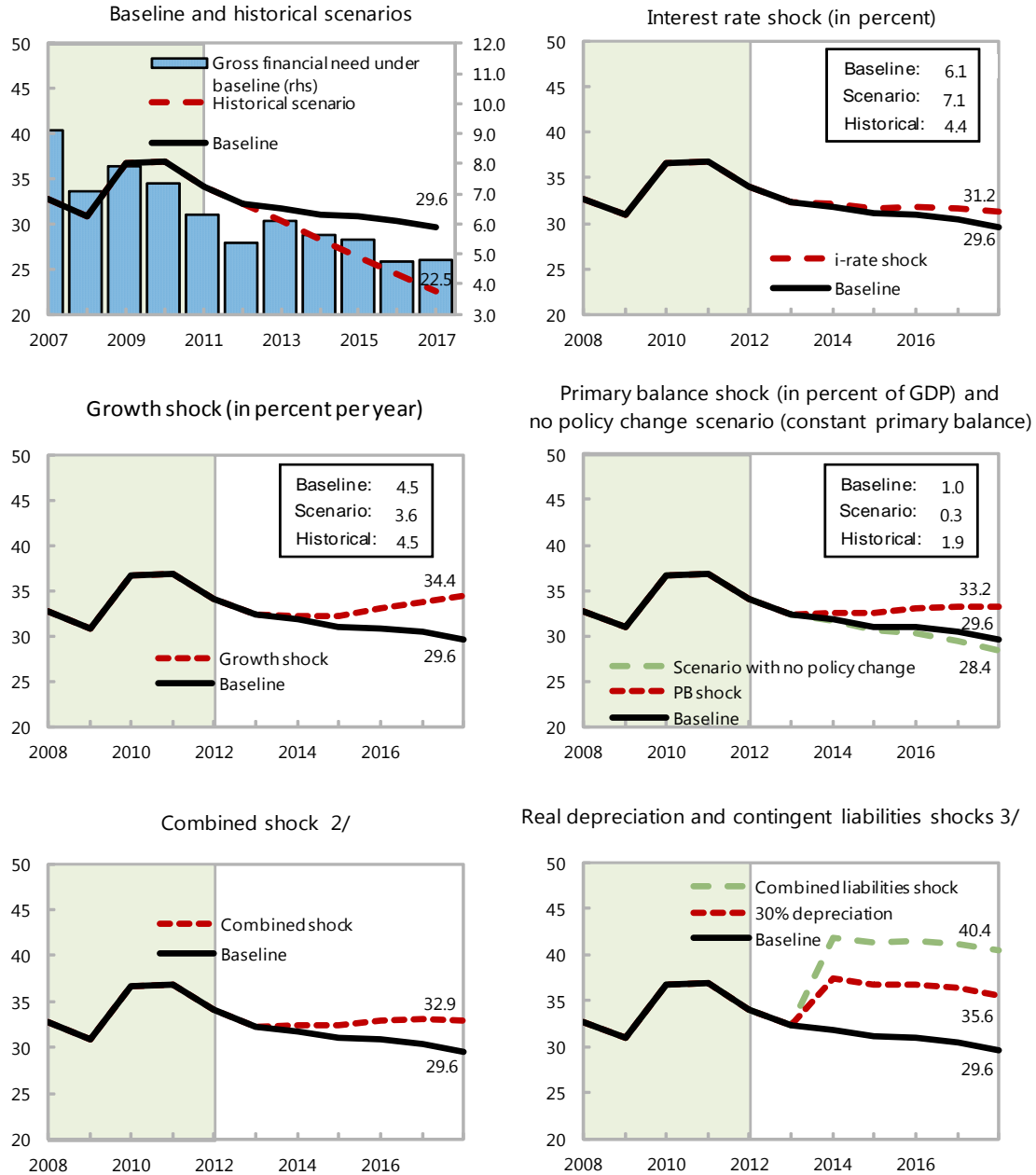
8/ Derived as nominal interest expenditure divided by previous period debt stock.

9/ Excludes statistical discrepancy.

10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Source: IMF, IMF (Colombia – Review Under the Flexible Credit Line Arrangement, April 18, 2012).

Colombia: Public Debt Sustainability: Bound Tests 1/ (Public debt in percent of GDP)



Sources: International Monetary Fund, country desk data, and staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.

2/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and primary balance.

3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2012, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

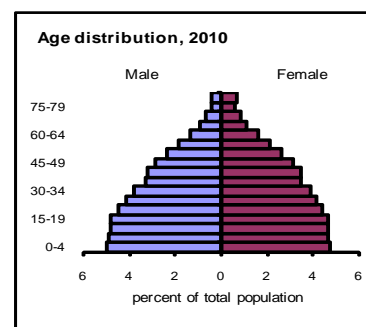
Source: IMF (Colombia – Review Under the Flexible Credit Line Arrangement, April 18, 2012).

Annex 17: Colombia at a Glance

Colombia at a glance

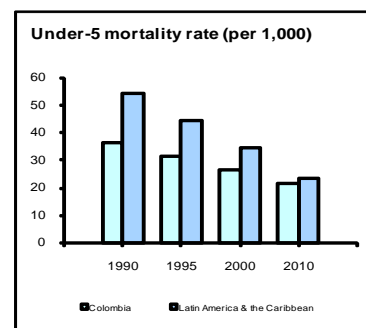
6/12

Key Development Indicators (2011)	Colombia	Latin America & Carib.	Upper middle income
Population, mid-year (millions)	46.9	583	2,452
Surface area (thousand sq. km)	1,142	20,394	59,328
Population growth (%)	1.4	1.1	0.7
Urban population (% of total population)	75	79	57
GNI (Atlas method, US\$ billions)	281.6	4,505	14,429
GNI per capita (Atlas method, US\$)	6,120	7,733	5,884
GNI per capita (PPP, international \$)	9,060	10,926	9,970
GDP growth (%)	5.9	4.5	7.8
GDP per capita growth (%)	4.5	5.0	7.1

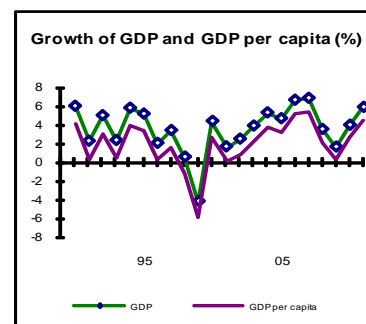


(most recent estimate, 2005–2011)

Poverty headcount ratio at \$125 a day (PPP, %)	8	6	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	16	12	..
Life expectancy at birth (years)	73	74	73
Infant mortality (per 1,000 live births)	18	18	17
Child malnutrition (% of children under 5)	3	3	3
Adult literacy, male (% of ages 15 and older)	93	92	96
Adult literacy, female (% of ages 15 and older)	93	90	91
Gross primary enrollment, male (% of age group)	116	119	111
Gross primary enrollment, female (% of age group)	114	115	111
Access to an improved water source (% of population)	92	94	93
Access to improved sanitation facilities (% of population)	77	79	73



Net Aid Flows	1980	1990	2000	2011 ^a
(US\$ millions)				
Net ODA and official aid	90	89	186	910
Top 3 donors (in 2010):				
United States	-14	-19	105	424
France	1	18	9	160
Spain	0	7	13	56
Aid (% of GNI)	0.3	0.2	0.2	0.3
Aid per capita (US\$)	3	3	5	20



Long-Term Economic Trends

Consumer prices (annual % change)	26.5	29.1	9.2	2.7
GDP implicit deflator (annual % change)	27.6	26.1	32.4	6.9
Exchange rate (annual average, local per US\$)	47.3	502.3	2,087.4	1,847.0
Terms of trade index (2000 = 100)	..	..	100	118
Population, mid-year (millions)	26.9	33.2	39.8	46.9
GDP (US\$ millions)	33,401	40,274	100,364	327,700
	(% of GDP)			
Agriculture	19.9	16.7	8.9	6.3
Industry	32.5	37.9	29.5	29.9
Manufacturing	23.9	20.6	15.5	12.6
Services	47.6	45.4	61.6	53.9
Household final consumption expenditure	70.2	66.4	68.6	66.0
General gov't final consumption expenditure	10.1	9.4	16.7	16.0
Gross capital formation	19.1	18.5	15.0	27.1
Exports of goods and services	16.2	20.6	16.4	16.9
Imports of goods and services	15.6	14.8	16.7	26.2
Gross savings	..	..	..	..

1980–90 1990–2000 2000–11 (average annual growth %)

Population	2.1	1.8	1.5
GDP	3.7	2.8	4.5
Agriculture	2.9	-2.7	2.1
Industry	5.0	1.4	3.5
Manufacturing	3.5	-2.5	3.6
Services	2.9	4.1	4.8
Household final consumption expenditure	5.1	1.1	4.2
General gov't final consumption expenditure	4.2	10.9	4.2
Gross capital formation	1.4	2.1	11.6
Exports of goods and services	7.5	5.0	13.2
Imports of goods and services	0.4	9.3	14.0

Note: Figures in italics are for years other than those specified. 2011 data are preliminary. .. indicates data are not available.
a. Aid data are for 2010.

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Balance of Payments and Trade **2000** **2010***(US\$ millions)*

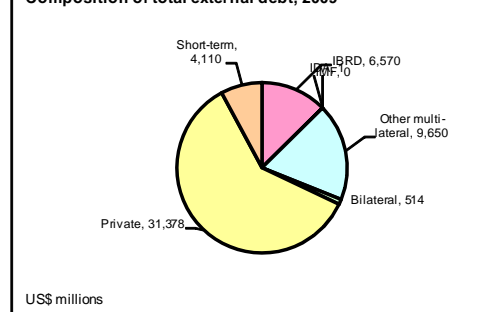
Total merchandise exports (fob)	13,158	39,820
Total merchandise imports (cif)	11,786	40,683
Net trade in goods and services	1,411	-1,390
Current account balance as a % of GDP	770	-9,032
	0.8	-3.1
Workers' remittances and compensation of employees (receipts)	1,610	4,180
Reserves, including gold	9,006	28,464

Central Government Finance*(% of GDP)*

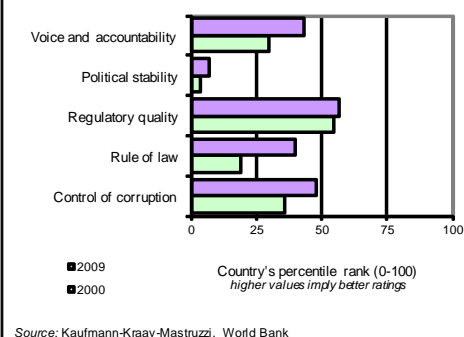
Current revenue (including grants)	23.8	23.1
Tax revenue	14.4	17.5
Current expenditure	20.6	22.3
Overall surplus/deficit	-2.9	-3.3
Highest marginal tax rate (%)		
Individual	35	33
Corporate	35	33

External Debt and Resource Flows*(US\$ millions)*

Total debt outstanding and disbursed	33,937	48,128
Total debt service	5,104	7,599
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	33.8	16.7
Total debt service (% of exports)	28.7	15.0
Foreign direct investment (net inflows)	2,436	7,260
Portfolio equity (net inflows)	17	67

Composition of total external debt, 2009**Private Sector Development** **2000** **2010**

Time required to start a business (days)	-	14
Cost to start a business (% of GNI per capita)	-	14.7
Time required to register property (days)	-	20
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2010
Anticompetitive or informal practices	..	34.5
Crime	..	13.0
Stock market capitalization (% of GDP)	9.5	72.3
Bank capital to asset ratio (%)	112	13.6

Governance indicators, 2000 and 2009**Technology and Infrastructure** **2000** **2009**

Paved roads (% of total)	14.4	..
Fixed line and mobile phone subscribers (per 100 people)	24	109
High technology exports (% of manufactured exports)	7.7	5.3

Environment

Agricultural land (% of land area)	40	38
Forest area (% of land area)	54.9	54.6
Terrestrial protected areas (% of land area)	..	..
Freshwater resources per capita (cu. meters)	51,403	47,611
Freshwater withdrawal (billion cubic meters)	12.7	..
CO2 emissions per capita (mt)	15	14
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	9.8	2.0
Energy use per capita (kg of oil equivalent)	673	684

World Bank Group portfolio **2000** **2009***(US\$ millions)*

IBRD		
Total debt outstanding and disbursed	1,920	6,570
Disbursements	266	1,331
Principal repayments	242	216
Interest payments	126	242
IDA		
Total debt outstanding and disbursed	7	1
Disbursements	0	0
Total debt service	1	1
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	107	838
Disbursements for IFC own account	84	686
Disbursements for IFC own account	26	152
Portfolio sales, prepayments and repayments for IFC own account	20	74
MIGA		
Gross exposure	97	0
New guarantees	0	0

Note: Figures in italics are for years other than those specified. 2010 data are preliminary.
 .. indicates data are not available. - indicates observation is not applicable.

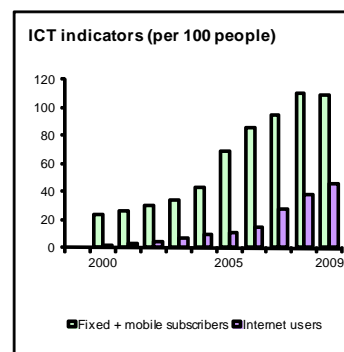
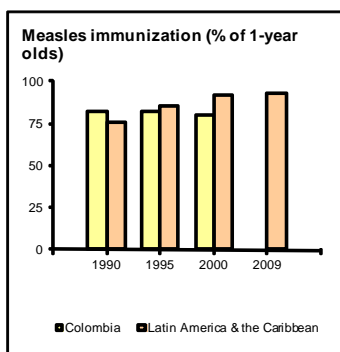
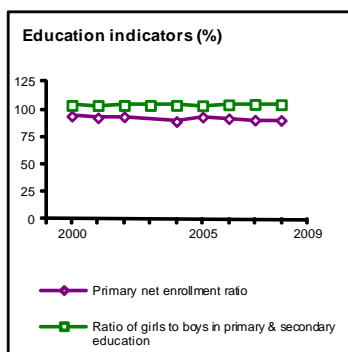
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Millennium Development Goals

Colombia

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Colombia			
	1990	1995	2000	2009
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$ 125 a day (PPP, % of population)	8.3	3.5	16.8	16.0
Poverty headcount ratio at national poverty line (% of population)	..	60.0	64.0	45.1
Share of income or consumption to the poorest quintile (%)	3.4	3.1	2.6	2.3
Prevalence of malnutrition (% of children under 5)	..	6.3	4.9	5.1
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	71	83	94	90
Primary completion rate (% of relevant age group)	74	87	95	115
Secondary school enrollment (gross, %)	53	64	72	95
Youth literacy rate (% of people ages 15-24)	95	96	97	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	108	105	104	104
Women employed in the nonagricultural sector (% of nonagricultural employment)	42	45	49	49
Proportion of seats held by women in national parliament (%)	5	2	12	8
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	35	31	26	19
Infant mortality rate (per 1,000 live births)	28	26	22	16
Measles immunization (proportion of one-year olds immunized, %)	82	82	80	92
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	140	120	110	85
Births attended by skilled health staff (% of total)	82	86	86	96
Contraceptive prevalence (% of women ages 15-49)	66	72	77	78
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.2	0.6	0.9	0.5
Incidence of tuberculosis (per 100,000 people)	54	48	43	36
Tuberculosis case detection rate (% all forms)	70	57	68	70
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	88	90	91	92
Access to improved sanitation facilities (% of population)	68	70	72	74
Forest area (% of land area)	55.4	55.2	54.9	54.6
Terrestrial protected areas (% of land area)	..	..	..	..
CO2 emissions (metric tons per capita)	1.7	1.6	1.5	1.4
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	8.4	8.7	9.8	12.0
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	7.3	10.6	18.1	16.4
Mobile phone subscribers (per 100 people)	0.0	0.8	5.7	92.3
Internet users (per 100 people)	0.0	0.2	2.2	45.5
Personal computers (per 100 people)	0.9	1.7	3.8	112



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