

Colombia

Client Perspectives on Elements of World Bank Support

Working Paper for
Development Results in Middle-Income Countries
An Evaluation of the World Bank's Support



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PREFACE

The Independent Evaluation Group (IEG) of the World Bank has conducted an ‘Evaluation of the World Bank’s Support to Middle-Income Countries’. As a contribution to that evaluation, IEG commissioned national experts in several countries to undertake background research on the topic. The aim was to use a client perspective drawn from in-country consultations—to shed light on the experiences of the Bank with its Middle-Income Country (MIC) partners.

This working paper draws upon responses from a selection of interviews conducted in mid-2006 with in-country stakeholders and a review of the relevant analytical and evaluative material. It provides valuable insights into selected issues faced by many MIC clients, and has been used as a background to the IEG evaluation. As with any research of this type, there may be contrasting views from other commentators, and this report is not intended to be a comprehensive assessment of the Bank’s country program and nor should it be considered as a formal report of the type produced by IEG in its country assistance evaluations.

The findings, interpretations, and conclusions expressed here are those of the authors(s) and do not necessarily represent views of the IEG, or the Board of Executive Directors of the World Bank or the governments they represent.

1. INTRODUCTION

1. This report aims at evaluating some of the strengths and weaknesses of key elements of the World Bank's (WB) support to Colombia in recent years. In doing so, it should shed light on general issues faced by the Bank in Middle Income Countries (MIC). The client perspective is the thrust of this report. The focus is the practical application of WB's engagements (loan programs, diagnosis studies, public sector coordination, assistance and promotion of bank's initiatives) as seen from knowledgeable public officials, congressmen and representatives of the civil society of Colombia. We analyze a group of bank's projects as well as the reaction to their effectiveness and the general activities of the WB in the country.

2. The report draws upon opinions and information from a selection of interviews and reviewing existing material, which should provide a useful perspective. As in any field study of this type, the report is ultimately a synthesis produced by the authors based primarily on the feedback from counterparts and a practical appreciation of Colombia's development experiences. There may, of course, be contrasting views from other commentators, and this report is not intended to be a comprehensive assessment, and should not be considered in the same fashion as, for example, an IEG-led Country Assistance Evaluation.

3. The 'data' gathering procedure consisted of interviews and analysis of actual WB programs. This introduction starts out with a description of the constitutive features of Colombia as a MIC and its similarities and differences with some Latin American MICs. Then it characterizes the type of requests and perspective that various actors in Colombia have at times considered to be relevant in engagement with international institutions including the WB. Then it analyzes the incentives faced by different actors within Government's bureaucracies, and perceptions of those incentives which may pertain to the Bank, and which therefore could influence the design and actual workings of the WB with the country.

4. For the particular engagement with Colombia, the document follows the outline presented above, defined for all of the countries included in this research agenda. Finally some conclusions are drawn. The questionnaire of the interviews, list of interviewees, Figures and reflections pertinent to some sections appear in the appendices.

1.1 WHAT IS A MIC: COLOMBIA AND LATIN AMERICA

5. The following description does not pretend to be a comprehensive and rigorous one, based on a statistical analysis of Colombia and its similarity and difference with some Latin American MICs. Instead, we focus on some salient features relevant for our examination of WB's engagement. In this sense, we are particularly interested in the following four characteristics.

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1.2 FEATURE A. DISPARITIES IN THE TREND PER CAPITA GDP GROWTH

6. Figures 1 and 2 present the long term (forty years) view of per capita GDP growth of Colombia compared with the major Latin American countries. These figures reveal that Colombia came out as the most stable growth path, with lower short term fluctuations but also with no ‘miraculous’ period of rapid and sustained growth (i.e. higher than 6% annually). Brazil and Mexico performed quite well between 1965 and the end of the seventies, one decade and half later their per capita GDPs basically stagnated. On the other hand, Chile exhibited basically the opposite behavior with marked cycles and stagnation until the middle of the eighties and a substantial and stable up surge thereafter. Compared with Colombia, Argentina, Peru and Venezuela’s per capita GDP (Figure 2) stagnated during the seventies, declined in the eighties and, in the case of the first two, finally showed some positive growth in the nineties, which Venezuela did not experience. **Hence, the first characteristic of this analysis is the dissimilar long term economic growth performance of Colombia compared to the rest of the countries in the group.** This partially reflects differences in political and economic factors between Colombia and the rest of the countries in the sample, and is partially the result of a lack of economic consensus inside Latin American MICs on what should be done to achieve steady long term growth. The latter is visible in the last decade debate among economists from academia, multilaterals, and country’s technical elites (see for instance Easterly, 2001 and 2006).

1.3 FEATURE B. SHORT TERM GDP CYCLES

7. Related with the previous feature, this characteristic refers to the evident smoothing in long term per capita GDP growth of Colombia relative to other Latin American MICs. Colombia did not exhibit sharp short term GDP cycles while other Latin American MICs experimented dramatic upward and downward cycles of per capita GDP growth from 1965 to 2004. This feature is also reflected in Figures 1 and 2, where for instance Peru and Chile between 1970 and the middle of the eighties exhibited stagnating long term growth but drastic swings, lasting on average between three and six years in their indices. Something similar is visible for Brazil and Mexico since the eighties.

1.4 FEATURE C. A ‘GHOST’ FIGURE OF THEIR INCOME DISTRIBUTION

8. Another persistent feature of many Latin American MICs is a particularly unequal income distribution, with a salient characteristic, namely a shape which could be said to resemble a ‘ghost’. During 2001, Colombia’s income distribution reflected a high proportion of its population (75%) earning less than four minimum wages per month (MWMs)¹, half of the households had incomes between one and three MWMs, and 10% of households had salaries smaller than one MWM (Jaramillo y Silva 2001). **The income distribution of Colombia is one of the most unequal of Latin America: the 25% of richest people in the country possess incomes 30 times higher than those of the 25% poorest population. Also, Colombia has been one of few countries where this distribution fared worst at the end of the nineties (NU, 1998).** This inequality, with

¹ In 2001 one minimum wage per month (MWM) was equivalent to US\$ 135.

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greater concentration in the right side of distribution can be compared with other Latin American MICs. Indeed, as can be seen in Figures 3 and 4 where the income distributions of Brazil and Mexico are shown, in 1970 these pictures exhibited three peaks (arms and head of the ‘ghost’). The middle one was the middle class, and the other two were the working and affluent classes. This pattern is not usual in the distributions of other middle income and even low income countries. It is true that the ghost shape of the distributions has changed between 1970 and 2000, making the poor arm less visible whereas the affluent arm has gained more weight. However, this modification has not eliminated the ghost but probably made it scarier. The shape is important as a consequence of two distinct elements: the first one is the constant inequality claim made by civil society organizations (labor unions, think tanks, etc.) in these countries. The second one is the pervasiveness of poverty traps that hinder a considerable share of the poor to take advantage of the economic prosperity accruing to the rest of the country.

1.5 FEATURE D. REGIONAL DISPARITIES

9. Economic, social and institutional infrastructure varies widely across regions in Colombia. A similar situation occurs in other Latin American MICs. Figure 5 presents the distribution of per capita regional GDP in Colombia during 2001. Regions are divided into two different groups: poor and rich areas, but with a larger concentration of regions in the poor cluster and a wide gap in the income between both groups. Additionally, Colombia’s most prosperous economic region and its most depressed area, Bogotá and Chocó, respectively, are each located at the right and left extremes of the distribution. Indeed, an explanation for the ghost feature discussed is partly the fact that urban areas are connected with the global economy and more able to exploit the possibilities of international trade, direct and portfolio capital flows, labor force training and flexibility, and economies of scale and scope of firms. In contrast, distant and under-provisioned regions find themselves trapped in poverty and little potential for prosperity. In general, the access to what economists call ‘the markets’ is quite distinct for those two areas.

10. These four features are not meant to fully describe all of the critical characteristics of Latin American MICs, but in our view they are salient to the type of relationship established throughout the years between a country such as Colombia and the WB. They are useful to be aware of when seeking to understand the type of the involvement that governments demand and bank officials supply when dealing with these types of countries.

2. THE RELEVANCE OF THE BANK

11. One way of visualizing the relevance of the institutional involvement with the country is to analyze the incentives and procedures affecting both, the demand and supply sides of loan and assistance programs.

2.1 THE DEMAND SIDE

12. What are the types of requests that a MIC like Colombia typically present to the WB? The previous reflection on some salient features of Latin American MICs leads to

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the major themes that conceptually should occupy the agenda between the WB and a MIC. Certainly, from the demand side of loan or assistance programs, that is from the country's own perspective, it could be expected that the loans and knowledge transfer should help in: identifying ways to shift upwards the long run per capita GDP growth rate; dampening or smoothing GDP and income fluctuations and their impact on consumption via timely lending in periods of recession; and tackling the directed assistance to the poor and the most backward regions of the country.

13. However, political economy aspects of the negotiation process may also influence the demand side of the agenda with a multilateral bank. One example is the level, position or seniority of government representatives in charge of meeting and dealing with the WB's officials. For instance, when provincial or local governments request WB support they could be trying to bypass central government regulation regarding indebtedness limits, or circumventing the lack of access to the domestic financial market. In turn, when the National Central Government demands WB resources or projects, it promotes national government policies and politics, which surpass the local or regional sphere. In both cases political economy considerations could be critical in shaping WB involvement. Whether or not the institution is fully aware of these aspects is of course difficult to determine, but could have critical consequences. Many projects in Colombia could be affected by these considerations.

14. The way priorities are discussed and set also plays an important role. For instance, the depth of coordination within the national public sector and the order and consistency with which an agenda is set and pursued might be the most important determinants of quality of WB involvement. The point here is that different ministers have the incentive to compete for WB attention, at the cost of coordination and project quality. They might aim to saturate the WB with requests for their own sector, and to crowd out other ministries or public agencies. Some respondents suggested this was the case in Colombia at the end of the 1990s when the Central Government faced a chaos in the demands of resources presented to the multilaterals. As a result, the National Planning Department established a filter for all the requests, coming from either sub national governments or Central Government institutions. This initiative brought order to the negotiation with the multilaterals, allowed to public sector to compare initiatives and to prioritize among them. Finally, it subjected those demands to the macroeconomic framework and the fiscal sustainability, rather to a decentralized and disordered process.

15. Other elements that can shape demand are the kudos (or indirect benefit) public officials can derive from the negotiating process with the Bank. This is due to the additional, direct or indirect, 'services' they could receive from the bank. We particularly refer to elements like the possibility of hiring new, more sophisticated staff, gaining negotiating power vis-à-vis other instances of the public sector; pursuing avenues of influence previously concealed; or gaining the attention of higher echelons of the decision making process, etc. These elements might be overlooked and may play a role in the demand side of the agenda with the WB.

16. Also, strategic factors of the government's internal negotiation might end up defining the demand side of the agenda. For instance, the need for short term, general

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purpose, budget support programs are definitely the interest of Central governments. Whereas long term, social, institutional and sectoral infrastructure programs might be more in the interest of the regions. Another type of opaque 'service' from the bank results from the fact that whereas the Government annual budget is subject to congressional scrutiny and detailed approval process in the parliament, the use and allocation of WB loans can be more discretionary. Moreover, the particular allocation can be defended on grounds of a negotiation with the WB that could hardly be changed in subsequent phases.

17. Other considerations might also be influential, such as the government life cycle, its relationship to the regions, the extent of budget inflexibility and pork barrel politics. The first of these elements is quite important. In a four year administration, the first year is normally spent in a learning process in which the WB role is helping the Government to set an agenda, prioritize, and select a small number of meaningful initiatives to pursue. During the following two years the administration actually gets the resources and puts the projects in motion. Finally, during the last year it is particularly interested in showing results. The WB has to work with governments confronting such time schedule almost invariably. As a matter of fact, during the last two governments in Colombia the WB has strengthened a four year, forward looking approach and put considerable effort in selling it to the new administration in order to speed up this political life-cycle effect.

18. It is important to provide a statistical framework of the Bank involvement in Colombia. First, we present the macroeconomic and fiscal context in which the government analyzes its demand of WB resources. The Central Bank and the Ministry of Finance pursue an IMF-type Financial Programming exercise that starts with a definition of a sustainable short run deficit. Such central government deficit is added to the amortization needs in order to identify the annual financial needs. Then the Public Credit Direction of the Ministry of Finance prepares a table of possible sources for financing the deficit. Table 1 presents the ex-post result of the 2004 and 2005 sources and uses exercise. The demand from the WB was USD 407 million in 2004 and USD 667 million in 2005. Of course the amount to be requested from the WB reflects more than an accounting exercise; it reflects the Government's strategy for maintaining access to this financing source, among other considerations to be presented in this document.

Table 1. Financial Sources of the National Government, 2004 and 2005

Sources	2004		2005	
	S Million	% GDP	S Million	% GDP
Sources	10.371	10,9	14.231	11,5
Disbursements	8.932	9,2	14.601	12,1
External	2.657	2,7	3.028	2,5
Bonds	1.375	1,4	1.565	1,3
Multilaterals and others	1.282	1,3	1.463	1,2
World Bank	407	0,4	667	0,6
Internal	6.275	6,5	11.560	9,6
TES Long Term	5.964	6,2	11.097	9,3
TES Short Term	311	0,3	463	0,4
Privatiz., Central B. Profits, other	318	0,3	472	0,4
Portfolio and other Resources	195	0,2	-1.169	-1
Accrual Adjustments	1.121	1,2	327	0

Source: Colombian Ministry of Finance. TES are Sovereign domestic bonds.

19. The weight of the WB on central government financing changes depending on different macroeconomic scenarios; for instance, the end of the nineties and the beginning of this decade was marked by an international and domestic crises and a subsequent lack of access to international financial markets. In such a situation the role of multilateral banks, and of the WB in particular, in financing the Colombian government was substantial. Instead, Table 1 shows that given ample access to international and domestic capital markets in recent years, the multilaterals have become more a complementary source than the main component of the financing strategy.

20. One of the most important determinants for using the WB is cost. However, interest rates have varied substantially during the previous years. Broader access to markets has reduced spreads, as Table 2 shows. Hence, the WB attractiveness has lost some of its luster. Indeed, a difference of 5,39% in cost vis-à-vis market bonds fell to 1,42% from 2001 to 2005. Also, competition from other multilaterals has to be taken into consideration.

21. These considerations may, in the end, have important consequences for the actual agenda to be negotiated with the bank. The study of the incentives faced by public officials in charge of setting the agenda and undertaking the negotiations deserves more attention. These elements are mentioned with varying degrees of emphasis by the Colombian officials interviewed.

**Table 2. Cost National Government of financing, 2001 and 2005
Comparison between the World Bank and other sources**

	Maturity	2001			2005		
		Interest rate (1)	Sovreign Colombian Bonds * (2)	Diference (2-1)	Interest rate (3)	Sovreign Colombian Bonds * (4)	Diference (4-3)
WORLD BANK	11,25	Libor + 0,55%	Libor+5,94%	5,39%	Libor + 0,50%	Libor + 1,92%	1,42%
IADB	12,75	Libor + 0,29%	Libor + 5,85%	5,56%	Libor + 0,24%	Libor + 2,11%	1,87%
CAF	7,5	Libor + 2,5%	Libor + 5,55%	3,05%	Libor + 3,25%	Libor + 1,53%	-1,72%

Source: Colombian Ministry of Finance.

(*) This is the cost of a bond of equivalent maturity, obtained from the official yield curve of sovereign debt, expressed as a spread over the Libor.

CAF: Andean Financing Corporation. IADB: Inter American Development Bank.

2.2 THE SUPPLY SIDE

22. The supply side of the agenda is also affected by political economy considerations that are cited as influencing the topics and sectors prioritized for discussion with the Bank, and influencing the design of actual programs to be proposed to the Government. At least one respondent had formed the view, based on interaction with the Bank, that WB employees act in fact as ‘consultants’ who sell their time in a type of internal market. According to this Colombian public official who knows these internal WB procedures very well, the incentives created by this setup have “hideous consequences” for the countries (*nefastas*, in Spanish). At times, the creativity of the WB officials is directed to propose ‘new’ programs which do not necessarily contemplate what is needed in the targeted countries.

23. Once these ideas take shape, the programs have to be sold within the WB in a tortuous process, in which many additional concepts are added to the original project (e.g. gender and indigenous population components, among others), making the final design even more cumbersome for the country. Even programs that have been under long processes of negotiation are redrawn at final stages due to the internal unending discussions, and have to be brought back to the countries for endless adjustments².

24. The matrix organization of the WB (in the horizontal axis the internal supply sectors HD, PREM, ESSD, FPSI³; and in the vertical one the country’s demand side) leads to the fact that from a country perspective there is in reality not one WB but many small World Banks, composed by different groups of the institution competing for the country’s attention. One official complained that there are almost weekly missions pursuing a myriad of topics. Nobody really knows who requested them or how they

² Some of these new issues emerge from nationals living in Washington D.C. who have their own agenda for Colombia, and try to impose it to the country via additional conditions of certain programs. From the point of view of the domestic policymakers, this is an unbearable practice.

³ HD, Human development, PREM, Poverty Reduction and Economic Management, ESSD Environmental, Social and Sustainable Development, and FPSI, Finance, Private Sector and Infrastructure.

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showed up in the agenda. Such disorder hinders the effectiveness and credibility of the supply package.

25. One example cited by a high rank government official refers to a recent proposal which he understood had come from the Bank's personnel in the Poverty Reduction and Economic Management (PREM) sector. PREM staff, he mentioned, had been on a country visit which including promoting a program in Buenaventura, the country's most important sea port. Their argument was basically one of social development taking considering the poverty of this city. A few weeks later it appeared that staff from the Bank's Finance and Private Sector development (FPSI) sector came to Colombia with the same or a similar project, but emphasizing its infrastructure and competitiveness components. The upshot was some confusion or at least a lack of clarity created in the minds of some officials since it appeared that both sectors seemed to be competing for the same project with little coordination among them.

26. Another negative factor mentioned by interviewees is the lack of practical, detailed knowledge of the particular country that some of these teams suffer. Frequently, a one size fits all strategy is adopted, transferring projects from country to country, disregarding the institutional setting of the recipient. The lack of knowledge is replaced by the arrogance of the WB officials, says a Colombian authority. One example cited by a public official was the "new school" program, which he believed drew upon models used elsewhere but had not been successful in Colombia because of its inadequateness to local conditions. Similarly, he argued that the program of education vouchers was also not proving to be a clear success, contrary to expectations he believed the WB had raised.

27. The supply side suffers also from lack of flexibility, since the resources are allocated to projects for the whole fiscal year. Another internal feature that affects the inflexibility is the distance between the directives and the real human machinery of the bank. That opens up the possibility that the agendas of the two institutional levels do not coincide. Hence a country receives different messages, depending on whom it interacts with. The image is that of a heavy machine in which there is little coordination between the commanding heights command and the practical performers. "The World Bank looks very much like the United Nations to us" an official said.

28. The WB has the Country Assistance Strategy - CAS as a way of organizing a pluri-annual agenda. However, there were mixed views as to whether, as an instrument of coordination and planning, it has been adopted or institutionalized in the Bank-Colombia relationship. Some respondents suggested that in certain circumstances the Government priorities are not reflected in the CAS, and also that public officials face political constraints that understandably are not reflected in the CAS. This fact undermines its effectiveness. "In sum, the Government does not take the CAS that seriously; but for the WB it is of utmost importance", an official concluded. This does not refer to a particular CAS, but to the general method which is simply not used by the Colombian government.

29. In a more positive vein, the WB knowledge services to Colombia can and has "shed light on issues probably unnoticed before", and official says. The institution has evolved also towards hearing more what the countries have to say. In many cases it is the

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Government which actually provides the idea for a program, or the type of problem that need to be confronted, and the WB works in identifying solutions and their applicability. “The WB ratifies the idea and technically strengthens the strategy; it is interesting that when the program comes back it appears as if it were an imposition to the country”. The expertise provided by selected members of the staff as well as of top people they gather around a particular request can hardly be matched, according to a government source.

30. Two interesting issues were mentioned by many public officials in this regard. First, the importance of the role, quality and attributes of key Bank interlocutors, particularly the country director and the country manager. If these two officials get to know the country well, the relationship can be very constructive. To the point, and this is the appealing emphasis, that it is hard to recognize whether it is the institutional policy of the WB what helps or the personal stance and engagement what surfaces as good performance. Two polar cases stem from the most recent directors. The current country director is respected by the Government due to her well recognized capabilities, and inclusive agenda. Her knowledge of Colombia is widely recognized as an asset of WB. In contrast, the previous director (from five years ago) was sometimes viewed as imposing his views brought directly from his experience in México.

31. A separate issue stressed by a public official is the fact that the WB has really “no doctrine or ideology. They are open ideologically and give a chance to practically whatever idea you mention.” This open-mindedness makes the Bank really attractive to new ideas and challenging projects. Additionally, the staff has been also open to learn from the Government.

32. One example of WB learning has been the evolution of thinking about the free use resource programs, for supporting, say, fiscal packages in need of resources not linked to any sector or program (approximately from 1985 to 1995). At the end of the nineties respondents interaction with the Bank led them to judge that the WB did not like this type of loan. Responding to the insistence of Government, since 2002 the Bank decided that there should be a 50/50 share between sectoral targeted programs and free use resources. Later it admitted a 30/70 distribution, complying with the country demand they were facing. Now, in what genuinely constitutes an institutional innovation, the WB stopped thinking about percentages and introduced a general financing program which is broadly evaluated, in which the total exposition with the country is analyzed in an integral fashion.

33. “In 2004 Colombia became the first country to implement the Bank’s new Expenditure Eligibility Policy, which allowed the Bank to finance 100 percent of expenditures.....- an advance very much appreciated by the Colombian authorities and project staff”⁴. An interviewee speculated that an eventual reason for this softening is the broader access to market resources for the nations, as well as the huge advanced payments done by large Latin American countries. However, this person maintains, “whereas some people in Washington would also like to see the MICs graduating from the WB, from the country’s perspective the access to the [international capital markets] is

⁴ World Bank (2005).

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variable.” Additionally, the financial conditions in terms of cost and maturity offered by the WB are unbeatable.

34. Some respondents reported that the WB had appeared in their view to respond to the new, more disciplined approach by the Central Government to new borrowing, by directly targeting sub national governments interested in Bank borrowing. Among these regions of Colombia it is possible to find cases of significant poverty (similar to those of the low income countries), with the lowest levels of development and with huge appetite for WB resources and knowledge. It may appear that the Bank’s approach to this “market segment” aims at creating new opportunities for the WB’s products. However, Central Government needs to guarantee all those loans, and therefore ends up leading the regional strategy of the WB.

35. Furthermore, some respondents argued that WB programs lack continuity and instead, vary accordingly to the agenda of the current administration. Certainly, the ability of the WB to change its agenda in order to meet the needs of each government is perceived by governmental officials as an advantage and a key strength. For some private sector representatives, however, this attribute has been less desirable. They suggest that it has been an obstacle for WB programs to make the country closer to its development goals.

3. ELEMENTS OF THE EFFECTIVENESS OF THE BANK’S WORK

36. It is not possible in a limited assignment of this type to form a comprehensive and deeply grounded view of the overall effectiveness of the WB’s work in Colombia. What we can do, however, is to illustrate some of the features—and constraints—to effectiveness in specific cases, which may help illustrate wider issues. We do this below, intertwining the perceptions and feedback from several interviewees.

37. Figure 6 shows the IEG project ratings for 46 projects in Colombia between 1995 and 2005. Overall, it can be inferred that WB engagement has been fairly effective, as nearly half (47.5%) of the projects have fared the expected results and have been rated as satisfactory. Still, it is noteworthy that 3 projects, 6.5% of the total of projects, have been rated as highly satisfactory; and furthermore that one out of every five WB projects has had unsatisfactory results.⁵ There was no evidence that projects in certain sectors fare better than others, or that recent projects exhibited different results than those from the beginning of the period.

38. Two sectoral public programs: the National Urban Transport Program (NUTP) and the Second Programmatic Fiscal and Institutional Adjustment Loan (FIAL II)

39. In recent years WB assistance has been most effective by providing support to existing good practices and policies, and scaling up good results. An example of this is represented by WB_IBRD operations such as the loan for National Urban Transport

⁵ Moderately Unsatisfactory, Unsatisfactory, and Highly Unsatisfactory.

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Program (NUTP)⁶ and the Second Programmatic Fiscal and Institutional Adjustment Loan (FIAL II).⁷

40. The NUTP was a US\$ 250 million loan to support the efforts of the Government of Colombia (GOC) aimed at the formulation of national urban transport programs and strategies, and the further development of the Bus Rapid Transit (BRT) in Bogotá and other mayor cities between the periods 2005 to 2009. This lending operation followed the steps the successful experience of the Urban Transport Project (UTP),⁸ a lending operation worth US\$65 million in which the WB partially financed the infrastructure of the first phase of TransMilenio, Bogotá's BRT. The UTP had a successful impact on the overall quality of life in the city by addressing the needs of the city's poor population for a high quality public transport system, and defining a coherent regulatory framework.

41. The NUTP intends to build upon the progress made under the UTP and improve long term sustainability, efficiency, and quality of urban transport systems in Bogotá and in other selected cities by means of the implementation of capacity building⁹ and financial support to BRT's infrastructure development.

42. In a similar fashion, the FIAL II built upon the moderately satisfactory experience (as rated by the IEG) of the US\$ 150 million FIAL I loan. The latter intended to support the GOC vertical reforms targeted towards addressing fiscal rigidities, improving the provision of public services and establishing an institutional basis for better results in public expenditure. The FIAL II constitutes a mechanism to bring about necessary reforms that reinforce those promoted by the FIAL I. FIAL II objectives include the establishment of legal frameworks for the public sector reform, and the definition of a budget reform strategy; reforms that are necessary complements to those developed under the FIAL I.

43. The results from these two projects present evidence which contradicts the sometimes voiced criticism that the conditionalities and triggers of WB operations are unreasonable and not pragmatic. On the contrary, respondents judges tat the conditionalities and triggers under these projects were both reasonable and attainable; and were considered to be essential for the producing the expected results.

44. In the case of the NUTP, conditionalities and triggers were necessary to lessen the adverse environmental and negative social impact related with the construction of BRT's infrastructures, and facilitate occasional population resettlements. As a result of these conditionalities, WB task teams suggested the development of Environmental Management Plans (EMP) and Resettlement Plans (RP). Furthermore, WB assisted local

⁶ National Urban Transport Program (NUTP): Project Identification Number (P082466); Appraisal Date (February 26, 2004); Status (Ongoing).

⁷ Second Programmatic Fiscal and Institutional Adjustment Loan (FIAL II): Project Identification Number (P083905); Appraisal Date (February 26, 2004); Status (Finalized - FY2004); Project Outcomes (Moderately Satisfactory).

⁸ Urban Transport Project (UTP): Project Identification Number (P006872); Status (Finalized - FY2001); Project Outcomes (Highly Satisfactory).

⁹ Includes efforts to formulate a National urban transport program and strategy, and to reinforce institutional capacity and strengthen technical and operational capacity of participating cities.

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authorities by bringing up key issues, and contributing with its own know how from similar prior experiences, namely Curitiba, and Bogotá. This translated into EMPs and RPs within each of the participating cities, a policy that has contributed to the overall effectiveness of the operation.

45. On the other hand, during the implementation of the FIAL II the WB demonstrated political sensitivity and a certain degree of flexibility in the disbursement of resources, even when some of the conditionalities and triggers were not appropriately met. In this case, WB's operation was sufficiently sensitive as some delays were usual for a complex program such as this one, and some of the triggers were subject to political uncertainties. Arguably, the Bank's flexibility in this and other respects mentioned above is a key issue in a healthy relationship with MIC Governments. This was the case for triggers such as the proposed Constitutional amendment, which was hindered by a troublesome relation of the government with the Constitutional Court, and demanded prior agreements with various political actors.

46. According to one of our interviewees, "a big share of the conditionalities imposed by the WB has positive consequences. For example, some loans have established requirements such as the allocation of resources from the National Budget to the development of social programs. Furthermore, the pressure to issue a specific law or decree may be considered as an opportunity to bring about necessary changes in regulation".

47. Hence, it can be inferred that these two loan operations were tailored to meet the country's needs, and allowed an institutional and policy change while strengthening capacity building and pro poor policies.

48. On another note, it is worth mentioning that even when other sources of financing are available, and the participation of the private sector in investment projects has been growing, single project investment loans from the WB are still crucial. The latter is evident from the results obtained from the support provided to NUTP TransMilenio, where the WB contributed with US\$250 million of a total of US\$425 million committed to the project. While the Bank has been involved in the NUTP, and in general private participation in infrastructure is increasing, respondents did not mention IFC during interviews

49. Last of all, the WB's ability to mobilize resources and bundle technical assistance along with financial services for the execution of strategies and projects gives the WB unique advantages over other sources for support. According to a government source, the capability of the WB to mobilize financial and human resources, and the expertise provided by staff members and teams gathered for particular projects can not be matched by any other source of support. "Generally the WB is much better than the Inter-American Development Bank (IDB) and Andean Development Corporation (CAF), because the Bank's technical capacity is superior and stronger. The WB has wide experience in sharing lessons from similar programs in Asia, Africa and other countries around the world, which proved to be quite beneficial", a member of the academia mentioned. In the case of the NUTP, for example, the WB shared its *know how* on the

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environmental social impact resulting from the implementation and construction of urban transport infrastructure in other cities such as Curitiba. In addition, it contributed to the development of local EMPs and RPs, and supported workshops with local authorities to bring about key issues and safeguard policies during the intervention. During the development of FIAL II the WB also provided much needed technical assistance and advisory services. The posting of a technical expert in the field helped deliver this support, building upon the WB's *know how* on prior experiences and policy interventions regarding tax and public sector reforms and frameworks.

3.1 PRIVATE SECTOR OPINIONS

50. Even when these two projects have fared well and exhibit new features of WB's recent engagement and operations in Colombia, the general perception of the limited number of private sector representatives with whom we were able to consult on the WB effectiveness is not particularly favorable. As a general issue, private sector representatives state that the possible advantages that the WB might offer to a country as Colombia are not fully exploited in order to achieve desired results and meet specific poverty challenges. However, some of them differ on why these strengths are not fully exploited.

51. From the perspective of two well known private sector representatives, who come to know the WB's operations quite well, several WB internal factors explain the limited effectiveness of WB's operations in Colombia. According to them, the absence of a clear and long term strategy in key areas has limited the effectiveness of WB funded programs against poverty, and has not allowed engaging in productive and sustained social investments. This lack of a sustained engagement in essential sectors also prevents building deep sector knowledge among the WB staff and developing sector institutions, some of which could be instrumental for more effective pro poor policies. One of these private representatives stated that WB operations, loans and projects do not correspond to a long term strategy for poverty reduction but instead to the different agendas of administrations and incumbent government officials. As a consequence, it is not very clear to the private sector that the Bank's intervention in Colombia has helped the country to get closer to its development goals.

52. In addition, both of them consider that the WB exhibits a low profile which diminishes the impact of its operations. According to them, the WB only interacts with some government agencies, ignoring that politics and economic policies are not only developed by the government but also involve Think-Tanks, NGO's, Universities and private entrepreneurs, among others. "At the same time, the WB does not say a lot when the government decides to back off from initial proposals, as it is the case with the pensions of high ranked public officials." From the perspective of these two private sector representatives, the WB should become more involved in the discussion and design of the development agenda in Colombia.

53. Notwithstanding, according to another private sector representative who has worked along the IFC for several years, the reason behind the limited effectiveness of WB operations in Colombia does not lie within the WB's own structure or strategy. Quite

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the contrary, this is a consequence of the lack of sound institutions, which hinders the possibility to fully exploit and make the most of WB's resources and advice. A key example of this, as the interviewee mentioned, is the involvement of the WB in the development of national and local housing policies. In this scenario, the role of the WB is crucial since it comprises a long term strategy which is absent from local and national discussions, builds upon successful policies in other countries and from the knowledge and experience of its staff, and sheds light upon key issues without imposing policies or reforms. "Perhaps, the most valuable issue that the WB has in relation to the housing policy agenda is the quality of its staff, which cannot be matched by any other local, national, or international institution, and the practical and respectful approach they take while discussing key issues with local agents." This, in turn, should help national and local authorities to develop sustainable and long term housing strategies and policies. However, WB engagement in the housing agenda in Colombia has not been effective. Colombia lacks the necessary institutions to take advantage of the WB's know-how, or bring about required changes in policies or even in institutions themselves. "As a consequence, WB's diagnosis, reports and support is wasted."

54. On a separate issue, the general perception of our respondents from the private sector is that the WB misses good investment opportunities due to inappropriate practices and a lack of flexibility. "WB operations lack the necessary flexibility to adjust to changing environments", a private source stated. According to this interviewee, this circumstance partially stems from the fact that resources are allocated for the whole fiscal year, there exists a lack of coordination among the different WB ranks, loan programs are overly detailed, and required internal procedures delay necessary adjustments. Another private sector representative stated that "other sources of financing, such as the IDB, seem to be more flexible and capable of adjusting without going into extensive discussions along their different ranks." However, he noticed that in the last few years some operations have become less rigid, and the WB has been flexible enough to concede modifications concerning triggers and conditionalities, as it was the case with the FIAL II, without compromising the quality or expected results of policy interventions.

4. THE IMPORTANCE AND IMPACT OF BANK'S LENDING

55. This section is aimed towards discussing of some of the strengths and weaknesses of WB's lending operations in Colombia in recent years. In doing so, it sheds light on the general trends of resources and financial flows, it analyzes two projects with contrasting results, and discusses the general perceptions of public officials, private sector representatives, and members of the academia.

56. Figures 7 and 7a present the amount of resources in WB lending operations between 1995 and 2006 in millions of US\$ and as a percentage of the Colombian nominal GDP respectively. Although it is evident that in the short term the amount of resources varies widely and has significant deviations from the trend, it is also noticeable that during this period the amount of resources has exhibited an overall increasing path. This is true for lending operations in both nominal terms and as a share of GDP.

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57. Figure 8, on the other hand, presents the percentage of resources of loan operations by sector of the total quantity of lending resources offered by the WB during all period 1995 - 2006. The first six sectors (Financial Sector, Social Protection, Public Sector Governance, Urban Development, Transport, and Economic Policy) sums 73% of the total resources disbursed during the period, while the accumulated contribution of the environmental, rural and social development sectors is barely 6%.

58. Lastly, Figures 9 and 9a present the net financial flows and transfers during the last ten years, and reveal a negative balance for the GOC between 1995 and 1997, as the governments was mainly repaying obligations and interests from pasts lending operations. In the period 1997 - 2006 net financial flows and transfers have been exhibiting an increasing trend as lending operations have increased, and disbursements have been substantially higher than principal repayments and interest payments combined.

4.1 A GOOD SOLUTION: THE SOCIAL SAFETY NET

59. The Social Safety Net (*Red de Apoyo Social, RAS*) was created in the middle of the 1999 macroeconomic crises, and was originally directed to fund temporary employment, conditional cash transfers to poor families and firm-based apprenticeship grants for youth. The characteristics of the three Bank loans in support of the RAS appear in Table 3: Community Works and Employment Project¹⁰, Human Capital Protection¹¹ and CO Social Safety Net Project¹². These projects have helped develop the three RAS' programs: '*Familias en Acción*', '*Empleo en Acción*' and '*Jóvenes en Acción*'. The total value of the Bank's lending at such programs has been US\$336.4 million and actually the only active project is CO Social Safety Net Project.

¹⁰ The Community Works and Employment Project for Colombia financed small, labor-intensive public works to provide temporary employment to poor workers, increase the net labor income of their families, and prevent deterioration of living standards in poor communities (World Bank, 2000).

¹¹ The Human Capital Protection Project aimed to support poor families' investments in their 0-17 year old children's health, nutrition, and education in the face of sharply reduced incomes (World Bank, 2001).

¹² The project has the following components: (i) Consolidation and expansion of the '*Familias en Acción*' program to 400,000 families by including extreme poor families in marginalized urban areas as well as high priority zones affected by violence. (ii) Improving the monitoring and evaluation system of the Ministry of Social Protection (MSP) in order to better track and critically review the country's social safety net portfolio (World Bank, 2005).

Table 3. Bank Loans to Support Social Safety Net

Project Name	ID	Commitment Amount (US\$ Million)	Product Line	Country	Status	Approval Date	Principal Performance Ratings*
Community Works and Employment Project (Manos a la Obra: Proyectos Comunitarios)	P068762	100	IBRD/IDA	Colombia	Closed (30-Nov-05)	11-May-00	20-Sep-06 Outcome: U, Sustainability: UN, Institutional Development Impact: M, Bank Performance: U, Borrower Performance: U.
Human Capital Protection	P069964	150	IBRD/IDA	Colombia	Closed (30-Nov-05)	29-Mar-01	30-Sep-06 Outcome: S, Sustainability: HL, Institutional Development Impact: SU, Bank Performance: S, Borrower Performance: S.
CO Social Safety Net Project	P089443	86.4	IBRD/IDA	Colombia	Active	01-Nov-05	

Source: IEG. World Bank.

* (S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, UN=Unlikely, SU=Substantial, M=Modest)

60. All of the interviewees praised RAS for its satisfactory results. “The RAS has been considered one of the most interesting projects of Colombia in response to the late nineties’ crisis. The ‘*Familias en Acción*’ component of the RAS (i.e. conditional cash transfers) is probably the most credible governmental initiative among the poor”, said a government official.

61. “The impact assessment of “*Familias en Acción*” carried out by Attanasio *et al.* (2005) and the National Planning Department (DNP, 2006)¹³ concluded that in the short run the program generates positive outcomes in nutrition and education for poor children, as well as higher household consumption levels. This type of programs has been very good in achieving its objectives”, expressed an interviewee. Obviously, these operations have had their share of trouble but positive outcomes have been widespread. In addition, “even though the WB tries to monitor the performance of resources, projects and programs, the implementation of them is strongly dependent of government’s efforts. The WB should make sustained efforts so that lending operations accomplish the expected results”.

¹³ The preliminary evaluation of “*Familias en Acción*” shows that positive effects were detected in the height of rural children from 0 to 2 years old, weight of urban children, school assistance for children between 12 and 17 year old, and household consumption (an increasing of 15% compared to 2002). Departamento Nacional de Planeación - DNP (2006).

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62. A general perception of the interviewees was that “The RAS programs ‘*Familias en Acción*’, ‘*Empleo en Acción*’ and ‘*Jóvenes en Acción*’ address the needs and problems of the poorest population. Even though their real impact on poverty alleviation in their long run is not well known yet, the WB’s support is considered key to help the country cushion the difficulties of poor families during crisis”.

63. There are four concerns that different interviewees reported about ‘*Familias en Acción*’, and the role the WB may play in this context: (i) the sustainability of its investments; (ii) the durability of the program; (iii) impact assessments; and (iv) detailed beneficiary households follow up.

64. In addition, an official argues that “there is not doubt that direct money transfers to households have a significant social impact; however, the program’s true effectiveness depends upon a solid follow up of households. The program deters the participation of beneficiary children in other good initiatives such as ‘*Hogares Comunitarios*’. These programs are not substitutes; instead, they could be thought as complementary efforts”. Indeed, the recent evaluation report of the ‘*Familias en Acción*’ program states that ‘*Hogares Comunitarios*’ seems more useful in those cases in which children were not beneficiaries of ‘*Familias en Acción*’. This indicates that both programs could be complementary, and some type of integration could be useful (DNP, 2006). Thus, WB programs should take into account these reflections and incorporate flexible mechanisms for the design and implementation of its lending services¹⁴.

65. The majority of policymakers point out that the WB’s help, in terms of technical assistance and resources, has been valuable for the correct performance of this program, which is considered to be crucial as it copes with the delicate matter of social protection. Figure 8 shows that the number of WB’s lending operations in this area has been significant during the last ten years. The resources addressed towards ‘*Familias en Acción*’ since 2001 (US\$ 236.4 million) represent 26% of the disbursements to this sector. However, two of six members of the academic community mentioned: “What would happen in the future to beneficiary households if the program ended? The answer is uncertain; perhaps children from those households would have higher expected incomes because of higher levels of human capital. This would suggest that the program consists solely of an assistance scheme”. Hence, it suggests that the WB should ask itself if the assistance approach is really effective. Therefore, the WB responsibility should go beyond current funding and comprises the discussion with the government about the long run continuity and sustainability of successful programs.

66. The RAS has been of particular interest because for the first time important resources have been devoted, jointly by WB and IDB, for assessment and program evaluations. Also, since its design was enriched with the experience of the ‘*Progresas*’ program in Mexico. The WB’s participation actually permitted this ‘transfer’ of ‘institutional technology’ among MICs. Currently the RAS evaluations feed back the

¹⁴ We have been informed that Bank staff has indeed analyzed this issue and pushed for greater coordination between these social programs, although some Government counterparts have suggested that legislative restrictions make this difficult at present.

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expansion of the program to big cities (it was originally implemented in small municipalities). *'Familias en Acción'* is a positive example of the WB involvement for sharing and transferring information and best practices in neighboring countries where similar programs are applied.

4.2 *THE PERFECT STORM: THE SIERRA NEVADA DE SANTA MARTA PROJECT*

67. Maybe one of the most revealing cases of the perils that ex-ante successful and well thought World Bank lending can face down the road is the case of a program prepared for the Sierra Nevada de Santa Marta. The Sierra Nevada is an amazing geographic formation right in front of the Caribbean, which rises more than five thousand meters over sea level, but is isolated from the rest of the mountain ranges of the country. It therefore constitutes an ecosystem of its own, and is the home of ancient indigenous cultures, that have maintained its way of living similar to pre-Columbian times. The problems with this beautiful region started in the sixties, when the variety of its climate, the difficult accessibility for the authorities and the closeness to the coast made it the perfect place to produce marihuana for export. In the eighties, these attractive characteristics captured the imagination of the cocaine traffickers, and in the nineties became the object of dispute between the leftist guerrillas and the death squads of the paramilitaries.

68. During the nineties an environmental NGO worked with the local authorities (The provincial Government and various municipalities) and the aborigine communities in a long brainstorming process about the future of the Sierra. The result was a thick volume that gathered a Development Plan for the region, properly socialized and legitimized by the participation of all the relevant actors. Based on this project, the NGO, with the support of the sub national and national governments presented the project to the World Bank for its financing. Such a well designed and supported initiative received support from the Bank, through a specific and relatively new Bank instrument called a Learning and Innovation Loan (LIL). This LIL was set at five million dollars to finance productive projects and the institutional improvement for the region.

69. The program needed an institution in charge of its coordination, promotion and execution, and the natural candidate was the NGO. It had links with the authorities, the local communities, the productive sector, and was in charge of presenting the project, selling it and getting the funding from the WB. As the project progressed, however, it ran into some considerable difficulties. Disbursement of project funds was slow in the first three years of the project, and the Government's Controller General advised on corrective measures on administrative and accounting measures in the project.

70. The project is still ongoing and so while there have, according to our respondents, undoubtedly been difficulties and perhaps some failures, the overall outcomes and success of the project cannot be assessed at this stage. The fact that it was a LIL suggests that indeed one might expect more fluidity and change—based on experimentation and learning—than in a more traditional project. The respondents in this study made several suggestions including that: (i) greater recognition should be paid to the influence exerted on implementation by those in the region who act contrary to laws and prevailing norms;

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(ii) the absorption capacity of small NGOs must be carefully calibrated—too rapid expansion of available funds can cause difficulty. The overall feedback was that there was no real omission or failure in the ex-ante process of project design including the involvement of the community. But the challenges, including from infighting and political struggles which may be motivated by a desire to capture project resources, have been very significant.

4.3 GENERAL COMMENTS ON THE BANK LENDING

71. Even though WB lending activities are still quite important and relevant, in general, the interviewees perceive that the WB has been losing ground as a result of broader access to market resources, rigid procedures, and prohibitive costs. Although there is an increasing trend in the amount of resources allocated by lending operations in Colombia, the interviewee's perception is that the relative participation of WB resources among the total allocation of other lending sources has decreased in time. As mentioned, they state that this is due to the costs and procedures of WB lending operations and the fact that Colombia now is able to access other sources of financing.

72. A private sector representative mentioned that “the role played by the WB today is less relevant than between 1969 and 1980, as a result of greater access to market resources, which undoubtedly are less rigid in their disbursement.” Another interviewee from the private sector mentioned that even though the country has a broader set of options for financing, “it seems that the WB continues operating under its institutional DNA, and under the assumption that it is the only institution offering assistance and resources.” According to the interviewees this definitely implies higher costs of doing businesses, which in turn diminishes the attractiveness of WB projects and resources.

73. When asked by the effectiveness of lending operations, both of these private sector representatives agreed that it should be measured by the ability to target expected results, or by the celerity of disbursements. For the latter, “the rigid WB structure and lending conditionalities hinder the ability to promptly disburse resources, and thus dampen the effectiveness of WB lending operations and the allocation of resources into productive and required social investments.”

74. According to one of these private sector representatives, it seems that WB cares much more about the repayment of loans and not about the socioeconomic impact lending activities might have. WB loans are not directed first and foremost towards key sectors, but instead towards sectors where loans can be repaid, as if lending is an end by itself.

5. BANK GROUP COOPERATION—ELEMENTS OF THE ROLE OF THE IFC IN COLOMBIA

75. Many, indeed most of our respondents were not especially familiar with the IFC and hence could not provide feedback on the quality and extent of Bank Group cooperation in Colombia. But as an illustration of the potential importance of the topic, one well informed Colombian counterpart did provide insights into how IFC activity can

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play a role in the Bank Group's overall support for country development. His views came from the perspective of a successful IFC business endeavor that promoted the creation of the *Titularizadora Colombiana*, the first entity specialized in securitizing mortgage loans in Colombia. For this purpose we include the perspective of a private sector representative who was closely involved in the operation. He noted that the IFC played an important role in promoting the creation of this institution by bringing local banks - which previously competed against each other- together, investing in the company even after a strong economic recession, and providing much needed know-how and technical support, among others.

76. The respondent drew attention to the fact that by the mid nineties the IFC, acting as a development broker and in an independent fashion, generated awareness on: the need of creating an institution which was specialized in securitizing mortgage loans, the financial prospects that would result from this endeavor, and manifested its interest in jointly participating with local bankers. As a consequence, in 1995 it promoted an agreement between mortgage bankers that would lead to the creation of such an institution, with the objective of bringing capital markets and the housing market together through the issuance of mortgage backed securities.

77. The rationale behind this venture is intimately linked with the IFC objective of reducing poverty and improving life conditions in developing countries by means of promoting sustainable investments of the private sector. For this purpose, it was essential to establish an institution that would facilitate the financing and purchase of new or used housing, and boost construction in all cities and socioeconomic areas. This institution would constitute a link between the housing needs of millions of families and the savings of individuals and organizations interested in purchasing high yield and low risk commercial papers. Hence, this strategy would promote the access of wide segments of the population to loans and, as a consequence, more Colombian families would be capable of possessing a home of their own. As it turned out, this became crucial after the 1999 economic crisis in which the construction sector suffered a substantial setback, and thousands of people, especially the poorest sectors of the population, lost their houses. In the second place, participating in such an institution would provide and excellent business opportunity and yield high returns to private investments.

78. During the following years, he reported that in discussions with the authorities, the IFC pointed out the need of bringing about legal and institutional reforms that would allow the establishment of an institution of this kind. In addition, the IFC provided its know-how on financial markets of developing countries, and technical and administrative advice and assistance to mortgage brokers. This support continued even after the economic crisis struck Colombia in 1999, with devastating consequences on financial and housing markets. Moreover, during this period the IFC played a crucial countercyclical role as it engaged in a long term gambit by investing in local banks and financial institutions.

79. Two years after the "Housing Bill" (Law 546 of 1999) was issued, and under the endorsement of the IFC, *Titularizadora Colombiana* was finally created as a private institution, with shareholders that include institutions with a strong position in the local

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financial market, and the IFC itself.¹⁵ According to the interviewee, who followed closely this process as a high ranking officer of one these institutions and currently is the company's president, the IFC was the sole responsible for the creation of *Titularizadora Colombiana*: "The IFC made this institution possible, it promoted discussions with the government, paved the way for commitments and arrangements between domestic financial institutions, it transferred its knowledge and know-how, invested in the company, and during the economic crisis it maintained its stance even when nobody else believed in Colombia."

80. At the present time, this institution is backed up by the IFC and all the private mortgage banks in Colombia. It offers services that include: mortgage loan selection; purchase of selected mortgage loans; mortgage loan delivery; servicing of the purchased portfolio; and securitization. By 2006 it is expected that the company's portfolio purchases will account for 38% of the mortgage loans in the Colombia. These resources will undoubtedly contribute to inject funds into the mortgage loan cash flow, thus reactivating the construction industry in Colombia, and promoting employment.

81. Even when the IFC's original idea was to engage in a short term relation with the company, the company's success has paved the way for a long term relation. During this time, IFC has continued to provide technical support and advice, and has brought into the light new business alternatives and products, thus promoting the development of local institutional technology and know-how. Moreover, the IFC is currently supporting the development of a securitization market in neighboring countries, following the experience of Colombia. In sum the respondent suggested that "undoubtedly, the IFC paved the way for the establishment of the securitization market in Colombia and now is endorsing the expansion of this successful strategy."

6. THE USE AND SHARING OF KNOWLEDGE

82. The purpose of this section is to mention the different perspectives from policymakers, members of the academia, and representatives of the private sector on the WB's use and sharing of knowledge. First, we present the main issues of the most salient effort of '*knowledge sharing*' endeavored by the WB, known as the "Policy Notes". Second, we refer to the opinions of interviewees on quality and feed back of WB's publications, technical assistance and advisory services.

83. It is worth mentioning, that resources devoted to Analytical Advisory Services (AAA), which include Economic and Sector Work Projects (ESWP) as well as Technical Assistance Projects (TAP), have exhibited a decreasing trend during the last four years. As Figures 10 and 10a show, resources devoted to AAA's have exhibited a decreasing trend during this period, especially since 2003.

¹⁵ IFC is the major shareholder of *Titularizadora Colombiana* with 21% of the company's capital.

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6.1 THE 2006 WORLD BANK POLICY NOTES

84. The general perception among policymakers is that the Policy Notes document has represented a considerable intellectual effort from the part of the WB staff in order to get engaged with local conditions and gather a wide range of policy topics in Colombia. “One of the positive statements that stands out of the Policy Notes is the recognition of sound policymaking in Colombia”, several of the policymakers interviewed mentioned. The Policy Notes state that “Colombia is, by and large, a solid performer in terms of implementing reforms. Despite the need for continued efforts, the 2005 edition of Doing Business ranked the country second in the world in terms of implementing reforms that favor the business environment.” This type of statements plays a crucial role domestically to provide legitimacy packages of reform.

85. Another feature of analytical and advisory activity (AAA) product such as the Policy Notes is that they are likely to at times touch on subject matter and topics which involve contrasting views among different groups—even with the government administration. While some respondents welcomed the fact that the Bank’s Policy Notes were covering issues of real relevance to Colombia, others argued that there were examples in which the Bank’s analysis—in their view—was not providing best advice. This may be a reflection on aspects of the Bank’s work, or it may simply be part and parcel of any policy dialogue—that for some the Bank’s input will be spot on, while others judge that it misses the mark.

86. Taking this in the round, there are two characteristics of the Bank’s advisory work worth highlighting. The first is that it can and has provided good technical support, by bringing international academics and specialists to the country who have contributed to strengthen the proposed reforms. The second is that given the Bank’s profile and its potential to inform Government policymaking, it must be constantly vigilant to ensure its advice is carefully tailored to specific country circumstances. At times this means taking particular care in expressing views when dealing with the most contentious of issues.

6.2 GOVERNMENT OFFICIALS’ OPINION ON OTHER WB’S KNOWLEDGE SHARING ACTIVITIES

87. For government officials, technical assistance for ongoing and new projects seems to be effective by providing useful, expert and appropriate advice. For example, during the development of the NUTP and the preceding TransMilenio projects, the WB was able to mobilize specialized teams to provide local authorities with advice from similar projects in countries as Brazil and Ecuador, while enhancing local *know how*.

88. Likewise, the WB was actively involved during the preparation and implementation of the FIAL II. The WB facilitated policy dialogues; articulated them with other interventions (such as the Public Financial Management Project), which provided technical assistance support for the procurement, budgeting and tax administration strategy; and approved two grants to support the program.

89. The general perception of environmental sector on the Bank’s assistance activities is that these are modestly relevant. According to officials from the ministry of

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environment, housing and local development, a substantial set of documents are very general or superficial publications and hence their practical use is very limited. From the perspective of these officials there are examples in which Bank's knowledge work has had a limited impact. On one hand, as these officials affirmed, the employees of Ministry of Environment, Housing and Regional Development (MEHRD) are not called to participate during the preparation process of Country Assistance Strategy (CAS), and perhaps many employees are not aware, or have not read the CAS.

90. However, other studies such as the 'Cost of Environmental Damage: A Socio-Economic and Environmental Health Risk Assessment' carried out by Bjorn Larsen (2004), as part of the recent Sustainable Development Policy Loan (SusDevPL), made a sound contribution by identifying the monetary amount of some of the main environmental problems in Colombia. In fact, some of the findings and conclusions of this study were included in the initiative for the Policy Guidelines of Air Pollution Prevention and Control and its subsequent Action Plan.

6.3 PERCEPTION FROM MEMBERS OF THE ACADEMIA

91. Three of six university professor commented that "some WB's studies have a poor quality and are very expensive". They mentioned several opinions: i) only a few consultancies have had suitable disclosure, ii) the low promotion can be an explanation to why the following government frequently does not take into account previous studies developed during former administration, iii) in some cases the consultants do not offer an enough aggregate value to research studies, and iv) the lack of consensus between the WB and local agents on the kind of studies that are relevant, could affect the quality of these studies.

92. Notwithstanding, from a different perspective one of the academics stated that "the WB's publications are commonly quoted in academic papers and research projects of local researchers, and this undoubtedly promotes a regular use of WB's publications. Perhaps the principal advantage of these works is that some of them offer useful policy recommendations for the country".

93. In addition, a member of a prominent University, established that even when the WB is way too big and bureaucratic for an institution that claims a focus on aiding MIC's and poor countries, and sometimes is ineffective for the needs of a MIC like Colombia, it still has an important role regarding technical assistance and knowledge services. When the WB finances local studies, building upon local expertise and know how, and is able to assist and advice local researches, instead of applying a one size fit all strategy, knowledge services become much more effective. This strategy allows understanding the dynamics of a specific country or region, and what works and what does not. In turn, since the staff of the WB's research department is highly qualified, financing local researchers and providing technical assistance and advice turns out to be quite useful in transferring knowledge and generating local know how. This strategy undoubtedly results in a better understanding of local dynamics and appropriate policies for each circumstance.

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6.4 PRIVATE SECTOR OPINIONS

94. Although “knowledge services” were stressed out to be a key component of WB’s programs, AAA has not had a high profile in Colombia from the perspective of our private sector respondents. “In the past couple of years, how many WB sponsored forums and seminars on essential issues took place? And how many articles and research papers developed by the WB staff have been publicly debated and discussed?” a private sector representative asks. Even when the WB has a qualified staff, and can easily mobilize human resources in order to share policy experiences in other countries and regions in a regular basis, the WB abstains itself from publicly discussing key issues. At least from the private sector’s perspective, WB’s AAS are not as frequent or publicly exposed as they would like. In addition, for the private sector, “knowledge services” lack both timeliness and quality. Quite the contrary, it only offers “knowledge services” to government officials, it abstains from endorsing and discussing proposed policy interventions, and has not transformed itself into the information market place it intended to be.

95. On average, private representatives sense that it is comprehensible that the WB maintains a somber profile, and abstains from assuming strong standpoints that might interfere with domestic affairs; nevertheless, they expected a committed effort from the WB to discuss policy interventions with the civil society, divulge existing practices in other countries, and emphasize on successful projects in other regions. “The quality and frequency of the debate on key issues is quite far from what we expected and from what Colombia needs”, said an interviewee.

96. Still, the fact that WB is careful not to release studies that could interfere with domestic issues, this does not hinder the WB support along the country. However, an interviewee stated that the “WB should place more effort into technical assistant topics relevant to the country’s needs. This, unfortunately, has not always occurred since the WB is more commonly interested in studies related to its lending operations”. Knowledge services are a crucial element for domestic discussions and policies. “Faculties of universities should pave the way for frequent and precise discussions on the WB involvement in MIC’s”.

97. Lastly, one member of a prestigious private institution expressed that “the WB as Knowledge Bank has failed. There is not doubt that knowledge sharing policies have had little effectiveness and reflect an excess of bureaucracy and expenditure. Quite often the WB Knowledge Department is separated of the guidelines of the operative sectors. Also, the publications are regularly prepared with a luxurious material of high quality printing, but the essential content of these documents is very poor. This is not a consequence of the quality of WB’s staff, but rather the result of persisting problems in the Bank’s structure and operational design.”

98. In general, there is no unified vision regarding the usefulness of the studies and analyses promoted by the Bank from the perspectives of the interviewees. For some, they end up being more part of the problem than of the solution. The WB’s staffers in many circumstances justify their time doing research that has no relevance in the trenches, so to

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speak, and end up over-hiring consultancies. The problem of incentives is more dramatic in the elaboration of studies that in the actual loan programs. If they try to be inclusive, then call every one in the country and the end result becomes irrelevant. Once they are published the Government takes the adverse conclusions as an intromission in domestic affairs. Finally, many of them are destined to the shelves.

99. However for other people, the quality and frequency of the debate of economic and social issues has increased in Colombia party due to the Bank's initiatives. One official stresses that the most relevant research undertaken is that related with particular loans, in which the impact has been sizeable, and the quality of research guaranteed by high quality experts.

7. THE ENGAGEMENT OF MICs IN GLOBAL PROGRAMS

100. When questioned about the engagement of Colombia in global programs and the role the WB has played in this regard, interviewees were often surprised; first, due to the lack of knowledge on such initiatives, and second, because interviewees did not recall any circumstance in which they had heard about the WB's involvement in these initiatives, with the exception of the environmental sector. Therefore we can barely comment on them.

101. An interviewee argued that the "WB has not committed itself to the Millennium Development Goals (MDG) while the United Nations Development Program (UNDP) has been more active and dedicated in this issue." Similarly, a government official mentioned that "despite the fact that basic education is an essential part the MDGs, preschool education is completely excluded from WB operations. Given that recent academic studies and experiences from other countries reveal that actions directed towards this stage of education have significant results in human capital accumulation, the WB should design and pin point similar programs."

102. In terms of sharing more general initiatives, there is evidence about the coordination between Bank and other support institutions. For instance, when the Country Assistance Strategy document is developed, it is possible to identify that the WB takes into account interventions from other institutions such as the IMF, IDB, CAF, United States Agency for International Development (USAID) and United Nations Agencies. This seems to indicate the effort for coordinated actions through both lending and non-lending services. RAS's programs are an example in which WB and IDB have a complementary role.

103. One of the global programs in which one sector expressed to have wide knowledge was the Global Environmental Facility (GEF) program. The general perception of public officials is that the WB's role in the GEF projects and programs has been modestly relevant. This can be explained in part because the GEF's programs are particularly designed to support projects of multilateral environmental conventions such as Biological Diversity, Climatic Change, and fight against Desertification, Persistent Organic Pollutants, among others. In some occasions these programs are not the most

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relevant for the country's environmental conditions, because they only are targeted towards solving global environmental problems.

104. Our interviewees mentioned that in the GEF's programs the national counterparts are very demanding, and in some cases the country does not have the resources to support such demands. At the beginning of every period the government's funds and international cooperation resources tend to plummet. "Because Colombia is a MIC, the foreign financial institutions do not offer enough resources to develop substantial environmental projects. Additionally, the competition for GEF's resources is constantly a harsh process".

105. With respect to effectiveness of the GEF's programs, one of interviewees mentioned that "despite of the development of performance indicators, there is still not sufficient information to conclude if projects have exhibited satisfactory results. In fact, program evaluation is one of the areas that WB should strengthen."

106. Another interviewee indicated that many of weakness that may emerge in the management of GEF's programs are not associated to specific WB's performance; rather, they are a consequence of the GEF own structure. The palpable delay and excess of bureaucracy in some projects is an example of this. The members of environmental sector agree that a considerable number of GEF's projects are ethereal, highly superficial, and sometimes very ambitious. They also suggest that projects should be promoted within the country in order to generate a greater sense of ownership. Still, it is worth noting that interviewees agree that members of the WB's environmental staff in Colombia have a deep knowledge and are more focused on specific issues of field, than local officials; this turns to be an advantage over other international organizations such as the UNDP.

8. CONCLUSIONS AND LESSONS LEARNED

- a) Colombia shares features with both poor and rich countries. They are characterized by unstable long term GDP growth, dramatic short term fluctuations of income and consumption, and wide variation of living standards between regions and social strata. All these elements justify different types of WB intervention. In the face of changing economic issues and the country's renewed access to other sources of finance, the Bank has remained relevant for Colombia. It has responded to specific needs - including in the social sectors and infrastructure - and its finance has complemented that available elsewhere.
- b) The types of programs proposed by the World Bank are perceived by some respondents to be influenced by the incentives faced by staff members. The Bank officials apparently work in an environment where it is critical to 'sell' loan programs or technical studies to countries, which are in some circumstances connected with the countries priorities or needs.

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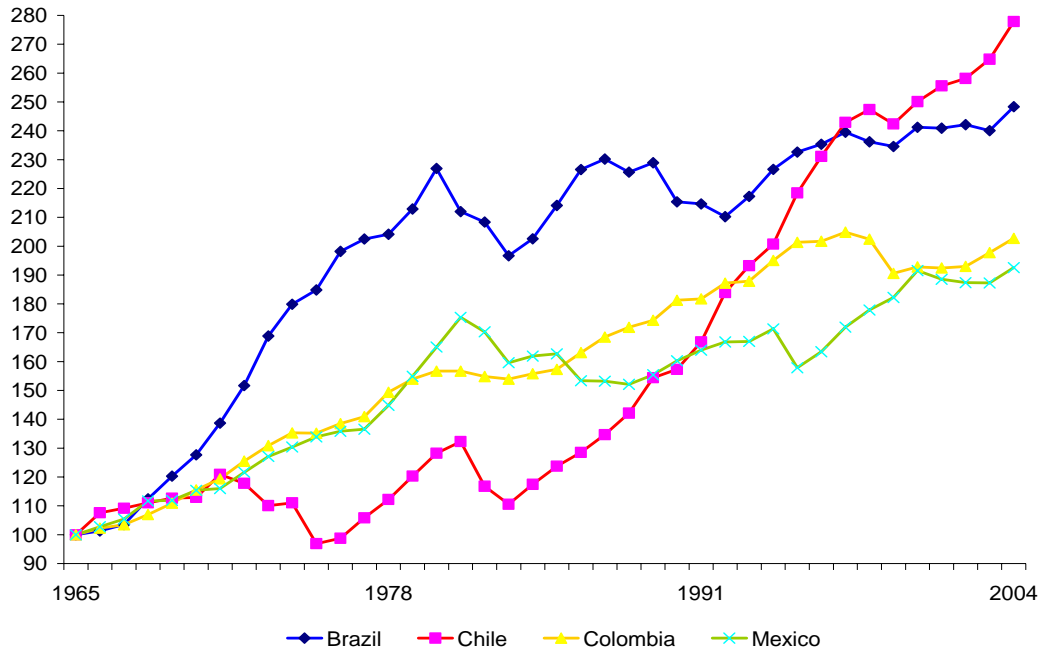
- c) Government officials also face a set of incentives which shape the type of demand the WB faces. Awareness of this should improve the Bank's involvement in MICs.
- d) Success or failure in loan programs depends on a myriad of variables and players. Therefore, the WB business is more an art than a science. Hence, the role of country economists and directors (i.e. the 'artists'), who really know the country's institutional arrangements and political equilibriums, is regarded by many interviewees as an important defining factor.
- e) This is of greater importance than a good CAS definition or institutional mechanisms, which in many instances are not taken with the same prominence or attention by domestic authorities as they are by the WB.
- f) When local knowledge is absent, the WB officials may tend to substitute it with condescending, patronizing or arrogant attitudes. Such behavior is corrosive for the negotiation and effectiveness of WB's proposals.
- g) Knowledge sharing and the transfer of 'institutional technologies' successfully applied in other MICs is one of the comparative advantages of the WB.
- h) It is evident that the government official's perception on the relevance and effectiveness of WB lending and knowledge services is quite different from that of private sector representatives.
- i) Government officials consider that WB operations provide an added value that no other support institution can match, and that this enhances the relevance of the WB in Colombia by allowing investments in needed social areas.
- j) Some private sectors representatives perceive that the WB has not been useful in helping Colombia get closer to the achievement of its development goals. The latter might be due to the fact that the WB works closely with the government and keeps a low profile in public discussions.
- k) The relative lower cost of the WB's financial resources and the anti-cyclical character of their availability make them an indispensable source for countries like Colombia. Even with the recent ample access to alternative, more flexible, and less conditioned sources of funds (i.e. the international capital markets), the Colombian Government has not considered downsizing its requests of WB lending.
- l) In many cases conditionalities and triggers are considered to be distant to the country's reality, nonetheless recent loan operations are characterized by feasible conditionalities. Government officials recognize that some times both parts agree on unrealistic conditions that have to be waived down the road.

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- m) The WB has showed flexibility and willingness to learn about the Government needs.
- n) A positive element is that the bank is not ideological about the Government requests, and is prone to seriously think about basically anything that is put forward. Even so, in some cases the WB seems to answer slowly to reasonable modification requests of loan agreements of the Colombian government.
- o) Once a local initiative goes through the WB process, it is enriched and returned with substantial added value. However, not everything is positive, since the many instances that need to review and comment every aspect of loans and projects sometimes add extraneous considerations that unnecessarily complicate things. It is frequent that previously negotiated elements are redrawn, for the Governments disgust.
- p) Opinions regarding knowledge transfer are split. Many research studies are considered irrelevant and even prejudicial for the Government's interests. Additionally there exists the perception that such studies are motivated by the incentives faced by WB staff members and consultants, more than by their actual impact on the country.
- q) Evaluation and feed back is part of a recent trend in the WB and it should be stressed. The WB's programs have lacked standard assessment and evaluation components, which clearly reflect upon the quality of future interventions.
- r) Governments normally have shorter planning horizons than the WB. Hence, an important contribution from the Bank could be to help public officials in reducing their typically high discount rate. In this respect, long term sustainability of proposed programs should become a key WB consideration.
- s) The WB diagnoses and recommendations could be clouded by trends among multilaterals economists. Such is the case of the proposal of eliminating the National Planning Department. From our point of view, this would result in the loss of a delicate successful institutional equilibrium of policymaking in Colombia with a resultant destruction of public capital. Care should be taken before such advice advances within the WB.

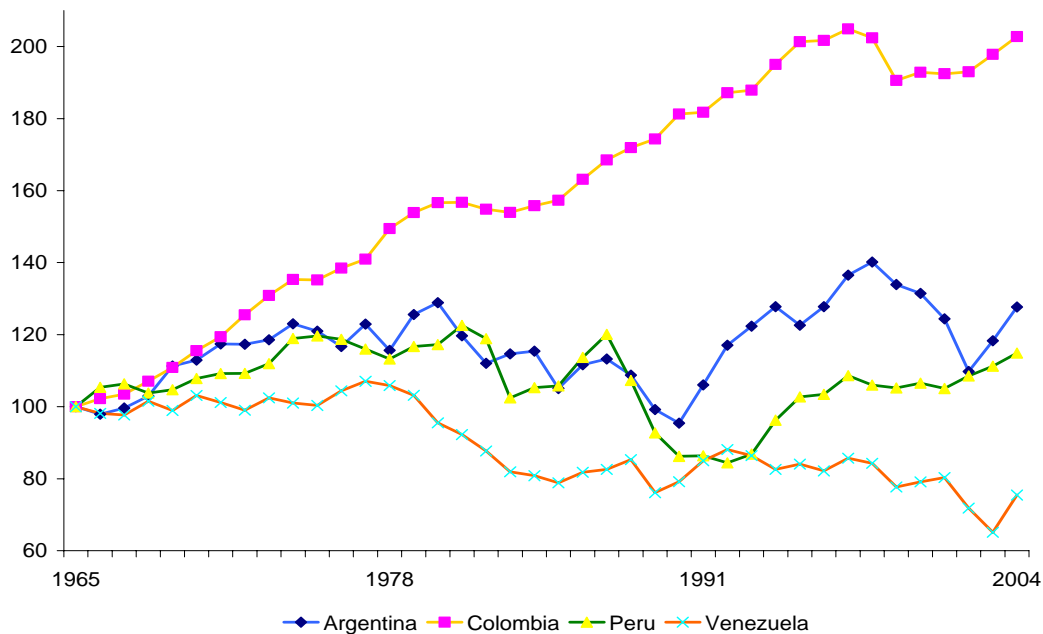
ANNEX I: FIGURES

Figure 1. Per capita GDP indices of Brazil, Chile, Colombia and Mexico, 1965 – 2004, (1965 = 100)



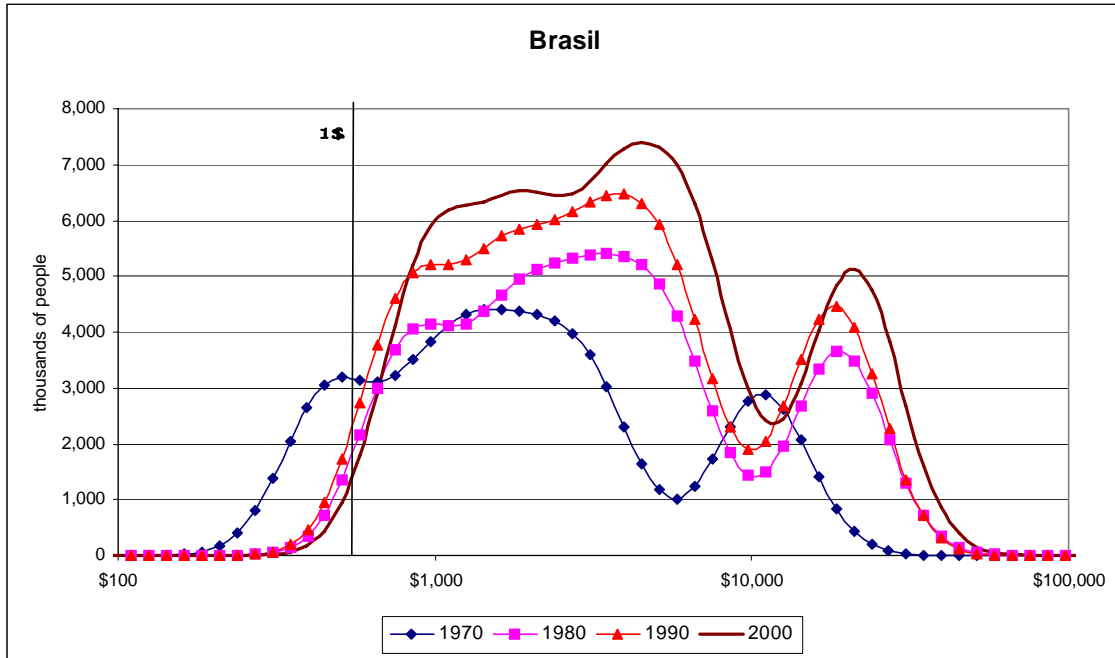
Source: World Bank

Figure 2. Per capita GDP indices of Argentina, Colombia, Peru and Venezuela 1965 – 2004, (1965 = 100)



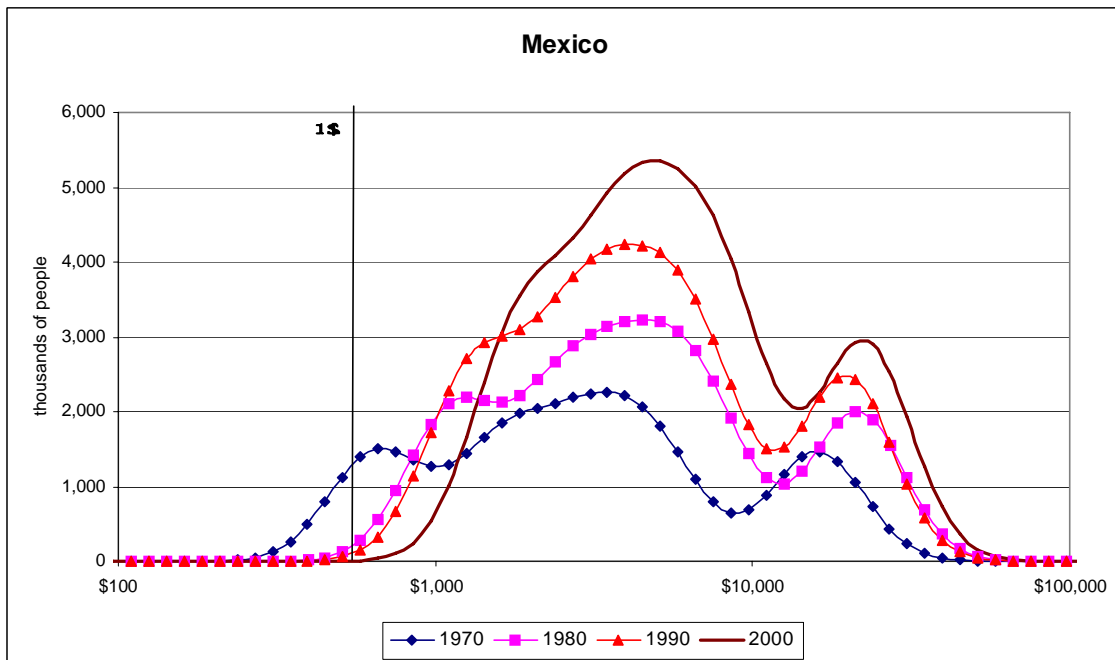
Source: World Bank

Figure 3. Income Distribution of Brazil, 1970 – 2000



Source: Sala-i-Martin, 2002 and 2006.

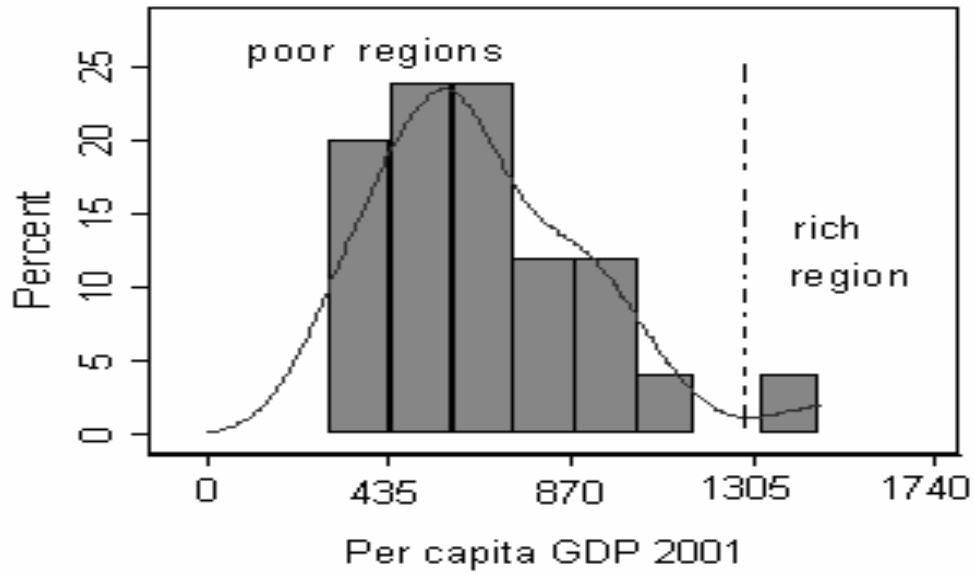
Figure 4. Income distribution of Mexico, 1970 – 2000



Source: Sala-i-Martin, 2002 and 2006.

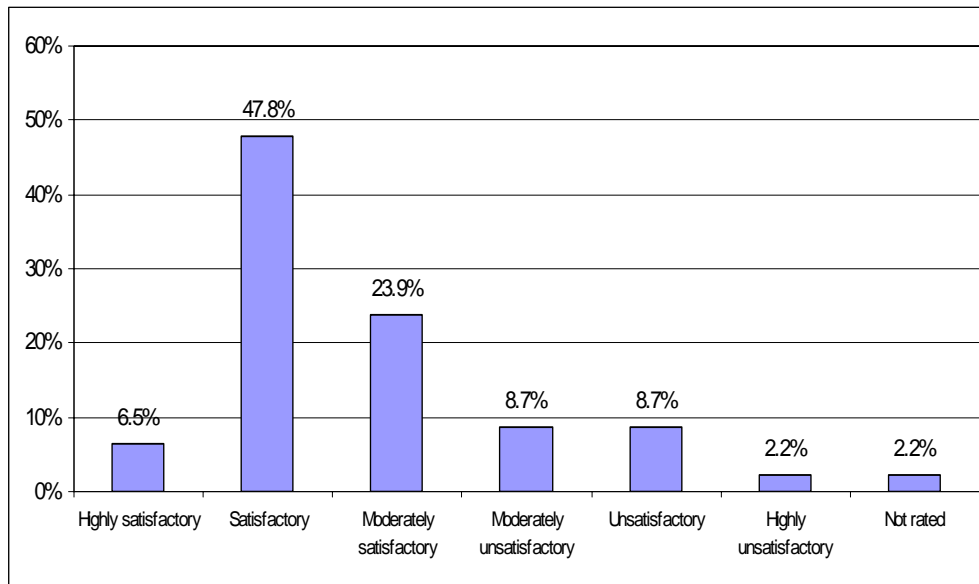
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Figure 5. Histogram and Kernel density for per capita GDP (US\$) of Regions of Colombia. 2001.



Source: Aguirre (2005).

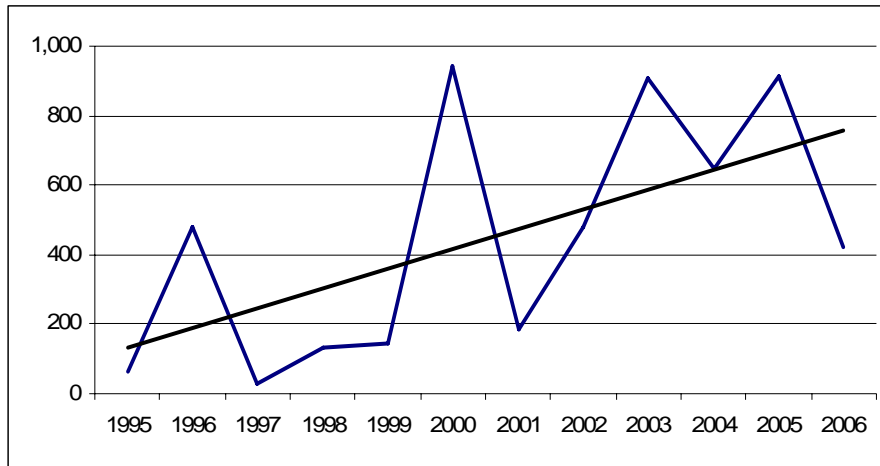
Figure 6. IEG Outcome of Project Ratings - % of Rated Projects 1995 – 2005



Source: World Bank, IEG 2006.

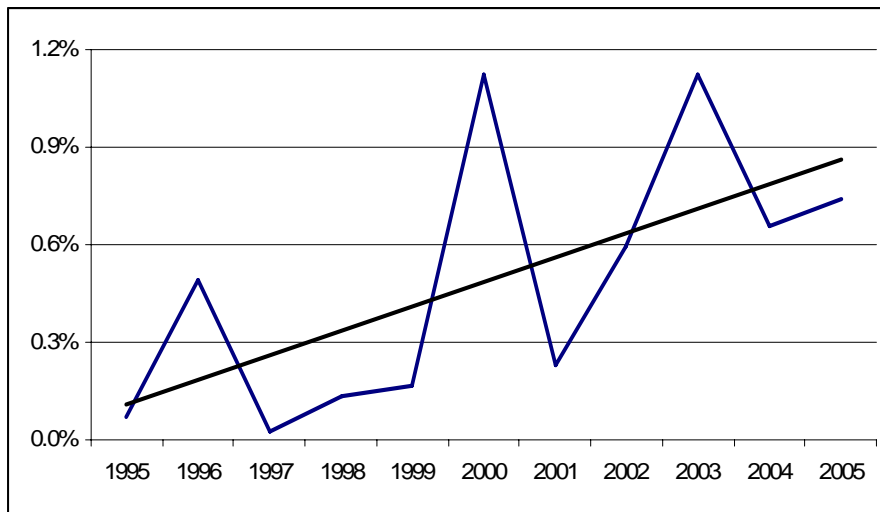
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Figure 7. Lending Operations, Million US Dollars 1995-2006
Total US\$ 5,336 millions



Source: World Bank, IEG 2006.

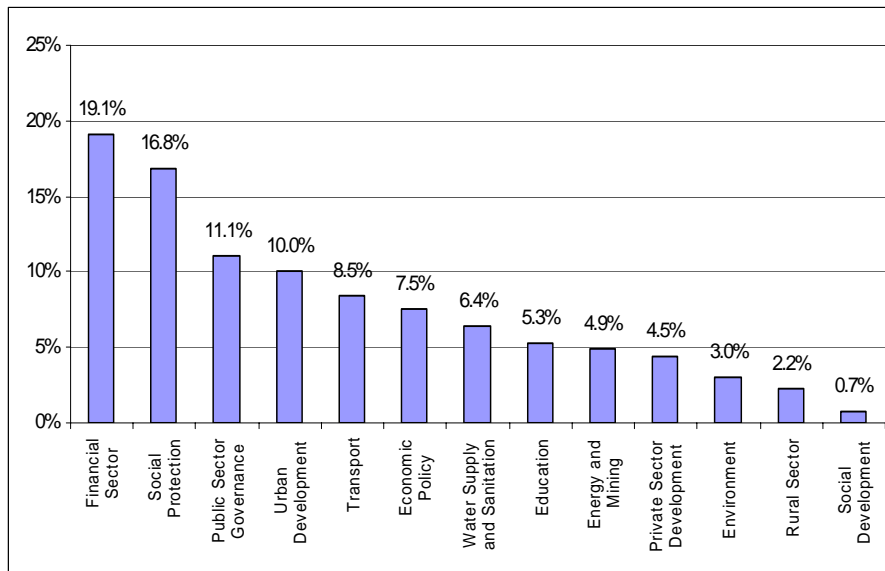
Figure 7a. Loan Operations 1995-2006 - % of GDP



Source: World Bank, IEG 2006.

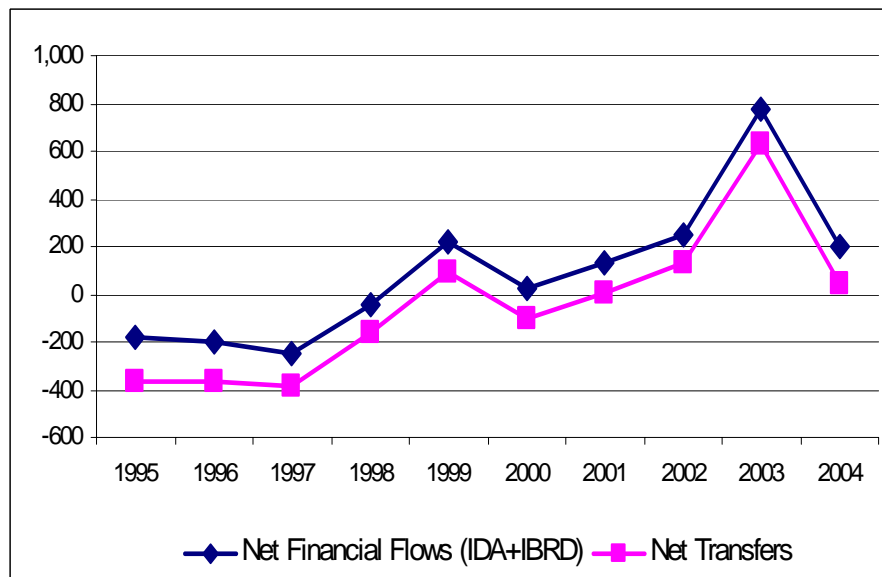
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Figure 8. Percentage of Resources of Loan Operations by Sector during 1995 – 2006.



Source: World Bank, IEG 2006.

Figure 9. Financial Flows, Million US Dollars 1995-2006 ¹



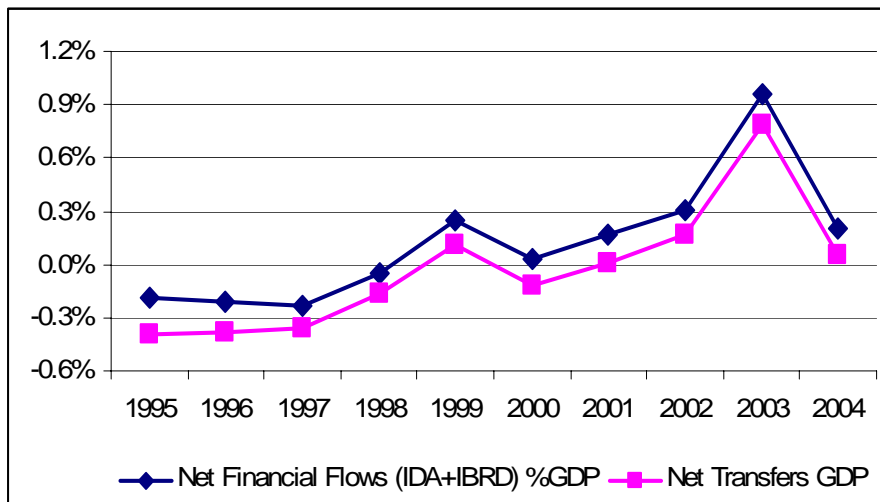
Source: World Bank, IEG 2006.

¹ Financial Flows = disbursements - principal repayments

Transfers = disbursements - principal repayments - interest payments

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Figure 9 a. Financial Flows 1995-2006 – % of GDP ¹

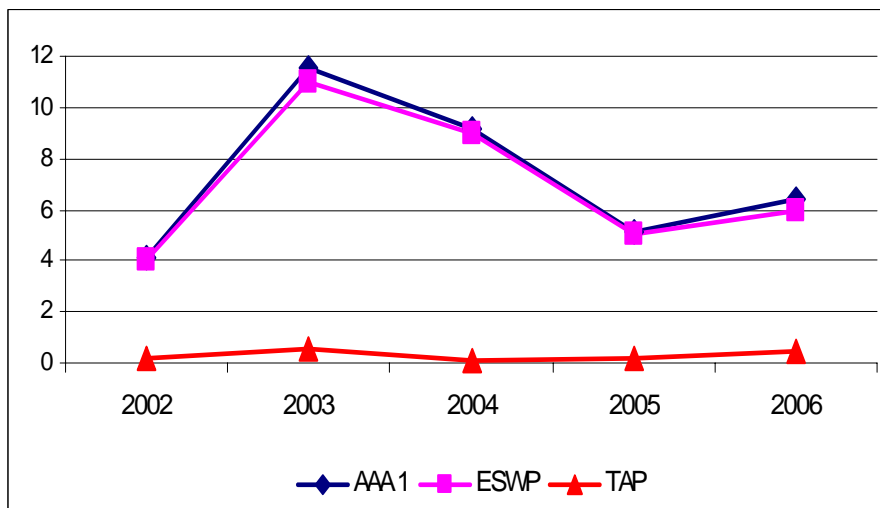


Source: World Bank, IEG 2006.

¹ Financial Flows = disbursements - principal repayments

Transfers = disbursements - principal repayments - interest payments

**Figure 10. Analytical Advisory Services in Million Dollars 2002-2006
Total US\$ 36.4 millions**

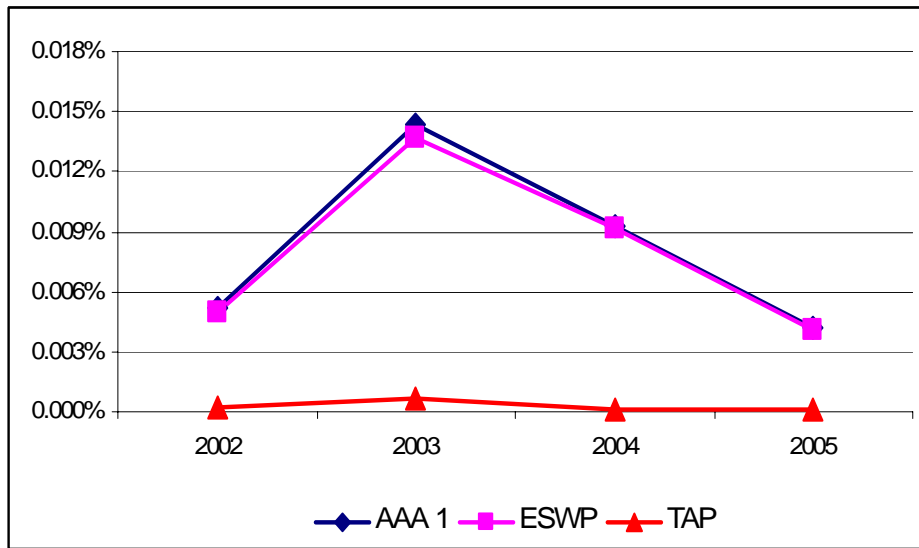


Source: World Bank, IEG 2006.

Note: AAA: Analytical Advisory Services; ESWP: Economic and Sector Work Projects TAP: Technical Assistance Projects.

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Figure 11. AAA's 2002-2006, % of GDP



Source: World Bank, IEG 2006.

Note: AAA: Analytical Advisory Services; ESWP: Economic and Sector Work Projects TAP: Technical Assistance Projects.

ANNEX II: QUESTIONNAIRES PERFORMED IN COLOMBIA

ESTUDIO PARA EVALUAR LA ACTIVIDAD DEL BANCO MUNDIAL EN PAÍSES DE INGRESO MEDIO

CASO DE ESTUDIO: COLOMBIA

GRUPO INDEPENDIENTE DE EVALUACIÓN, BANCO MUNDIAL

INVESTIGADORES:

JUAN CARLOS ECHEVERRY, PROFESOR, UNIVERSIDAD DE LOS ANDES

ANDRÉS MOYA, INSTRUCTOR, UNIVERSIDAD DE LOS ANDES

JORGE ALEXANDER BONILA, INSTRUCTOR, UNIVERSIDAD DE LOS ANDES

Atentamente le rogamos que nos conceda una hora de su tiempo para formularle el cuestionario que aparece a continuación:

1. ¿Qué tan relevante es el papel del Banco Mundial en Colombia?

- 1.1. ¿Qué tan relevante es la actividad general del Banco Mundial (B.M.) para las necesidades del país?
- 1.2. ¿El diseño, aplicación y desarrollo de los programas que usted conoce es acorde con las necesidades y el contexto del país?
- 1.3. El enfoque global del B.M. es la reducción de la pobreza, ¿se ve esto reflejado en los programas del B.M. en el país?
- 1.4. ¿El hecho de que Colombia cuente con otras fuentes de apoyo y financiamiento afecta la relevancia del papel del B.M. y las solicitudes hacia esa institución?
- 1.5. ¿Cree usted que hay un calce entre los objetivos del desarrollo del país y los programas del B.M.?

2. Efectividad de los programas del B.M. que usted conoce de cerca

- 2.1. ¿Cuál es su opinión sobre la efectividad de los programas del B.M. en Colombia que usted conoce?
- 2.2. ¿Cuáles son las fortalezas del (los) programa(s) del B.M.?
- 2.3. ¿Cómo se comparan estas fortalezas con respecto a las fortalezas de otras fuentes de apoyo/financiamiento?
- 2.4. ¿Cuál es la ventaja de acudir al B.M. en vez de acudir a otras fuentes de apoyo?
- 2.5. ¿Cuáles son las debilidades de los programas y del papel del B.M.?

3. “Programas de Conocimiento, Asesoría y Asistencia Técnica”

- 3.1. ¿Cuál es su opinión con respecto a las actividades para mejorar el conocimiento sobre temas críticos en el país (Libros, documentos, foros y visitas técnicas entre otras)?
- 3.2. ¿Qué tan relevantes son los estudios y asesorías del B.M. para Colombia?

4. El B.M. y los programas globales para Países de Ingreso Medio

- 4.1. Si usted está familiarizado con los programas globales (p. ej. Combate al SIDA, Medio Ambiente) que el B.M. apoya, ¿qué tan relevantes cree usted que son para el contexto colombiano?

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ANNEX III: LIST OF INTERVIEWEES

This field assessment conducted interviews with development practitioners across a spectrum of in-country institutions. Most of the counterparts were at a senior level—typically playing a significant role in the organization’s management team. The sample also includes some counterparts with practical operational roles. The interviews were drawn from the following diverse range:

- National Planning Department
- Ministry of Finance
- Universidad de Los Andes
- Corona Foundation (NGO)
- Colombian Institute for Family Welfare, ICBF
- Central Bank
- Mortgage Loan Securitization Institution)
- National Association of Financial Institutions (ANIF, economics think tank)
- Ministry of the Environment, Housing and Regional Development
- Dean of the Faculty of Economics, Universidad del Rosario
- Universidad del Rosario
- Universidad del Rosario
- World Bank Staff in Colombia

On occasion, the references in the working paper appropriately are associated with particular institutional vantage points, which allow the reader to see the richness of the debate. Noting this, the appendix therefore does not identify respondents by name.

ANNEX IV: THE COUNCIL OF ECONOMIC AND SOCIAL POLICIES (*CONSEJO DE POLÍTICA ECONÓMICA Y SOCIAL - CONPES*)

This council comprises a span of 40 year of policymaking in economic, social, infrastructure and trade areas. It is presided by the President of Colombia and composed by 7 ministers of the economic, social and infrastructure spheres: finance, education, health and labor (these two currently unified in the Ministry of Social Protection), mining, telecommunications, transportation, as well as the Governor of the Central Bank and three representatives of private sectors.

Every initiative submitted to this body has to be documented in technical papers, all of which are published and advertised. These documents comprise the history of policymaking in Colombia during the last four decades. On top of their role of defining governmental policies they serve the purpose of training newly appointed ministers and officials on the coherent lines of policymaking pursued in different fields of government. Many ill-suited and ill-designed initiatives have been fortunately dismissed when they were subject to the quality standards of CONPES documents and the scrutiny of its members in long sessions of thorough debates. Also, positive initiatives were improved and coordinated within the central government as a result of CONPES. This instance is in many circumstances more important than the ministerial cabinet meetings, in regard to economic and social policy.

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