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IMPLEMENTATION COMPLETION REPORT
(FSLT-70090)

ON A

LOAN

IN THE AMOUNT OF US\$225 MILLION

TO THE GOVERNMENT OF

COLOMBIA

FOR THE

EARTHQUAKE

RECOVERY PROJECT

January 10, 2003

**Urban Cluster
Finance, Private Sector and Infrastructure Unit
Country Management Unit LCC1C
Latin America and the Caribbean Region**

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 25, 2002)

Currency Unit = Colombian Peso

CP 2,250 = US\$ 1.00

US\$ 0.000444 = CP 1.00

FISCAL YEAR

January December

ABBREVIATIONS AND ACRONYMS

CAS	=	Country Assistance Strategy
DEE	=	Division of Economics Studies
DNP	=	National Planning Department
ECLAC	=	Economic Commission for Latin America and the Caribbean
FAO	=	Food and Agriculture Organization
FMS	=	Financial Management Specialists
FNC	=	National Coffee Federation
FOREC	=	Reconstruction Fund for the Coffee Region
FUDESCO	=	Foundation for Development of Health Education in Colombia
GDP	=	Gross Domestic Product
GTZ	=	Gesellschaft für Technische Zusammenarbeit
ICBF	=	Colombian Institute for Family Welfare
ICR	=	Implementation Completion Report
IDB	=	Inter-American Development Bank
IDEAM	=	Institute of Hydrology, Meteorology and Environmental Studies
INGEOMINAS	=	Institute of Investigations on Geosciences, Mining and Chemistry
INVIAS	=	National Highways Institute
N.B.F.	=	Not Bank Financed
NCB	=	National Competitive Bidding
NGO	=	Non-Governmental Organization
PAZ	=	Zonal Action Plans
POT	=	Land-Use Plans
QAG	=	Quality Assurance Group
SCA	=	Society of Colombian Architects
USAID	=	US Agency for International Development
WFP	=	World Food Program

Vice President:	David de Ferranti
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COLOMBIA
Colombia Earthquake Recovery Project

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<i>Project ID:</i> P065263	<i>Project Name:</i> Colombia Earthquake Recovery Project
<i>Team Leader:</i> Eleoterio Codato	<i>TL Unit:</i> LCSFP
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> January 14, 2003

1. Project Data

Name: Colombia Earthquake Recovery Project *L/C/TF Number:* FSLT-70090
Country/Department: COLOMBIA *Region:* Latin America and Caribbean Region

Sector/subsector: Housing construction (45%); Other social services (22%); General water, sanitation and flood protection sector (12%); Power (11%); Central government administration (10%)

KEY DATES

<i>PCD:</i> 06/11/1999	<i>Effective:</i> 06/21/2000	<i>Original</i>	<i>Revised/Actual</i>
<i>Appraisal:</i> 10/07/1999	<i>MTR:</i>		06/21/2000
<i>Approval:</i> 03/21/2000	<i>Closing:</i> 06/30/2003		08/20/2002

Borrower/Implementing Agency: FOREC/FOREC
Other Partners:

STAFF	Current	At Appraisal
<i>Vice President:</i>	David De Ferranti	
<i>Country Manager:</i>	Olivier Lafourcade	
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2. Principal Performance Ratings

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

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

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

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

3.1 Original Objective:

Introduction. The earthquake that struck the coffee growing region of Colombia on January 25, 1999 measured 6.2 on the Richter scale, followed by another quake measuring 5.8 on the Richter scale. The area covered 6,772 square kilometers in five Departments: Caldas, Quindio, Risaralda, Tolima and the Valle de Cauca. As a result of the earthquake, there were 1,185 deaths, about 9,000 injuries, and more than 150,000 people left homeless. The most important impact was on housing which constituted about 70 percent of the total loss. The region's infrastructure had also suffered considerable damage including schools and health centers, primary and secondary roads, electric power facilities, water and sewerage systems, and the airport in Armenia.

Within about one week after the earthquake the central government mounted relief efforts, and international assistance from the Inter-American Development Bank (IDB), other donors and NGOs financed disaster relief, the clearing away of debris and provision of temporary shelter. A World Bank mission visited Colombia one week after the disaster to assist in planning a medium and longer-term reconstruction program. Four existing World Bank loans for a total amount of US\$93 million were amended on August 12, 1999, to finance the start-up of the reconstruction program. These were Loan 3615-CO (Municipal Health Services Project), Loan 3683-CO (Secondary Education Project), Loan 3871-CO (Agricultural Technology Development Project), and Loan 3973-CO (Urban Environmental Management Project). To propose an earthquake recovery operation, and address other events in Colombia, a CAS Progress Report was presented to the Board of Directors on November 19, 1999. This project contributed to the overall development objectives of the CAS by supporting poverty alleviation, restoring infrastructure, and rural development.

The Government of Colombia established the Reconstruction Fund for the Coffee Region (FOREC) through Presidential Decree No. 197/99 of January 30, 1999. FOREC reported to the Office of the President with the National Planning Department (DNP) acting as secretariat. FOREC was to finance, execute and coordinate the economic, social and environmental reconstruction of the disaster-affected region. FOREC was governed by a Board of Directors headed by a chairperson from DNP appointed by the President, and nine members from the private sector, in addition to the Mayor of Armenia. Its management was entrusted to an Executive Director named by the Board. FOREC received resources from the national government, bilateral donors, and external credits to finance the reconstruction effort. The principal functions of FOREC were to: (a) design operational guidelines for implementation of reconstruction activities; (b) work with mayors and other officials to define the overall framework for the reconstruction program; and (c) oversee the implementation of the reconstruction effort, including preparing terms of reference for consultants and overseeing procurement. FOREC was purposely kept small to maintain low overhead costs and avoid creating a large bureaucracy. Instead, sub-project planning, contracting and supervision were undertaken by non-governmental organizations (NGOs) which were contracted as Zone Managers (see Section 3.5).

Original Objective. The Earthquake Recovery Project (Loan 7009-CO) was signed on May 23, 2000. It provided an additional US\$225 million to continue the reconstruction effort and assisted

the government in its efforts to rebuild communities. Specifically, the development objective stated for the Earthquake Recovery Project was “to assist the project beneficiaries to normalize economic and social activities through the restoration of essential housing and basic infrastructure following adequate seismic standards.”

The objectives of the initial reallocation of funds from existing loans and of the larger Earthquake Recovery Project constituted an appropriate and timely response to a devastating disaster. The objectives were clearly stated and appropriate given the magnitude and human impact of the disaster and the economic importance of the affected region. They were realistic, in light of the Bank’s previous experience in dealing with similar disasters, and consistent with the CAS Progress Report.

3.2 Revised Objective:

The project objective was not revised. However, near the end of the project period in August 2001, the government requested that the Loan Agreement be amended to allow the Government of Colombia to assume the role of borrower. The change had no material effect on project implementation.

3.3 Original Components:

Components to be financed included: (i) Shelter Assistance (US\$243 million). This included repairing and rebuilding about 43,480 units partially damaged, about 17,550 units totally damaged and about 18,420 units structurally damaged. It financed subsidies in the form of grants of up to US\$6,000 equivalent to owners who met established criteria. It would also provide subsidies for new houses for renters in vulnerable groups; (ii) Rehabilitation and Retrofitting of Social Infrastructure (US\$75 million). This included retrofitting of vulnerable buildings and repair of schools, health facilities and community centers which survived the earthquake but were not in compliance with current or proposed new building codes; (iii) Rehabilitation of Public Infrastructure (US\$115 million). This included repairing and rebuilding damaged water, sewerage, power and transport systems, including environmental protection investments; (iv) Capacity Building for Natural Disaster Management (US\$7 million). This included preparing reconstruction plans emphasizing prevention, mitigation and management measures; (v) Social Capital Restoration (US\$8 million). This included restoring social cohesiveness, studies to activate the regional economy, and training programs for vulnerable groups; (vi) Project Management (US\$19.75 million). This included project management costs, such as consulting services, training and equipment.

3.4 Revised Components:

The components were not revised, however the amounts for shelter assistance were increased.

3.5 Quality at Entry:

Especially given the decentralized management structure involving NGOs at the local level, the emphasis on social cohesion, the lean structure of FOREC, and the innovative housing subsidy program, quality at entry is rated highly satisfactory.

The reallocation of the four existing loans bought time to understand fully the impact of the tragedy and to formulate a clearer medium-term strategy for dealing with it. An operational manual was formulated during this period to define the roles and responsibilities of all entities

involved in project implementation, guidelines for procurement and housing subsidies, and the details of other project components.

Before this disaster, the government had used a centralized model for disaster relief projects in Armero and Popayan. In these cases, physical development targets had been established and state-managed institutional structures were established. However, they lacked flexibility and transparency, and it was difficult to liquidate them after the reconstruction. Based on this experience, the government decided to decentralize the project's management. Organization of the project was based on territorial decentralization, with clear differentiation of national and local government functions and reliance on existing community organizations in the municipalities. Many of the municipalities had some planning capacity but lacked implementation capacity. There was also concern about possible lack of transparency at the local level. Therefore, NGOs were contracted as Zone Managers by FOREC to manage the reconstruction effort in 32 zones in coordination with municipal and regional governments. These groupings were identified by local governments in consultation with civil society and FOREC, while NGOs were selected through a public competitive process, with assistance from the Colombian Confederation of NGOs. To qualify, NGOs had to demonstrate administrative and financial capacity, three years minimum experience and a track record in the areas of social development, economic management, infrastructure and environment. In the City of Armenia alone there were fifteen reconstruction zones while in the rural areas reconstruction was managed by the Colombia's National Federation of Coffee Growers.

The Zone Managers quantified the victims and the damage and, together with communities and government agencies, prepared short- and medium-term action plans for restoring social and community infrastructure and housing. The Zone Managers were to implement the project at the local level based on Zone Action Plans to be developed in close collaboration with local communities. The ability of these NGOs to provide immediate support to families after the catastrophe and to complement government was essential, especially since the municipalities were overwhelmed. Citizen oversight committees, whose members were elected by their communities, were important instruments of community control of the project.

FOREC had a lean structure which enabled it to operate efficiently and which could be liquidated at the end of the project to prevent the creation of a permanent bureaucracy. Its functions were to provide coordination between national and local governments and to finance, manage and coordinate project activities. The funds were administered by a fiduciary agency, *Financiera la Previsora*, whose principal function was to administer funds and make payments under instructions from FOREC, which guaranteed the easy and transparent use of resources. The fiduciary agency was also responsible for managing the assets created in connection with the housing pilot projects implemented by FOREC. Project monitoring was contracted to a consortium of universities (*Red de Universidades*). The management structure of the project was thus a departure from rigidly planned and centralized interventions which tended to become politicized in the past. The Zone Managers (NGOs) were to be supported by eight Technical Units within FOREC (Regional Planning, Housing and Urban Renewal, NGOs and Community Organizations, Infrastructure and Public Services, Health, Education, Economic Renewal, and Environment). There were also a number of administrative units under the Office of the

Executive Director of FOREC.

Another innovation involved the use of direct subsidies for implementing the shelter assistance component. Instead of a centrally directed housing construction program, the government chose a program of housing subsidies (see Section 4.2). One factor that detracted from quality at entry was the lack of municipal land use plans, which in Colombia are mandatory. Armenia had a newly prepared plan, but new ones were required for another 28 municipalities and five departments, and some mayors did not cooperate fully in this effort. The plans were needed especially to identify high-risk areas subject to flooding, earthquake damage or landslides and were important tools for the reconstruction process. Ultimately, they were used to identify areas from which 13,326 households had to be relocated, but this process was delayed. As a result of the innovative risk management approach used by FOREC for the reconstruction process, it was awarded the United Nations' Sasakawa Prize on October 11, 2000. This honor is awarded to entities that help prevent or lower the risk of natural disasters.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The operation's outcome is highly satisfactory and the loan was fully disbursed about one year before the original closing date of June 30, 2003. The project successfully assisted beneficiaries to restore normal economic and social activities. This was achieved by the reconstruction of essential housing and basic infrastructure throughout the affected area, following adequate seismic standards and effecting sound social programs. About 130,000 subsidies have been disbursed for housing construction, relocation and repair. The project improved the quality of life for some of the poorest households, especially households who formerly rented and became first-time homeowners. A large number of roads and other infrastructure have been repaired, and social infrastructure has been reconstructed (see Section 4.2).

The more specific objectives outlined below were met, contributing to the highly satisfactory outcome. With respect to poverty alleviation, the project was not originally intended to improve the economic well-being of the population but rather to restore assets and social structures that had been destroyed. This was achieved. During the emergency phase, with support from many international donors, a social safety-net system was implemented to protect the most vulnerable. About 32,000 persons received food and health care and about 52,000 persons were provided emergency shelter, until permanent housing solutions were found. This shelter was provided until families were permanently housed. Furthermore, families from the lowest income groups, who had previously lived in rental housing, were provided subsidies for home ownership. Finally, the project helped the poor by creating temporary employment. The earthquake had exacerbated an existing economic recession in the area caused by low coffee prices. Therefore, it was possible to direct manpower towards the reconstruction effort without distorting the labor market in coffee production. The rate of unemployment in the region was 52 percent in February 1999, but it decreased to 19 percent in 2000, which is under the national average. The reconstruction is estimated to have created about 128,000 man-years of employment.

The project also achieved its objective of restoring infrastructure. Social facilities such as schools, hospitals, churches and public buildings were restored throughout the region. In addition, public

infrastructure such as roads, water supply, sanitation and drainage was restored (see Section 4.2). Although most of the housing destruction had been in urban areas, the project also had an impact on rural development by repairing, rebuilding or relocating 15,000 houses in rural areas by the end of 2001. A total of 353 schools and other educational facilities in rural areas were repaired or rebuilt under the management of the National Federation of Coffee Growers benefiting 18,294 people. Eleven rural health centers were also repaired or rebuilt.

4.2 Outputs by components:

Shelter Assistance. Performance under this component is rated highly satisfactory. Initially, interest subsidies had been proposed for this component, but after further discussion a program of direct subsidies was developed. As of June 2002, about 130,000 subsidies had been disbursed for housing construction, relocation and repair in both urban and rural areas. About 40 percent of all urban households received some level of subsidy. Full subsidies were granted to 13,326 households who had previously owned their homes and whose homes could not be rebuilt. Such subsidies consisted of about US\$4,000 equivalent to rebuild homes, and an additional US\$2,000 equivalent was provided to purchase land for the relocation of those living in vulnerable zones. Subsidies were given to beneficiary families in the form of a letter of credit that was eventually endorsed to the builder contracted by each of the individual families. Subsidies were given to 100,250 homeowners to pay for repairs on existing houses. The amounts of these subsidies were based on damage assessments and channeled through a financial institution in two equal payments.

As mentioned above, only targeted renters in vulnerable groups were eligible for housing subsidies under the project. However, in 1999, a special law (*Ley Quimbaya*) was passed that included all renters and increased the amount of the subsidy to about US\$5,000 equivalent. Later, with additional funds from donations, the government raised the subsidy available to renter households to about US\$7,000. Subsidies were provided to 16,696 households who had previously rented their homes.

The housing reconstruction program involved a number of innovations. In addition to providing families with letters of credit as stated above, FOREC helped to intermediate between beneficiary families and builders by establishing “*vitrinas inmobiliarias*” consisting of model homes from which beneficiaries could select. Since the amounts of subsidies were fixed, builders had to compete by providing the best houses possible within the cost envelope. Eleven house models were developed in the pilot project of Armenia from which beneficiaries could select the best house for their needs. This facilitated the process, increased competition and transparency, and helped to contain costs. Builders developed housing projects (fifty-six housing projects with 10,806 housing units were built) based on beneficiary demand. To help maintain low cost, FOREC negotiated directly with material suppliers, contractors, while the government guaranteed payment to the suppliers. This process was able to reduce housing costs by 30 percent to 40 percent. The National Federation of Coffee Growers administered the program of subsidies and credits for households in rural areas and pioneered the concept of the “*vitrinas inmobiliarias*”.

Rehabilitation and Retrofitting of Social Infrastructure. Performance under this component is rated highly satisfactory. Public Facilities: This included the repair and reconstruction of public facilities (public offices, community centers, churches, recreation facilities, etc.). Efforts were made to restore architectural heritage and functionality. The local communities with the help of

Zone Managers identified 508 social and public infrastructure projects. Schools: After the earthquake, 509 schools in rural and urban areas needed to be repaired and 142 had to be rebuilt. Given the magnitude of the destruction, FOREC decided to rapidly contract the repair work with the Colombian Society of Architects and the Zone Managers. Temporary facilities were provided by FOREC so that children could complete the school year. Health Facilities: Seventy-four hospitals and health centers were damaged in the earthquake. The Zone Managers were made responsible for other health facilities in cities and the Federation of Coffee Growers was responsible for them in rural areas. Fifty-two contracts were entered into which covered all 74 of the health facilities.

Rehabilitation of Public Infrastructure. Performance under this component is also rated satisfactory. There was severe damage to urban infrastructure throughout the region, especially in the cities (e.g. roads, water supply and sewerage, electricity networks, telephone systems, markets, public offices). Rehabilitation projects were included in Zonal Action Plans, based on cost estimates provided by public service agencies and municipalities. In the case of Armenia, extra capacity has been added to accommodate the new housing projects.

Environmental Management and Disaster Mitigation. Performance under this component is rated satisfactory. From the beginning, the government realized that the earthquake had caused a number of environmental problems. At the same time, the reconstruction process presented a number of opportunities to strengthen local environmental agencies and improve environmental management. An Environmental Management Plan for Reconstruction of the earthquake zone was ordered in a Presidential Decree in 1999. This was intended to make sure that the reconstruction process, including the removal of debris, followed environmental safeguards and ensured the sustainability of natural resources. As part of this effort, municipalities, assisted by Autonomous Regional Environmental Corporations, set environmental standards for reconstruction work, prepared and implemented land use plans, and identified high-risk areas which would not be developed. This process also involved citizen participation. Disaster prevention was included in the Land Use Plans of all the municipalities (e.g. long-term planning guidelines and identification of high-risk zones and areas for safe urban use). As a result, more than 13,000 families had to be relocated from high-risk areas. This component has enhanced the capacities of local governments to manage future risks and supported regional environmental management, including management of debris, stabilization of soils, and comprehensive drainage management.

Social Capital Restoration. Performance under this component is rated highly satisfactory. The design and implementation of the reconstruction operation involved a high level of community participation in order to reestablish and strengthen social relationships. This involvement in the effort meant that beneficiaries took ownership for the rebuilding of their lives and communities rather than passively waiting for traditional government solutions. The increasing empowerment of beneficiaries was demonstrated by their understanding of their rights and responsibilities and their capacity to work together to identify priorities and create consensus. This work involved close collaboration amongst non-governmental organizations, local and national governments as well as international organizations. About US\$15.1 million of project funds were invested in social capital restoration. A total of 1,124 social organizations were involved in this program.

Projects focused on public health, environment, sanitation, nutrition, mental health, community participation, and employment services. Much of this effort was focused on families who had been temporarily relocated.

4.3 Net Present Value/Economic rate of return:

It is not possible to calculate an economic rate of return for this type of project.

4.4 Financial rate of return:

It is not possible to calculate a financial rate of return for this type of project.

4.5 Institutional development impact:

The development of permanent institutions was not a primary objective of the project. Nevertheless, the emergence of FOREC as a strong, decentralized agency was an important achievement. The streamlined management structure of FOREC was positive, even though the fixed administrative costs (4.5 percent of total expenditure) may have somewhat reduced its effectiveness. Even with the need to strengthen the capacity of NGOs in certain areas and to liaise with many national and local agencies, FOREC was still able to complete the project in two years. The contracting of local NGOs to manage the reconstruction process, universities to monitor and evaluate the results of the project, the Autonomous Regional Environmental Corporations to manage environmental issues, as well as a fiduciary agent to manage the financial resources of the operation contributed significantly to the early and successful completion of the project.

The decentralized management structure of the project, with an important involvement of NGOs, local governments, universities and civil society organizations, promoted grass roots participation which will likely result in better local development and governance in the future. A conscious effort to include citizens groups in decisions about the project has produced stronger, more socially cohesive communities. This decentralized structure has served as a model for other development programs, including the Bank-supported Community Works and Human Capital Protection projects.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

The suddenness of the earthquake and the degree of destruction were clearly outside the control of the government, but it reacted quickly to organize and finance relief measures even though the situation was chaotic during the first week.

5.2 Factors generally subject to government control:

A strong implementing agency (FOREC) was established with direct control by and access to the President's office. The agency was given authority over resources allocated by the national government. The participatory and decentralized decision-making structure empowered households, NGOs, and communities to contribute to the important decisions that affected them and to take ownership of the reconstruction effort. This was also responsible for maintaining a strong commitment to the reconstruction effort, even though there were three elections during the course of project implementation. Furthermore, the structure helped FOREC to avoid politicization of the project, for example in beneficiary and sub-project selection.

In spite of the effort of the national government to provide the resources it had committed to the project, the budget allocations were not fully synchronized with implementation plans, resulting in the delay of some works. In addition, the Zone Action Plans developed by the NGOs and the municipalities were sometimes over-ambitious and could not be fully financed. This sometimes caused delays, as FOREC needed to adjust such plans to the priorities of the reconstruction effort.

5.3 Factors generally subject to implementing agency control:

Project implementation was governed by an operational manual which included the eligibility criteria, procedures for the review and approval of sub-projects, procurement procedures and guidelines for the overall management and implementation of reconstruction by FOREC and the Zone Managers. Even though Zone Managers initially had a difficult time dealing with the Bank's procurement rules, many now agree that using these procedures has had the advantage of creating international procurement capacity in participating NGOs which could be used in future projects. Although it was eventually recognized that Zone Managers did not have the capacity to deal with Bank procurement rules and lacked engineering skills, direct assistance from the Bank's Office in Colombia and the engineering faculty of the University of the Andes came late in project implementation. A lesson to be drawn from this experience is that the skills and capacity of decentralized agencies involved in project implementation should be assessed early on and plans to address deficiencies should be put into effect immediately.

Although FOREC was well structured and managed, some problems arose during project implementation. In early 2000, the Bank recognized that FOREC's internal management was not coping with the workload. A Bank mission in April 2000 recommended the hiring of a project manager to give greater attention to implementation issues. Albeit with some delay, this recommendation was implemented by April 2001.

FOREC had a comprehensive information management system. However, because data had to be provided by the 32 Zone Managers, it was difficult to keep information current. In spite of this difficulty, reliable data was available for FOREC's liquidation.

5.4 Costs and financing:

It is estimated that the total damage caused by the earthquake was about US\$1.8 billion, close to 35 percent of the regional GDP (or 2 percent of the national GDP). The total cost of the project was about US\$470 million (see Annex 2). The Bank has contributed US\$225 million through the Earthquake Recovery Project (Loan 7009-CO) and US\$93 million from the four restructured loans. The government contributed US\$152 million as counterpart funds. All of the funds from the four reallocated Bank loans were directed to housing subsidies. In total, the Bank was originally expected to contribute US\$193 million for housing subsidies. However, the Bank ultimately financed US\$233 million for housing subsidies and financed less for social infrastructure, disaster management and project management than was originally planned for.

6. Sustainability

6.1 Rationale for sustainability rating:

Sustainability is highly likely. Sustainability of the implementing agency was not an objective of the project. On the contrary, it was intended that FOREC would be liquidated at the end of the project. However, the successful management structure and implementation program of FOREC

provides a model for future disaster management operations. The lessons learned of the project and capacity provided to staff working on the project will be passed on to local and regional organizations. Departments and municipalities have learned how to manage programs in conjunction with national ministries, NGOs and international organizations. The municipalities are now responsible for maintaining much of the infrastructure restored under the project. The experience gained by NGOs and private sector contractors is expected to be useful in future development efforts. Participating NGOs have gained important experience in project management, including international procurement expertise. Already some of the same NGOs are working on social safety net and employment generation projects in other regions of Colombia.

To maintain a record of the unique experience of this project, a Documentation Center of the Reconstruction Process in the Coffee Growing Region is being organized by the local universities to consolidate information from the studies, implementation experience and publicity produced under the project. Information will be available on the management of reconstruction, experience of working with NGOs and municipalities, as well as by themes (e.g. housing, urban development, public services, planning, etc.). The regional university network is also planning to establish a center for disaster management involving five universities.

The sustainability of the housing created under the project is very likely. Based on land use plans and risk analysis carried out under the project, many households have been moved from areas vulnerable to future earthquakes. The level of home ownership went up significantly in the region, and homeowners have a strong incentive to maintain their houses. Housing and public infrastructure has been built (or repaired) according to improved seismic standards.

6.2 Transition arrangement to regular operations:

Even though families have moved into their new homes, there is some concern that the lowest income households who benefited from subsidies may be required to pay higher taxes and utility charges (due to reclassification of poverty strata resulting from better housing) and could come under economic pressure to illegally sell or lease their homes.

The project closing process has included formal ceremonies handing over public works by the Zone Managers to local governments. The operation and management of utilities and other works are now the responsibility of local governments and sector agencies. In a few cases sufficient infrastructure (such as schools, hospitals and off-site infrastructure) to meet the needs brought on by the new housing developments may not yet be available.

The liquidation of FOREC began in January 2002. The process had already begun with the liquidation of the contracts with some of the Zone Managers. The government is making funds available for contracts still under implementation and for the liquidation process. In the final stages, payments will be handled by a fiduciary agent.

7. Bank and Borrower Performance

Bank

7.1 Lending:

Bank performance during lending is rated highly satisfactory. The Bank played a key role as a partner to the government from the start. It reacted quickly and effectively to the need by sending

a mission to Colombia only one week after the earthquake. The Bank worked with officials of DNP and FOREC to devise a strategy for reconstruction. The reallocation of funds from four existing loans was approved by the Board of Directors in August 1999. Approval of the Earthquake Recovery Project came in February 2000. This was planned to dovetail with the previously committed funds without a gap in assistance.

The Bank encouraged the government to adopt a non-conventional approach to reconstruction, based on its experience with disaster management projects as well as community-based and participatory approaches. The Bank's role as a knowledge institution and experience were vital in shaping the operation's policies and procedures. This was especially so regarding the involvement of NGOs and the housing subsidy program.

7.2 Supervision:

Bank performance during supervision is rated satisfactory. There were six Bank missions between March 1999 when the project was being prepared and April 2001 when project implementation was advanced. Most of the missions included financial, procurement, urban infrastructure and housing specialists. In addition, the Bank's Country Office provided constant support and follow-up, especially in procurement matters.

7.3 Overall Bank performance:

Given its rapid response from the beginning, and its continued effective involvement during implementation, overall performance is rated satisfactory.

Borrower

7.4 Preparation:

Government response during preparation is rated highly satisfactory. The government reacted quickly by issuing seven Presidential Decrees to govern the recovery effort on January 31, 1999, only six days after the earthquake. The efficient, decentralized structure for project management, rather than a more traditional top-down approach, helped assure the program's success. After a slow start-up, the decentralized and participatory model led to effective and rapid project implementation. The government provided the necessary funding and support through an earmarked tax on financial transactions. FOREC was given the autonomy and resources to manage the project efficiently. FOREC developed a comprehensive communication strategy that gave a clear message to all institutions and beneficiaries that they were constructing a new model that would yield results.

The direct involvement of NGOs as Zone Managers and the channeling of resources through an independent financial institution were important factors in the project's success and transparency. Restoring social capital was an important objective and all activities were based on the participation and organization of citizens. These approaches have led to effective implementation and a stronger social fabric in the region.

7.5 Government implementation performance:

Government performance is rated satisfactory. Because of the decentralized nature of the program, a large amount of direct government involvement was not required. The government provided the necessary funds and oversight to enable the program to be implemented successfully.

7.6 Implementing Agency:

Implementing agency performance is rated satisfactory. FOREC organized the initial structure of the reconstruction effort quickly. As early as March 1999, it began contracting Zone Managers and establishing procedures for the reconstruction process. Following the emergency phase, FOREC issued "consolidation" and planning guidelines that allowed for expeditious mechanisms for contracting demolition, debris removal, temporary shelter, etc. At the same time, FOREC worked with the Bank to ensure that procurement, accounting, disbursement, record keeping and auditing procedures would follow Bank guidelines. By April 2000, a procurement unit had been established. Implementation was finished almost two years ahead of the original closing date. The FOREC model was revised as lessons of experience emerged. This type of flexibility accounted for much of the success.

Fiduciary responsibilities and monitoring were contracted out. Administrative costs were only about six percent of the total project cost. As of June 2000, the issue of subsidies for renters had been resolved, and 85 percent of the housing subsidies had been allocated. This was an important accomplishment compared to traditional disaster relief operations implemented strictly by government agencies. Furthermore, the General Accounting Office (*Contraloría General de la Nación*), as well as the community oversight committees, constantly supervised the use of resources and found no irregularities.

7.7 Overall Borrower performance:

Overall Borrower performance is rated satisfactory. The project was established with an efficient management structure and effective policies and programs for restoring housing, infrastructure and social cohesion. The project was completed one year earlier than originally planned.

8. Lessons Learned

Emergency Response

- After an emergency of this magnitude, local governments will be overwhelmed. They may cease to function altogether. In this case, local governments in the disaster area lacked the resources to cope on their own and received little assistance for the first week, resulting in a chaotic situation. Areas affected by disasters need immediate assistance from both national governments and international agencies.

Institutional Lessons

- The decentralized structure of the project was a great improvement over previous reconstruction efforts. The high level of community participation in the design and implementation of the reconstruction process meant that beneficiaries took ownership for the rebuilding of their lives and communities rather than waiting for traditional government solutions. The increased empowerment of beneficiaries enhanced their understanding of their rights and responsibilities and their capacity to work together to identify priorities and create consensus. The delegation of implementation responsibility to NGOs provides a good model for future programs.
- The objective of maintaining low overhead costs in FOREC was important. However, at times FOREC lacked the human and financial resources to respond fully to project

implementation needs. Institutional streamlining should be carefully balanced with the need for adequate oversight.

- Several of the NGOs lacked sufficient procurement and engineering capacity, especially at the beginning of the project. The technical capabilities of NGOs should be clearly specified in terms of reference and assessed as part of the selection process. If NGOs are lacking the requisite skills, they should not be selected on these grounds or more technical support should be provided.
- Given the need to respond quickly and effectively during an emergency, and avoid political interference in project implementation, local governments may be somewhat excluded from certain aspects of project identification and implementation. This may result in a lack of full cooperation on the part of local governments.
- FOREC had an elaborate management information system that allowed real-time communication with the Zone Managers. However, it took a significant period of time to develop. Emergency reconstruction requires a practical system which can provide reliable management information in a timely manner.
- The well-defined communication and information strategy adopted by FOREC for reaching out to the communities created an atmosphere of trust and transparency.
- Involvement of academic institutions in a public works program and in the management of resources for social and cultural reconstruction can produce valuable synergy and contribute to the sustainability of the project.

Housing

- The reconstruction program was slow to address the needs of renter households. However, government began to recognize that such a large number of people could not be left in temporary shelters. The project has demonstrated how marginalized households can be brought into the fabric of society.
- The use of *vitrinas inmobiliarias* was an innovative and effective way of providing large numbers of new housing units by balancing supply and demand. They created competition, lowered land and construction costs and improved beneficiary choice.
- Rebuilding communities after disasters requires not only financing and sound construction, but active community participation. It also requires close work with municipalities and other agencies to ensure adequate off-site infrastructure and social facilities. Furthermore, it is important to preserve existing community structures as much as possible.

Land Use Planning

- Current land use plans would have been helpful in identifying vulnerable areas, but only one city had one. Land use plans and other types of land information such as cadasters are essential in reconstruction efforts and should be kept up-to-date.

Social Development

- Involving community organizations and their leaders in this type of project facilitates implementation. This is especially so as communities move from the immediate disaster to temporary shelter and then to permanent relocation. With communities involved and setting priorities, local leadership, citizen participation and democratic institutions can be

- strengthened. A top-down reconstruction program would not have achieved this result.
- The involvement of NGOs with local communities was essential in achieving local responsiveness, efficiency, and sustainability.

Reconstruction of Barrio Brasilia

The reconstruction of Barrio Brasilia, in the City of Armenia, which was devastated by the earthquake provided special lessons in terms of social organization of the community and the use of legal instruments for land titling.

- In order to rebuild the social fabric of the Brasilia community, the NGO in charge of the reconstruction work held weekly meetings with the community to design a new land development plan for the area.
- Very few residents of Brasilia had legal title to their property. In order to regularize the situation, individual ownership of land was transferred to a community trust managed by the NGO and then transferred back to the individual families once the land was re-developed (individual lots were reconfigured and did not necessarily retain the size and location they had previously).

9. Partner Comments

(a) Borrower/implementing agency:

COLOMBIA'S COFFEE BELT RECONSTRUCTION PROCESS: COLOMBIAN GOVERNMENT REPORT FOR THE WORLD BANK IMPLEMENTATION COMPLETION REPORT (ICR)

1. Overview

On January 25, 1999 a severe earthquake struck the west-central part of Colombia's Coffee Belt (known as 'Eje Cafetero') affecting an area of 6,722 sq. km. The Coffee Belt ('Eje Cafetero') is defined as a region made up of nearly 50 municipalities belonging to the departments of Caldas, Risaralda, Quindío, Valle del Cauca and Tolima. , with unprecedented effects in the history of the country. According to the Economic Commission for Latin America (ECLAC), this event caused damages estimated at \$1.6 billion dollars, close to 35% of the region's gross internal product and 1.4% of the country's 1998 GDP. 560,000 people suffered direct earthquake losses, and 1.5 million more residing in 5 departments (provinces) and 28 municipalities in the region were indirectly affected. Given the strength of the coffee industry in Colombia, this region has been one of the pillars of the country's development during recent times. According to the National Coffee Survey conducted in 1997, the 5 departments affected in the Coffee Region, with 400,000 hectares planted and 13,000 farms, account for 47% of the national coffee production. The social, public and housing infrastructure in the urban and rural zones suffered the impact of the earthquake.

The department of Quindio was the most affected by this catastrophe. Approximately 60% of the establishments affected are found in this province and around 90% of the population suffered the consequences derived from the disaster. It has been calculated that for the departments of Quindio and Risaralda the damages represent 30% of these provinces' gross internal product. Immediately following this tragedy the President of Colombia declared a national state of emergency, created the Fund for Reconstruction and Social Development of the Coffee Region

(FOREC) and defined the special policies to govern the reconstruction. Decree Nos. 195 to 200, 209, 228, 258 and 350 of 1999. FOREC was created as a special, financially autonomous, national legal entity based in Armenia (the provincial capital of Quindio), with no administrative structure of its own, with the aim of financing and executing all activities necessary for the economic, social, and ecological reconstruction of the region. As it was a temporary entity, FOREC was liquidated once it had achieved the objectives for which it was created, thus preventing the ever-growing size of the State. The budget allocated by the national government for FOREC for fiscal years 1999 to 2002 was Col\$1.6 billion, equivalent to US \$674 million dollars, or 0.63%, 0.36% and 0.07% of the 1999, 2000, and 2001 GDP Source: DNP-DEE , respectively.

The reconstruction was carried out in four phases: immediate response to the emergency; planning and consolidation; reconstruction; and liquidation. To develop this reconstruction process non-governmental agencies (NGOs) or zonal management offices Throughout the document the term 'NGOs' is used to denote the 32 zonal management offices. were hired under delegated management contracts to represent the national government before the community and carry out all the actions necessary to confront the tragedy. Their contribution was agile and efficient in quantifying the damages, assisting the victims and developing the so-called Zonal Action Plans (PAZ, acronym in Spanish) in coordination with government agents and local communities, which became the support for short- and long-term actions. To guide this operation the following principles were defined: joint integrated development; community participation; consolidation of the region as a development area for the country; transparency; swiftness; efficiency; sustainability; and decentralization.

2. Objectives and Main Components of the Project

The objective of FOREC was to achieve the economic, social, and ecological reconstruction of the zone affected by the earthquake by providing assistance to the most vulnerable population, repairing or rebuilding the affected dwellings (including the relocations of housing units located in high-risk zones), and the repair or reconstruction of social and public infrastructure, while trying to minimize the negative effects on the environment. The project components targeted by FOREC for the intervention were the following:

Housing assistance: This includes the repair, rebuilding or relocation of government subsidized housing, depending on the degree of damage sustained. In those cases where the housing unit was located in a declared high-risk zone, assistance was directed to relocation in government subsidized housing in a different zone. Assistance was also provided to families living as renters and whose housing units had been destroyed or deemed uninhabitable due to the earthquake.

Temporary assistance to the affected population: Due to the high number of families that lost their dwellings, it was necessary to provide temporary housing to this population while their housing units were being rebuilt and new housing was being built. It was also necessary to provide these families with basic assistance in food, counseling, health care to prevent disease and epidemics, and psychosocial care.

Repair and reconstruction of the social infrastructure: The project undertook the task of rebuilding or repairing the infrastructure related to health care, educational and child care facilities, senior citizen homes, and facilities dedicated to recreational, cultural and sporting events.

Repair and reconstruction of public infrastructure: All of the public works or community-based

works that were different from those listed in the above component were grouped together. They consist of the following: public buildings (government offices, jails, Army and National Police Force facilities); city facilities (transport terminals, marketplaces, slaughterhouses, firehouses, churches, community centers, cultural centers); utilities infrastructure (potable water, sewage, waste disposal, electricity, and telephony); air and land transportation infrastructure (reconstruction of El Eden Airport, city roads and highways, bridges, artwork, sidewalks and road signage.)

The environment and the strengthening of institutional disaster prevention and management capacity. Focused on the strengthening of the institutions in charge of risk prevention, mitigation, information and measuring; surveying, processing and systemization of relevant information; and all issues regarding studies to evaluate vulnerability and occurrence of natural disasters. This included both the formulation of the Land-Use Plans (POT, acronym in Spanish), the incorporation of the environmental dimension into territorial planning, and the activities related to the physical, economic, and social reconstruction of the region.

Social Capital Restoration. This component considered the social assistance and intervention aimed at restoring the social cohesiveness among the affected population and implementing participatory processes directed toward both their physical and emotional recovery and their intervention in the decision-making process for their welfare.

Economic revival and job creation. Includes projects created to invigorate productive chains among enterprises in the region, supporting economic revival and job creation.

Reconstruction of the countryside: This involved the recovery of the different components of the rural areas that were affected in the Coffee Belt. The reconstruction of rural areas, whether coffee producing or not, was taken over by the National Federation of Coffee Growers functioning as one of the Zonal Management Offices, given its installed capacity, governance and experience in handling natural disasters.

Management of the Reconstruction Program: This consisted in all the activities required to coordinate, manage, monitor, and evaluate the reconstruction of the affected zone. It included a census of the affected population as well as of the affected housing units and buildings; appraisals of the damages to housing units; design, procurement and assembling of information systems and related equipment; FOREC administrative expenses, fees and reimbursable administrative expenses of the Zonal Management Offices.

3. Degree of Achievement of Objectives and Main Results

3.1 Housing Assistance

The repair, rebuilding and relocation of housing affected by the earthquake were successfully achieved with innovative actions carried out by FOREC. These actions have become a reference model, not only due to their efficiency levels but also to the participation of the affected families in the selection process of housing solutions. Col\$793 billion (US\$355.57 million) were invested in housing. This represents approximately 50% of the total funding. It includes subsidies, damage appraisals and supervision of the works. Subsidies were granted to 130,485 titleholders, bare possessors and renters who had suffered damages to their housing (115,926 urban housing units and 14,559 rural housing units.) With regard to the intervention in the urban sector, 73,391 partial repairs and 11,850 on site reconstruction jobs were undertaken. Subsidies were also provided to 13,326 families for their relocation away from high-risk zones.

16,696 renting families became homeowners. These families, as well as the families that were relocated, had the opportunity to choose their housing units among 107 projects, displayed in the Home Showcase, thus enhancing their sense of belonging to their city and raising their self-esteem.

Among the most important achievements of the program are: a.) the reduced building costs in the region without a decrease in quality. Average building costs per m² were Col.\$473 thousand, 37% below the national average. This type of construction usually costs Col.\$650 thousand. The price per m² for FOREC housing units was 10% less than in mid-size cities and 35% less than in government subsidized housing in the country's major four cities. Likewise, the unitary subsidy value was Col.\$105 thousand, five times lower than the traditional cost to the public entity charged with government subsidized housing in Colombia. b.) the balanced information on the real estate market that promoted competitive practices through pilot plans and the Home Showcase, and generated processes and methods to standardize housing appraisals; c.) the opening-up of spaces for the participation of organized communities through groups such as the Popular Housing Organizations, engaging popular sectors in the planning and executing process of self-management projects.

In regards to new housing, the use of innovative construction methods such as structural masonry, concrete walls filled on site, bamboo structures and clay walls, prefabricated components, and others was outstanding. With the financing from the National Federation of Coffee Growers, FOREC, USAID, Fundacion Corona and the Colombian Society of Earthquake Engineering it was possible to undertake studies, which provided the basis for the National Commission for Earthquake Resistance to endorse bamboo as an earthquake resistant material. This allowed bamboo to be used in the construction of housing infrastructure. One of the most important issues was the management challenge faced by FOREC to place a value on the damages to each one of 73,391 housing units that needed repair. The challenge consisting in defining the detailed level of damage so that the investment made by the national government would cover only what was reasonable. A model employed by insurance adjusters was used for this purpose. It should be noted that the damages sustained to the housing units were calculated by means of specially developed software, that, given a cap of investment that was not to exceed US\$4 thousand per housing unit, permitted an adequate quantification of the number of housing units affected that needed to be repaired, and thus the value of the subsidies that had to be granted.

3.2 Temporary Assistance

One of the most sensitive processes of reconstruction was the provision of temporary assistance and social accompaniment to the families placed in temporary shelters, given that the most vulnerable population was concentrated in areas that made the economic and social problems that they were suffering very visible. There were only 6 municipalities where no temporary shelters were set up. The management of this component of the project depended directly upon how construction was progressing, since actions materialized not only in the access that allowed renting families to become homeowners, but also in the social assistance and the identification of vulnerable populations and their problems by incorporating them into the planning process. It was through the Zonal Management Offices that construction and maintenance to temporary shelters, community kitchens and bathrooms, and common areas were developed. Temporary networks for public utilities were constructed and accompaniment projects developed providing families with health care, food, utilities, and vocational education. All of

these services were offered to 14,598 families in temporary shelters on a permanent basis. Municipal committees aimed at assisting families in terminating their temporary status were promoted and formed to encourage the transit of these temporary living quarters to new population resettlements. The amount invested in solving these temporary situations was approximately Col\$74.0 billion (US\$33.6 million.). As of December 31, 2001, 4851 families were still facing this temporary state. This was a decrease of 66.8% when compared to the initial figures of families in a temporary status. To date, 2% (300 families) are still under temporary conditions although this is due to a different social problem, not derived from the earthquake, which will be addressed by the local authorities.

3.3 Repair and Reconstruction of Social Infrastructure

The reconstruction of social infrastructure revitalized the coverage of utilities and turned this into an opportunity to use new construction techniques and designs, appropriate and innovative materials, and implement new seismic-resistant building codes. Also, it is worth mentioning that not only was the damaged infrastructure recuperated but also stalled works not related with the earthquake were completed, all of which contributed to a greater development in the region. An investment of Col\$147 billion (US\$65.7 million) equaling 9.18 % of the total resources available for reconstruction was made into social infrastructure.

Health care infrastructure: In the area of health care an investment of Col\$35 billion was made. The entities favored were 74 (63 urban and 11 rural) health care institutions including hospitals, health care centers, and nutrition centers. The response capacity in these institutions was strengthened through better equipping these hospitals by using international support funds. The investment in health care and basic needs benefited around 96,214 at-risk people, living in temporary shelters and marginalized zones. This was achieved through primary assistance, permanent monitoring of sanitary conditions, and basic education in disaster situations performed in cooperation with the Foundation for Development of Health Education in Colombia (FUDESCO). Moreover, FOREC signed agreements with the Colombian Institute for Family Welfare (ICBF, acronym in Spanish) and *Scouts de Colombia* to provide nutritional assistance to people in temporary shelters and informal settlements. In Armenia, 90 health committees were formed including 450 volunteers who were trained to manage, plan, and carry out activities in the health care sector (shelters, settlements or neighborhoods). In Pereira, 85 community leaders were trained in areas such as leadership, risk management and prevention, and health promotion. Emotional first aid groups made up of 712 people were formed in 12 public and private schools. It is worth noticing the registration of 100,000 new people in the health care system in Quindio during two years, with a total investment of Col\$26 billion. To make this possible, FUDESCO performed 80,000 *Sisben* (Colombia's Beneficiary Identification System) surveys aimed at identifying the affected population not covered under the national subsidized health regime. Thanks to this process Quindio became the department with the largest coverage nationwide.

Education Infrastructure: With regards to the repair and rebuilding of the educational infrastructure an investment of Col\$140 billion was made covering 650 educational centers repaired: 297 in the urban sector and 353 in the rural sector. This includes the reconstruction of 52 urban public and private schools and 90 schools in rural areas. A total of 286,846 students were benefited by this investment. In the rural sector the National Federation of Coffee Growers offered special incentives for the reconstruction of these buildings while preserving the traditional architecture of the region. With the intent of normalizing education, FOREC prioritized the repair

of minor damages, for which it received the support of the Society of Colombian Architects (SCA). To this end agreements were signed between FOREC and the SCA in each one of the affected departments along with a permanent monitoring of their execution with the participation of the municipal and departmental secretaries of education, a University of Quindio monitoring group and the contractors. In the cases where rebuilding of the infrastructure was required, it was opted to build 330 temporary classrooms at a cost of Col\$1.2 billion, while the corresponding studies, designs and construction works were hired out by the Zonal Management Offices. The construction of these temporary classrooms allowed the students to continue studying without any further delays in the school year while their new schools were being built. In order to define boundaries to the reconstruction of the educational infrastructure, FOREC developed a document on educational standards, which serves as the basis for the dimensioning of the studies and designs of new schools. This helped to optimize the resources invested in this sector, benefiting the student population equitably without overdimensioning the institutions, thus guaranteeing that all of the projects being carried out in the municipalities would use the appropriate designs for the educational services as well as engage the participation of the educational community. Likewise, subsidies for Col\$1.5 billion were provided to the affected university population of the University of Quindio and the Pereira Technology Institute.

3.4 Repair and Reconstruction of Public Infrastructure

The intervention included 576 establishments. Col\$326 billion (US\$146.14 million) (20.4% of the resources available) were invested into the partial repair and expansion of residential public utilities infrastructure, which added to the temporary subsidies provided to the investment on destroyed and affected housing, sum up the actions undertaken by FOREC under this component. FOREC funded the reconstruction of 50 urban roads, among which the modernization of the city of Armenia roadway system, made possible by the construction of La Cejita road complex and La Patria road, stands out. Moreover, the National Highways Institute (INVIAS, acronym in Spanish) carried out the three joint contracts with FOREC aimed at the rehabilitation, reconstruction, and maintenance of various roadways, among which the Ibaguè-Armenia, Calarca-La Paila, Pereira-La Paila and Armenia-Cartago-Pereira roadways. With regards to public institutions, 35 of these were included in the intervention, among which the reconstruction of Armenia's City Hall represented the only international bid tendered. The majority of public institutions affected were churches and temples, of which 161 received assistance. According to FOREC, the investment approved for these buildings was 33% of the value of the damage. The rest of the investment was left in the hands of the above mentioned entities. 72 utilities projects were carried out, of which 64 were for water mains, sewerage and waste removal, 4 for electricity and 4 for telephony services.

3.5 The Environment and the Strengthening of Institutional Disaster Prevention and Management Capacity

Col\$54.5 billion (US\$24.43 million) were assigned to environmental projects and capacity strengthening to prevent and manage disasters. Col\$42.0 billion (US\$18.9 million) were for environmental projects, which included: 1) Joint projects for demolition and rubble removal executed in conjunction with INVIAS, the municipalities and NGOs; 2) Environmental Management Plan; and 3) Environmental projects executed by the Zonal Management Offices. A total investment for Col\$12.2 billion (US\$5.49 million) for the strengthening of institutional

disaster prevention and management capacity was made. The Regional Environmental Management Plan was developed. This plan formulated a series of projects both to address the demands of each sector looking to mitigate risks, control mass removals accelerated by the earthquake that affected the population and infrastructure, and to control and correct the environmental effects of the earthquake. The Plan was signed by the Regional Autonomous Corporations, the Ministry of the Environment, IDEAM, Ingeominas, and Corpes de Occidente. With FOREC funding the municipalities affected in the Coffee Belt could rely on the land-use plans, approved by the respective municipal councils, and the maps zoning potential high-risk and microseismic areas. In this manner the zone was equipped with a valuable tool against future threats. This allowed the municipal administrations to rule the use of land regarding public and social infrastructure for the immediate future. Thanks to these actions, the reconstruction was planned seeking that works were not built in high-risk zones. Consequently, 13,326 housing units along with other social infrastructure throughout the region were relocated. In recognition for the management of this whole process, especially the mitigation of risks in October 2001 FOREC was awarded the United Nations Sasakawa Award, acknowledging the work accomplished in the guidelines for the prevention and reduction of vulnerability included in the reconstruction program, the incorporation of a risk management approach within the POTs and the environmental management plans as mechanisms for preventing disasters as well as for the potential of the model for generating capacity among the local authorities and institutions. Furthermore, the National Coffee Federation, under its policy on the coffee industry sustainability, promoted the replacement of contaminating *beneficiaderos* (processing plants where the coffee bean processing machines and silos are found) with the new ecologically built BECOLSUB *beneficiaderos*, that saves 85% in water and prevents the flowing of the bean peeling processing and rinsing byproducts into the rivers and streams. In order to prevent and respond to natural disasters a bill was submitted to reform Decree-Law 919 of 1989 on the National System for Disaster Prevention and Response in coordination with the General Administration for Disaster Prevention and Response, which will become part of the systematization model.

3.6. Social Capital Restoration

The investment made into social capital restoration projects amount to approximately Col\$34.0 billion (US\$14.9 million). The social projects developed by the Zonal Management Offices strengthened the emotional ties and the psychological healing of the affected population through workshops on coexistence and participation, development of cultural and recreational projects, best use of free time, and programs to strengthen the coexistence. Given the dimensions and effects of the tragedy community participation was essential. The fundamental aspect of this project component was that the community had a contact with the national government through their participation in designing solutions, and thus in the development of public policy objectives. That guaranteed the sustainability of this intervention, following a process of social control and ownership of the model.

3.7. Economic Revival and Job Creation

The economic revival, although related to a short-term situation, increased the demand for construction and, consequently, for the investment in the recovery of the region. FOREC generated a considerable number of direct jobs through the various components of reconstruction, lowering the unemployment rate in the region to 14.9% in 2001, which was lower than the

national average. In 2001 the unemployment rate in Quindío was 14.3%, while the average for the departments in the coffee region was 14.9% and the national rate was 15.0%. Source: DNP-DDS. A sum of Col\$9.6 billion (US\$4.32), which included sericulture productive projects and the restoration of the Coffee National Park, was invested by FOREC in economic revival. In addition to generation of short-term employment other externalities were derived in terms of resources, based on the increase of capital and the number of partnerships incorporated as well as the increased activity in the financial and commercial sector, as a result of the higher flow of investment produced by FOREC. Additionally, entrepreneurs were supported in this effort through the issuing of a Col\$3.0 billion guarantee offered by the National Guarantees Fund, which offered soft loans to benefit small and mid-size enterprises. Decrees Nos. 258 and 350 of 1999, which consider the stimulus to the economic system and the promotion of enterprises in the municipalities, based on benefits regarding taxes, levies, encumbrances, duties and payroll contributions, were instruments that sought to provide incentives to investment in the zone struck by the earthquake and were complemented by the issuing of the Quimbaya Law. This law granted temporary stimuli to private investment in credits and tax exemptions, aimed at generating productive investment in the region.

3.8 Reconstruction of the Countryside

This project component was taken over by the National Coffee Federation (FNC, acronym in Spanish) as a Zonal Management Office, given its operational and institutional capacity in the region. FNC invested a total of Col\$35.6 billion for the reconstruction of the rural areas in the coffee region. For its part, FOREC, invested Col\$34.3 billion in housing in the rural area of the coffee region. This represents Col\$35.7 billion in rural housing in the non-coffee-growing area and Col\$27.1 billion in the repair of community infrastructure, for a total of Col\$97.1 billion. FNC obtained efficient results in the reconstruction process, taking advantage of the infrastructure and logistics of the provincial coffee committees and the municipalities in the region to rebuild housing, health care, education and community infrastructure. The program undertaken by FNC was characterized by an active connection with the beneficiaries, guaranteeing commitment and transparency throughout the operation. In addition to the reconstruction program, FNC created strategic partnerships with entities such as FAO and WFP for the food aid program, and the GTZ for the housing construction program.

4. Main Factors Affecting Implementation and Results

The Program for Reconstruction of the Coffee Belt (FOREC) was faced with factors that affected its implementation both negatively and positively and had repercussions in the results achieved. One of the principal factors that had a positive effect on the implementation of the process was the direct support lent by the Office of the President, which guaranteed not only the assistance of other government entities but also the availability of funding as well as a special legislative framework. Other factors that led to a favorable outcome were the leadership and commitment of the FOREC team and of the zonal management offices, as well as the incorporation of people from the region into the Board of Governors. At the time of the earthquake, the country was facing a fiscal deficit that made it necessary for the state to use strict criteria in selecting projects related to the reconstruction. Nonetheless, the national government confronted this situation and assured the financing of the project by redirecting credits through multilateral banks, negotiating new loans, and allocating the government's own resources. In spite

of all this, some ill will was generated about the expectations that were generated in some of the zones with respect to the economic revival, the creation of permanent employment, and the execution of projects that were not part of the reconstruction as such, but rather belonged to development plans of local authorities. The intervention model was novel. The decentralization of management was achieved through the decision that the headquarters for FOREC, although a national entity, should be in the provincial capital of Armenia, without an administrative structure of its own. Also the decision to break up the region into 32 intervention zones and hand over each zone to a NGO was essential to reaching the reconstruction objectives. This facilitated the simultaneous implementation in each of the affected zones. The NGOs worked in an integrated manner in their zones in all sectors except demolition and rubble removal, communications, and environmental management and planning. The latter were dealt with through combined agreements with FOREC for the entire Coffee Belt, based on the experience demonstrated by relevant contractors. The rural sector was also consolidated under the management of the National Coffee Federation since this institution had the infrastructure and capacity to act efficiently in the process. This was made evident by the results they obtained. A cornerstone of the reconstruction process was the identification of high-risk zones in the municipalities through a mapping system that signaled out geological threats, such as flooding and other risks. These studies were performed by INGEOMINAS through an agreement between this entity and FOREC. This was the essential ingredient for the local authorities and FOREC to be able to identify the sites in which a relocation of infrastructure was required. This long-term planning process sought to reduce both natural threats and the impact of such disasters on vulnerable communities. This process was consolidated on an international level given the recognition that FOREC received via the United Nation's Sasakawa Award presented to the organization on October 11, 2000 in Geneva, Switzerland.

On the other hand, the issue of renters undoubtedly shifted the course of the process. FOREC had to establish means to address this problem when it found that the government's policy on housing subsidies did not cover the great majority of the affected families that were in temporary shelters. This intervention, combined with the relocations due to high risk, definitely affected the dynamics of the municipalities that covered these new housing units, especially in terms of the supply of residential public utilities and the capacity to provide assistance to the community through public and social infrastructure. The reconstruction program was under permanent control, monitoring and auditing by public entities such as the General Controller's Office as well as private entities and citizen oversight groups, which permitted a guarantee from all stakeholders that the projects were being properly executed both physically and financially. However, with such a high level of control, daily duties were difficult to carry out. It was even more so when dealing with emergency situations. Opportunities for feedback were also insufficient.

The diverse political situations that the program had to face also affected the implementation of the program itself to some extent. Even though the model sought to avoid the political polarization and opportunism that characterizes political circles, during the process there were three local, regional, and national elections that used FOREC as a campaign theme. Thanks to the technical approach to the situation the program was kept unattached to these influences. However, the election of new mayors brought new problems. This election and, consequently, the changes in administration officials with whom zonal management plans had been agreed upon were questioned by the new officials. This created tensions on the relations among the parties

involved and made it hard to undertake joint work. Certain processes were delayed given that they needed the backing of local authorities.⁸⁸ Licenses for housing construction projects, authorizations for the installation of residential public utilities, and delays in declaring high-risk zones, among others. The elections for Senate and House of Representatives officials made FOREC the object of various debates in the Senate, which practically brought the reconstruction process to a halt for several months in 2001.

5. Sustainability of Project Results and Transition to a Regular Operation

FOREC was created to be a temporary entity to contribute to the goal of avoiding the ever-growing size of the state. It was formed in such a manner that when its work was completed it was to enter into a liquidation phase.⁹⁹ The liquidation of FOREC was carried out on July 25, 2002, leaving the pending work in the hands of the Network for Social Solidarity (Red de Solidaridad Social in Spanish) Part of the liquidation and dismantling phase contemplated the fact that FOREC was to transfer its capacities and knowledge to mainstream them into the established State institutions, thus contributing to the systematization of the lessons learned and make it possible to confront similar situations in the future. The national government is aware that Colombia faces permanent threats due to the vulnerability of its population with regards to risks caused by earthquakes, volcanoes and flooding. It is for this reason that the State is in the process of acquiring funding resources to systemize the experience, so as to allow government institutions to rely on the added value gained from the experience in topics such as disaster prevention, management and reconstruction. It also seeks to establish the scope of the economic responsibility of the State regarding the recurrence of disasters in the future. All the municipalities in the Coffee Belt, as part of their normal operations, are now aware of the fact that they are in possession of POTs that have identified high-risk zones as input provided by the reconstruction process. This allows them to have adequate instruments when making zoning laws in their jurisdictions. Community organizations, strengthened with new learning and a greater planning and management capacity, have become a guarantee for the sustainability of the process, regardless of whether the entities have participated actively or not in such process.

6. Evaluation of the Actions of Banking Institutions and FOREC (the Borrower) during Project Implementation

Multilateral banks monitored the actions carried out by FOREC on a permanent basis. Both the IDB and the World Bank led several missions not only to assess the status of the project but also to provide their support by channeling actions for the benefit of the Program. In fact, the World Bank carried out nine official monitoring missions and an equal number of visits to the region which included high officials of the Bank once it was clearly evident that the Program was being carried out efficiently and results were being achieved. For the World Bank this program, compared to other models applied in similar disasters around the world, was considered worthy of being replicated in different parts of the world. So much so that on different occasions it was presented as an option for assistance in the event of catastrophes.

The intervention of the World Bank in the execution of the project went beyond just financing the Program. It also included its unconditional support in speeding up the approval of credits, the disbursement of funds and the definition of contracting parameters for the zonal management offices, as well as the technical assistance and training on the good use of the Bank contracting rules. The permanent support provided by the Bank allowed feedback in the process

and the technical assistance provided by the Bank through its sectoral experts was accepted by FOREC for the benefit of the project. Thanks to the ongoing supervision by the Bank procedures were adopted that helped identify technical and even organizational problems, which contributed to the success of the program. With respect to the regulations for contracting with the multilateral banks, it should be emphasized that there was an arduous and strong coordination effort on the part of the national government and FOREC to achieve all the approvals. This represented a change of perception on the part of the banks about the responsibilities of the executing agency and a big lesson for the executing agency about the measures that the banks had proposed to be taken. It is worth mentioning that the IDB, as well as the World Bank, tried their best to match the hiring ranges, but, in the end, the executing agency had to adjust itself to the rules of each entity, in spite of the dimensions of the tragedy. This learning process was exhaustive for the NGOs, who had to assimilate the established conditions as the process progressed. The experience gained on procedures and requirements demanded by the multilateral banks in the hiring process and the search for solutions to the different hiring problems posed by the zonal management offices became an added value for all professionals from FOREC as well as those of the NGOs participating in the process. However, at the outset of the application of these established hiring processes some difficulties arose for FOREC and the NGOs. These problems were overcome through the adjustments in the procedures and the technical support provided by the banks for these purposes. The transparency, discretion and efficiency in the use of the available resources oriented towards the reconstruction were widely recognized throughout the country, including the nation's General Controller's Office, the entity in charge of supervising the use of public resources. To a great extent this transparency is due to the hiring practices adopted in compliance with the strict technical and financial quality requisites of the participating bidding firms and to the awards granted to the lower-cost proposals. It is evident that the intervention of multilateral banks was essential to the reconstruction process, not only in their role as financial providers of an intervention of this magnitude but also for the constant feedback provided through their technical assistance.

7. Government Evaluation

The government of Colombia has been confronted with various natural disasters in past years and dealt with them using different models. Without a doubt, the process of reconstruction in the *Eje Cafetero* is the process that has generated the best results in interventions of this type on a national or international level. This was made possible due to the proposed model and the efficiency demonstrated through the expeditious execution of the project. After only three and a half years since the tragedy, the results are clear given factors such as: the efficiency and transparency of the US\$800 million investment, the low operating costs of FOREC, the sense of belonging achieved by the community through their active participation, the credibility within the region, and the sustainability of the process made possible by the plans conveyed to local entities.

Following are some essential points that make it possible for this model to be replicated to respond to similar situations of calamity and even assist socially affected regions, seeking an integrated multi-sector impact. The support provided by the National Government throughout the process was consistent. This was due to the personal instructions given by the President of the Republic, who personally followed on the execution of the reconstruction process. The National Planning Department (DNP, acronym in Spanish) acted as the Technical Secretariat of FOREC and channeled all participation from the rest of the government. This was positive in the sense that

the project counted on a coordinating entity to represent them before the ministries, multilateral banks, and other central entities concerning procedures related to credits, funds disbursement, technical support and prioritization of investments. The technical assistance and constant supervision provided by the multilateral banks permitted the process to be fine-tuned and become an example for the world. The FOREC is a State-based model but it is also integrated on the national, regional, and local levels while, at the same time, its validity stems from its permanent interaction with the community. In this manner the model is well respected at many institutional levels but it can also approach such institutions for specific requirements; it is no substitute for them but they rather complement each other. The integration of different national and international actors to achieve its final objective, while remaining autonomous in nature, is what makes FOREC an exemplary model.

Many public entities such as INVIAS, ICBF, the Ministries of Health and Economic Development, the Network for Social Solidarity, Civil Aeronautics, the National Police and the National Army, among others, participated in this process following their particular expertise. In this sense, an institutional benefit was realized by strengthening the power of the State for other similar situations. The designation of the members for the Board of Governors, made up of leaders of business sectors and representatives of local and national authorities, guaranteed the widespread dissemination of the advancements in the process and a prioritization of investments. As far as the model developed, where various NGOs participated under the coordination of FOREC, it was possible to come closer to the community and apply adequate contracting processes in compliance with the operational rules. The NGOs permitted a coordinated effort between the civil society and the public sector with good results in these types of interventions. This permitted the strengthening of local authorities and of the communities themselves.

The community participated in every stage of the process, and this participation was essential. It led to a democratization of the intervention and permitted to direct actions through agreement mechanisms that generated a sense of belonging regarding the public establishment. It also induced a feeling that the State was credible. This was the opposite of what happened at the initiation of the process when most felt that the State was unreliable. The fact that public resources were administered through a trust was also of help. This defined the transparency of the management of funds and allowed easier control and monitoring. A transcendental issue that must be considered when handling disasters is the channeling of donations, both financial and in kind, whether of national or international origin, into one entity only. FOREC administered the donations that it received and assigned them to the areas that had been previously identified. In this regard, the monetary donations received from the Colombians are worth mentioning. These resources were grouped together with the funds received from USAID. The destination of these funds was directed to executing actions compliant with the policies previously defined by FOREC after reaching an agreement with the National Government. It was in this way that the sector of renters was benefited with the construction of housing.

With respect to housing and public infrastructure in general, the knowledge gained has shown that the existing legislation related to seismic resistance needs to be revised, adjusted and strengthened. The responsibilities of the State need to be clearly defined in this area with the goal of closing legal gaps and mitigating damages that may result from new tragedies. With respect to contracting practices different rules were established. Despite the fact that the hiring carried out under the reconstruction process of the Coffee Belt was based on the private law regime and not on the State provisions established under Law 80 of 1993, they complied fully with the

constitutional principles of administrative function and laws governing contracting. This is true in relation to the principles of equality, morality, efficacy, economy, swiftness, impartiality and publicity, as well as transparency, austerity and accountability. Compared to other public entities, FOREC stands out in that it achieved its objectives much faster than in the case of other international experiences. It did so in a cost-efficient manner with administrative costs being only 6% of the total investment made. Besides, once it was liquidated its personnel were dismissed thus avoiding further labor and benefits costs to the central government.

8. Lessons Learned

The FOREC model was developed efficiently and assumed a management challenge, incorporating basic decentralization and institutional strengthening principles. The State implemented a reconstruction plan that assured the investment would be focused on the affected population, rebuilding housing units for more than 130 thousand families while accomplishing it in the shortest time possible, thus avoiding the deterioration of its human capital, and as it was temporary in nature it avoided adding to the size of the State.

The accompanying technical support from the multilateral banks allowed all that were involved, the banks, the National Government, FOREC and the NGOs, to coordinate and provide constant feedback. In this process the purpose of the missions was more supportive than supervisory in nature, as evidenced by the parts involved, who were benefited from the exchange of ideas and experiences.

Given the characteristics of a disaster of this magnitude it is clear that reconstruction becomes an economic and social development problem. In terms of the modern conception of public policies, it is plain that the model as it was designed responds more to organizations established for the common good than to typical governmental actions. This concept is wholly consistent with the opening-up of new opportunities for civil society participation, the need to overcome the credibility crisis of the State, and the urgency to rebuild governance.

The proper complementarity between civil society and public institutions allows the performance of basic functions such as guaranteed decentralization, social control, transparency, participation, and efficient assignment and use of resources. Excluding the public sector as the executing agency permitted to maintain its intervention in its role as controller, which in turn allowed FOREC to be accountable to all the parties involved.

If confronted with a similar situation, the National Government should ensure that the decisions regarding reconstruction and disaster management should come directly from the Office of the Presidency. Furthermore, the nature of FOREC as a decentralized national entity allowed it a closer approach to the situation it had to confront. Given that FOREC was created as a temporary entity without an administrative structure of its own it became clear that those parties participating in the process would no longer be needed once the goals of the entity were achieved.

The schemes for emergency response and reconstruction in the face of catastrophes in general, as in this case, should make the multilateral banks reconsider their preparedness in operations of this type, in such a way that they could expedite their intervention and adjust their procedures to meet specific needs. The development of the model through the selection of NGOs as zonal management offices through public announcements showed that it is possible to link these organizations to the civil society in the development of public policy objectives, by executing adequate joint complementary actions in a decentralized manner. The zonal

management offices generated ownership, equity and competition, with both socially and economically efficient results.

Community participation assured social control, democracy, transparency and ownership of the process. Civil society was strengthened in its capacity to complement the State and allowed the State to regain its credibility given the results of this effort. The reconstruction left a legacy of an organized civil society, with the capacity to accompany the State in intervention processes, not only in future events but also in other topics where it may participate. Concerning the local authorities, throughout the planning process the majority of the municipalities found in the land-use plans and zonal action plans valuable tools for creating sustainable development conditions in accordance with regional and national environments.

The pilot housing plans and Home Showcase not only promoted competition and allowed the availability of summarized information but reduced housing price speculation. FOREC's low operational costs (6% of the investment budget) were maintained and the average cost of construction was below the national average, thus balancing market interest with public interest. Although the purpose of the housing policy was to restore the patrimony lost due to damaged infrastructure, to recuperate living conditions (by building homes) and to assist the poorest families in recovering their wealth, FOREC decided to grant subsidies to renters. This topic should be further analyzed for future interventions, because the solution to the housing problem should undoubtedly be part of a process where individual ownership complies with rules governing ownership. In order to own a home one must desire it, that is to say, if it is given to you as a gift, it is received without any effort on the part of the recipient. At the same time, however, many responsibilities come with this gift, such as the obligation to pay taxes and public utilities that are directed to the municipality and various enterprises. There should be a limit to the value of each home received as part of the assistance effort. At the same time, there is a risk when subsidies are given to middle-class families, since this discourages them to purchase their own insurance. A disaster of this kind has proven the importance of having an active, strong insurance system in place.

Clearly, Colombia faces constant threats of seismic, volcano, and flooding disasters due to the conditions of vulnerability of its population. The mitigation of these risks was one of the pillars of the process and the development of maps outlining high-risk zones as a planning element for reconstruction is one of the fundamental deciding factors in defining relocation zones. However, the Coffee Belt earthquake showed the need to evaluate the scope of the economic State responsibility in the face of such disasters. It also made evident the need to adjust existing local and national governance regarding prevention, response and reconstruction by developing a model that responds to disasters of such a magnitude and incorporate it in a series of pertinent laws. The National Government is rethinking its policies on prevention and disaster relief with the goal of emphasizing the importance of prevention as the fundamental element in minimizing the investment in reconstruction. The disaster relief processes need to be shielded from judicial revisions and be considered as separate from normal instances.

The information system developed by FOREC was a fundamental tool for the planning, control and execution of the budget, and for the general management of disasters of great magnitude. The lesson learned from this process is that the information system should be put into place as soon as possible, all the while separating, with clarity, the financial components in order to avoid confusion and differences regarding investments and in the project execution throughout the process. The model performed well in the post-disaster physical reconstruction and social

process. In spite of all that has been presented thus far, the model is not replicable in every case, although many of its elements could be applied other types of interventions. For physical and social reconstruction programs of such magnitude it is clearly a model that the government should use for eventual disasters. For this reason it is important to systematize and formalize the knowledge gained including its validation in actual practice.

(b) Cofinanciers:

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

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR	Actual/Latest Estimate
Increase in the amount of new and repaired housing s meeting seismic codes.		100,000 subsidies given to households to repair housing; 13,000 to rebuild housing of previous owners and 17,000 to rebuild housing of previous tenants.
Number of families relocated from temporary shelters.		Families in temporary shelters reduced from 14,000 in 1999 to 600 in 2002.
Lower unemployment in the project area.		Rate of unemployment fell from 52% in 2/99 to 19% by 2001
Number of reconstruction and micro-zoning plans implemented in the project area.		POTs developed for all municipalities in the region and used in relocation/reconstruction effort.

Output Indicators:

Indicator/Matrix	Projected in last PSR	Actual/Latest Estimate
Cultural buildings	11	11
Roads	50	45
Public offices	35	25
Airports	1	1
Army and Police	15	10
Jails	11	9
Churches	161	60
Fire stations	31	31
Markets	16	23
Slaughterhouses	8	6
Community centers	57	55
Health centers	74	40
Schools	650	604
Kindergardens	26	21
Nursing homes	15	14
Recreation, culture and sport	67	64

End of project

Targets for output indicators were developed during the project period based on needs.

Annex 2. Project Costs and Financing

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

Project Cost By Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
Housing	243.00	243.05	100
Social Infrastructure	75.00	82.40	
Public Infrastructure	115.00	107.60	
Disaster Management	7.00	7.00	100
Social Capital	8.00	8.00	
Management	19.75	19.75	
Total Baseline Cost	467.75	467.80	
Total Project Costs	467.75	467.80	
Front-end fee	2.25	2.25	100.00
Total Financing Required	470.00	470.05	

US\$93 million reallocated from four existing loans is included in totals. As of this was spent for housing subsidies.

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

Expenditure Category	ICB	Procurement Method ¹		N.B.F.	Total Cost
		NCB	Other ²		
1. Works	4.70 (4.70)	25.76 (10.70)	145.64 (52.35)	0.00 (0.00)	176.10 (67.75)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
3. Services	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	28.90 (15.00)	28.90 (15.00)
4. Miscellaneous	0.00	0.00	243.04	0.00	243.04
Housing Subsidies	(0.00)	(0.00)	(233.00)	(0.00)	(233.00)
5. Miscellaneous	0.00	0.00	0.00	19.75	19.75
Administrative costs	(0.00)	(0.00)	(0.00)	0	(0.00)
6. Miscellaneous	0.00	0.00	2.25	0.00	2.25
Front end fee	(0.00)	(0.00)	(2.25)	(0.00)	(2.25)
Total	4.70 (4.70)	25.76 (10.70)	390.93 (287.60)	48.65 (15.00)	470.04 (318.00)

US\$ 93 million from the reallocated loans is also included.

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method ¹		N.B.F.	Total Cost
		NCB	Other ²		
1. Works	24.00 (24.00)	100.00 (30.00)	9.00 (7.50)	0.00 (0.00)	133.00 (61.50)

2. Goods	5.10 (5.10)	28.70 (15.80)	10.30 (2.15)	0.00 (0.00)	44.10 (23.05)
3. Services	0.00 (0.00)	0.00 (0.00)	28.00 (25.40)	0.00 (0.00)	28.00 (25.40)
4. Miscellaneous Housing Subsidies	0.00 (0.00)	0.00 (0.00)	243.00 (193.00)		243.00 (193.00)
5. Miscellaneous Administrative costs	0.00 (0.00)	0.00 (0.00)	19.75 (12.75)	0.00 (0.00)	19.75 (12.75)
6. Miscellaneous Front end fee	0.00 (0.00)	0.00 (0.00)	2.30 (2.30)	0.00 (0.00)	2.30 (2.30)
Total	29.10 (29.10)	128.70 (45.80)	312.35 (243.10)	0.00 (0.00)	470.15 (318.00)

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

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

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

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Housing	193.00	50.00		233.00	10.05		120.7	20.1	
Social Infrastructure	40.00	35.00		19.15	63.25		47.9	180.7	
Public Infrastructure	60.00	55.00		57.10	50.50		95.2	91.8	
Disaster Management	5.00	2.00			7.00		0.0	350.0	
Social Capital	5.00	3.00		6.50	1.50		130.0	50.0	
Management	12.75	7.00			19.75		0.0	282.1	
Up-Front Fee	2.25	0.00		2.25	0.00		100.0	0.0	

Includes US\$ 93 million from the four previously existing loans.

Annex 3. Economic Costs and Benefits

Given the small size and the nature of the individual investments, it was not possible to calculate economic costs and benefits for this project

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating			
	Month/Year	Count	Specialty	Implementation Progress	Development Objective	
Identification/Preparation	2/99	3	Urban dev, 1 management spec, 1 infrast. spec.			
	3/99	8	1 urban dev, 1 management spec., 1 env. spec, 1 health & education spec, 1 hous. spec, 1 procure. spec, 1 fin. spec, 1 infrast spec.			
	1/00	2	1 project spec, 1 procurement spec.			
Appraisal/Negotiation	10/99	7	1 urban dev spec, 1 management spec, 1 env spec, 1 housing spec, 1 procurement spec., 1 infrast spec, 1 financial spec.			
Supervision	1/00	3	1 instit. dev. spec, 1 procurement spec, 1 infrast spec.	S	S	
	3/00	3	1 management spec, 1 financial management, 1 procurement spec	S	S	
	4/00	3	1 urb. spec., 1 instit. spec, 1 infrast spec.	S	S	
	9/00	4	1 urb. spec., 1 instit. dev. spec., 1 management spec, 1 procure spec	S	HS	
	1/01	3	1 instit. dev. spec, 1 infrast spec, 1 procurement spec.	S	HS	
	4/01	4	1 urb. spec, 1 management spec. 1 housing spec., 1 infrast spec.	HS	HS	
	ICR	6/00	2	1 economist, 1 inst dev. spec.		
		7/00	3	2 urb specs., 1 management spec.		

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	33.0	114.1
Appraisal/Negotiation	56.7	169.3

Supervision	77.2	312.6
ICR	3.0	31.3
Total	169.9	627.3

The preparation budget was complemented by a trust fund allocation (TF037872) in the amount of \$14,400.00. Another trust fund allocation (TF039147) in the amount of \$359,700 was used to finance special studies in risk mapping and management, as technical assistance support to the Borrower.

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

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

	<i>Rating</i>				
<input type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Physical</i>	<input checked="" type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Financial</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<i>Social</i>					
<input type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H	<input checked="" type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Gender</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H	<input type="radio"/> SU	<input checked="" type="radio"/> M	<input type="radio"/> N	<input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H	<input type="radio"/> SU	<input type="radio"/> M	<input type="radio"/> N	<input checked="" type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

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

6.1 Bank performance

Rating

Lending

HS S U HU

Supervision

HS S U HU

Overall

HS S U HU

6.2 Borrower performance

Rating

Preparation

HS S U HU

Government implementation performance

HS S U HU

Implementation agency performance

HS S U HU

Overall

HS S U HU

Annex 7. List of Supporting Documents

1. Departamento Nacional de Planeación, Reglamento Operativo FOREC (with cover letter dated November 8, 1999).
2. Loan Agreement (Loan 7009-CO - dated May 23, 2000)
3. Intervención Sectoral del FOREC, 1999 (Volumes I and II)
4. Letter of August 12, 1999 authorizing reallocation of US\$93 million from four existing loans.
5. Colombia CAS Progress and Update Report of April 13, 1999.
6. Universidad de Antioquia, November 21, 2001, Antioquia en la Reconstrucción del Eje Cafetero
7. Desarrollo Social del Eje Cafetero en Liquidación, Informe de Avance Segundo Semestre de 2001, FOREC, Febrero de 2002.
8. Universidad Nacional De Colombia, Programa de Atención y Acompañamiento Social a la Temporalidad, March 31, 2002
9. Red de Universidades (Los Andes, del Quindidio, Tecnológica de Pereira), Lo Que se Hizo y Lo que queda por Hacer al Cabo de Tres Anos de la Reconstrucción del Eje Cafetero Colombiano, Informe de los Tres Anos, Enero de 2002.
10. Lecciones Aprendidas, Unidad de Gestión de Proyectos, FOREC en Liquidación, May 31, 2002.
11. Project Appraisal Document on a Proposed Loan of US\$225 million to FOREC Guaranteed by the Republic of Colombia for an Earthquake Recovery Project, February 25, 2000.
12. Reconstruction and Social Development in Colombia: The Central Role of Civil Society Organizations
13. Informe Ejecutivo, Logros y Resultados 1999-2000, Unidad Social, FOREC
14. El Plan de Manejo Ambiental Para La Reconstrucción del Eje Cafetero, Eduardo Uribe Botero

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