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REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN TO

BANCO DE LA REPUBLICA

WITH THE GUARANTEE OF

THE REPUBLIC OF COLOMBIA

FOR A

SECOND AGRICULTURAL CREDIT PROJECT

December 16, 1976

CURRENCY EQUIVALENTS

(at the time of appraisal and used in this report)

Currency Unit	=	Colombian Peso (Col$)
Col$ 1	=	US$0.033
Col$ 1,000	=	US$33.33
Col$ 1,000,000	=	US$33,333

WEIGHTS AND MEASURES

Metric System

GLOSSARY OF ABBREVIATIONS

BC	- Banco Cafetero	Coffee Growers' Bank
BCH	- Banco Central Hipotecario	Central Mortgage Bank
BG	- Banco Ganadero	Cattle Raisers' Bank
BOR	- Banco de la Republica	Bank of the Republic
BP	- Banco Popular	Popular Bank
CAJA AGRARIA	- Caja de Credito Agrario, Industrial y Minero	Agricultural, Industrial and Mining Credit Bank
CFP	- Corporacion Financiera Popular	Popular Finance Corporation
COFIAGRO	- Corporacion Financiera de Fomento Agropecuario y Exportaciones	Agricultural Development and Exports Finance Corporation
FFAP	- Fondo Financiero Agropecuario	Agricultural Finance Fund (BOR)
FFI	- Fondo Financiero Industrial	Industrial Finance Fund (BOR)
FIP	- Fondo para Inversiones Privadas	Private Investment Fund (BOR)
ICA	- Instituto Colombiano Agropecuario	Colombian Agricultural Institute
IDEMA	- Instituto de Mercadeo Agropecuario	Institute for Agricultural Marketing
INCORA	- Instituto Colombiano de la Reforma Agraria	Colombian Agrarian Reform Institute
INDERENA	- Instituto de los Recursos Naturales Renovables y del Medio Ambiente	Institute for Renewable Natural Resources and the Environment
MB	- Junta Monetaria	Monetary Board
PA	-	Participating Agency

BANCO DE LA REPUBLICA

FISCAL YEAR

January 1 to December 31

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO BANCO DE LA REPUBLICA WITH THE GUARANTEE OF THE REPUBLIC OF COLOMBIA FOR A SECOND AGRICULTURAL CREDIT PROJECT

1. I submit the following report and recommendation on a proposed loan to the Banco de la Republica (BOR) with the guarantee of the Republic of Colombia for the equivalent of US$64 million, the proceeds of which would be relent by BOR to public and private financial intermediaries for the financing of medium- and long-term investments in commercial agriculture (including livestock) and in related agro-industries. The loan would have a term of 15 years, including 3-1/2 years of grace, with interest at 8.7 percent per annum. The proceeds would be relent on the terms summarized in Annex III.

PART I: THE ECONOMY

2. The latest economic report on Colombia (1190-CO) was distributed to the Executive Directors in August 1976. It was designed to assess current developments and provide a medium-term prospective of the Colombian economy. Country data sheets are provided in Annex 1.

Background

3. During the past two decades substantial structural transformation has taken place in the Colombian economy and the country is now well advanced in the transition from a predominantly rural, agricultural, and largely self-contained economy to an urban industrial economy, more oriented toward international trade. Broadening of the country's productive base has been accompanied by rapid growth of nontraditional exports (those other than coffee) and development of a modern sector which relies to a considerable extent on imported inputs. From 1967 to 1975 GDP increased by an average 6.0% per annum in real terms, well above the historical average of less than 5% (1950-67), and real per capita income increased by an average annual 3.6%. Two mutually dependent phenomena, increased investment and relaxation of the foreign exchange constraint, have been major factors in bringing about this acceleration. Merchandise exports have expanded more than three-fold since 1967 and, most significantly, nontraditional exports have become an increasingly important source of foreign exchange earnings, growing from 27% of merchandise exports to about 50% at present. Much of this increase was the result of both product and market diversification, especially of manufactured

exports, as the share of total exports shipped to Latin American countries more than doubled. Despite the rapid development which has taken place in recent years, however, Colombia remains essentially an underdeveloped country with a still limited modern sector superimposed on a large, traditional, and poor base.

4. When the present Government took office in August 1974, the country was faced with several adverse developments -- weakening balance of payments situation, impending loss of self-sufficiency in petroleum production, inflation, deterioration of public finances, and reduction in public investment -- which threatened to interrupt the high growth rate achieved by Colombia in recent years. The new administration embarked upon an economic stabilization program with the aim of restoring the basis for sustained economic growth. In line with this, it implemented basic reforms of the fiscal, monetary and price systems.

5. To help strengthen public finances, the new Government implemented a tax reform which covered almost every important component of the tax system and represented a significant improvement in terms of the progressivity and elasticity. The Government also made certain changes in the financial system with the purpose of stimulating private savings and improving the allocational efficiency of the financial system. The action included a restructuring of interest rates, simplication of the complex reserve system, and elimination of many of the more rigid and cumbersome controls.

6. The Government also took steps to correct major distortions which existed in the price system. Price controls on a number of important agricultural products were removed. In mid-May of this year, the Government introduced far-reaching modifications in its petroleum pricing policy which aim at regaining self-sufficiency in production of crude petroleum by improving incentives for exploration and exploitation. Under the new policy, foreign oil companies will be paid the international price of crude CIF Cartagena for new petroleum produced in association with the government petroleum corporation. (Previously the foreign oil companies received less than US$7 per barrel for new crude). The Government is also encouraging incremental production from existing fields and, in this connection, eliminated the special petroleum exchange rate, effectively increasing the price of crude oil by about 20%. Furthermore, retail prices of gasoline have been raised in successive steps from US$0.11/gallon in August 1975 to US$0.24/gallon in August 1976, or by 118%. The Government proposes to continue this policy until the prices of gasoline and other petroleum derivatives approach international prices.

7. As expected, economic growth slowed in 1975 (from 6% in 1974 to about 4%) and unemployment increased, reflecting both the impact of the stabilization measures adopted at the end of 1974 and the effects of the world recession. Towards the end of the year the economy began to recover, stimulated by increased exports, larger agricultural output and heightened industrial activity. Government revenues rose by an unprecedented 50% compared to 1974; savings deposits and bonds outstanding, reflecting higher

interest rates, increased from 23% of GDP in 1974 to 25% in 1975. Furthermore, inflation was reduced from 27% in 1974 to 18% in 1975, i.e., below the Government's target of 20%. Moreover, the balance of payments turned favorable as a result of the sharp increase in world coffee prices, expansion of non-coffee agricultural exports and reduced imports stemming from the Government's stabilization effort. By the end of 1975 Colombia's official foreign exchange reserves had recovered to about US$550 million, sufficient to cover almost four months' imports. With increased export earnings the public debt-service ratio declined from 16.7% in 1974 to 12.7% in 1975. Thus Colombia, through a combination of fiscal, monetary and trade policies and fortuitous external developments, was able to avoid any severe, prolonged economic slowdown and to improve its external liquidity position in an environment of worldwide recession.

Performance in 1976

8. The economic forces have continued to be favorable during 1976. Coffee prices are high and the balance of payments remains strong; foreign exchange reserves reached nearly US$900 million at the end of the third quarter of the year, the highest level in Colombia's history. The increased demand generated by the higher incomes of the coffee producers has been a powerful stimulus to the economy which is staging a sharp recovery. Real GDP growth is projected at 6%, a growth rate approaching that achieved during the 1968-74 period (6.7% per annum). As a result, the urban unemployment has declined to about 10% in mid-1976 compared to 13% a year earlier.

9. The inflow of foreign exchange from coffee sales has, however, led to a resurgence of inflation during the first half of 1976 and this has prompted the Government to continue to give priority to short-term management of demand. In this context, it has taken several measures. Legal reserve requirements have been increased and limitations on private external borrowing have been established. Import duties have been drastically reduced to shift part of the inflationary pressures to the external sector. Fiscal management is quite restrictive as the Treasury accounts have been kept in balance in the first half of the year even after repayment of the Government's short-term domestic debt. Almost two-thirds of coffee earnings are being kept from increasing the monetary base by measures adopted recently. 1/ The Government expects that a bumper harvest and the liberalized import policy will (although with a lag) increase the supply of goods, thus dampening pressure on domestic prices. Nevertheless, inflationary pressures are likely to persist, since foreign exchange reserves are projected to continue increasing. This

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1/ The measures are: 15% of payments to coffee producers to be made in three-year compulsory savings certificates; an increase in the coffee retention tax from 23% to 46%, and investment of a substantial portion of this tax, including the four percentage points received by the Coffee Federation, in Government bonds.

would, even after the sterilization measures taken, add to the monetary expansion. Furthermore, current price and cost trends (the Government is attempting to hold wage increases in the public sector to 10%, but private sector wages will probably increase substantially more) as well as "corrective" adjustments in public-service prices make deceleration of price increases unlikely during the remainder of 1976. However, the Government remains strongly committed to reducing inflation; the tightening of monetary and fiscal policies, accompanied by the liberalization of imports and the stabilization of world coffee prices, should enable the Government to control the rate of inflation.

Development Strategy and Prospects

10. The Government's development strategy is embodied in the 1975-78 development plan. The plan aims at creating the conditions necessary for substantially reducing unemployment through increased capital accumulation in the private sector, improvement in the efficiency of the price system in order to encourage more labor intensive production techniques and expansion of public investment. The main focus of the public sector investment plan is on Colombia's poorest regions -- Choco, Narino, Boyaca, and the North Coast -- and the rural and urban poor. Special priority has been assigned to agriculture because it is in the rural areas where the greatest concentration of poverty exists and in agricultural activities where the highest employment impact can be achieved. Commercial agriculture is also to receive support due to its strong contribution to export and employment growth. A substantial portion of public expenditures is being reoriented toward nutrition and primary education programs which affect the productivity of the poorest 50% of the population. Policies for promoting decentralization of industry away from the largest cities in the country have been adopted to accelerate integration of more backward areas into the modern sector of the economy.

11. Colombia's strong balance of payments prospects for the immediate future should make it possible in 1977 for the country to resume the high rate of growth of GDP (6-7%) achieved in the early 1970s. Maintenance of 7% growth in the late 1970s and beyond will require imports to increase at a rapid pace (about 10% per annum in real terms). Export prospects for the next several years, however, are excellent, as world coffee prices remain strong and economic growth is resuming in the industrialized countries. With the continuation of appropriate incentives, minor exports should grow very rapidly once again. Manufactured exports -- textiles, chemicals, pharmaceuticals, mechanical and electrical equipment, and paper products -- are over the long-term expected to lead this recuperation, along with non-coffee agricultural exports. Given the improved outlook for coffee, the deficit in the resource balance is projected to remain low throughout the late 1970s. Balance of payments prospects beyond 1980 will depend to a significant extent on the results of petroleum exploration and on progress made in implementation of several resource-based export projects currently under preparation.

12. Colombia is expected to require gross capital inflows of US$2.8 billion during the five-year period 1976-80, of which almost US$600 million will be disbursed from commitments made through the end of 1975. To attain

this level, annual gross capital inflow will have to increase from US$435 million in 1976 to US$760 million in 1980. Direct foreign investment is expected to provide only a small part (5%) of the required capital inflow, with approximately 50% being provided by official multilateral and bilateral sources and the remainder by suppliers', financial and other private credits. Local-cost financing by the Bank is considered justified by Colombia's progressive development policies and programs and domestic resource mobilization efforts, in those cases where such financing is required to give the Bank a meaningful role in high priority projects.

13. Colombia's public external debt repayable in foreign currency amounted to US$2.9 billion at the end of 1975, or US$2.3 billion excluding undisbursed commitments. The Bank Group's share of this external debt (disbursed only) as of the end of 1975 was about 28% and is expected to remain at this level through 1980. Service on this debt was about 12.7% of exports goods and non-factor services in 1975. Assuming recovery of minor exports and the favorable outlook for coffee, the debt service ratio is projected to decline to approximately 12% in 1980. The Bank's share of total debt service is about 30% at present but is expected to decline to 20% by 1980. With the maintenance of sound economic and financial policies, Colombia should have no difficulty securing or servicing the amounts of external capital it needs.

PART II: BANK GROUP OPERATIONS IN COLOMBIA

14. The proposed loan, the 65th to be made to Colombia, would bring the total amount of Bank loans to Colombia to US$1,362.2 million (net of cancellations). 1/ Of the foregoing amount, US$945.9 million is now held by the Bank. IDA has made one credit of US$19.5 million for highways in Colombia in 1961.

15. Disbursements have been completed on 39 loans and the one IDA credit. IFC has made effective investments and underwriting commitments in 22 enterprises in Colombia, totalling about US$36.2 million of which IFC now holds US$21.2 million. Annex II contains a summary statement of Bank loans, the IDA credit, and IFC investments as of June 30, 1976. The Annex also contains notes on the execution of the 24 on-going projects.

16. Since FY68, Bank lending in Colombia has become more diversified than in earlier years. All three loans in the education sector have been made since then, as were seven of the eleven agricultural loans and six of the nine loans for industry. This compares with seven loans since FY68 in the sectors where the Bank has been traditionally active, i.e., power and transport. Bank efforts have been focused on production oriented activities and activities which carry social as well as economic benefits.

1/ Including a loan of US$52 million for integrated rural development scheduled for presentation to the Executive Directors on December 23, 1976.

17. Bank lending to Colombia in FY76 consisted of one loan for development finance companies totalling US$80 million. The FY77 program includes the proposed integrated rural development project, the proposed agricultural credit project and a proposed road rehabilitation project. In addition, work is under way on nutrition and health, small-scale industry, slum improvement, power, telecommunications, water supply and sewerage, tourism, mining, and cooperative development and agricultural marketing for possible consideration by the Executive Directors during the next two years.

18. In lending to Colombia, the Bank tries to assist the Government in achieving four major objectives. These objectives are interdependent and complementary. One objective is to spread the benefits of growth more widely than before and, more particularly, to attach directly the problem of rural poverty. A second objective is to help Colombia expand output, including exports, by supporting projects that directly or indirectly make large contributions to production and employment. A third objective is to support programs that will bring about improvements in the management of the economy and, particularly, that will help to strengthen public institutions and financial intermediaries. A fourth objective is to transfer sufficient external resources to complement Colombia's domestic savings and provide the necessary funds for maintaining an adequate level of economic and social investments in a framework of sound domestic finances and a viable balance of payments.

19. The operations of external lenders in Colombia are shown in Annex 1. While IBRD, IDB and AID provided about 75% of total external financing to Colombia in the 1961-72 period, their share has decreased since then to approximately 40%. The IDB has assisted projects in low cost housing, university education, agrarian reform, ports, electric power, water supply, transportation, and industry. Between 1968 and 1972 AID shifted the emphasis of its lending from program to sector loans, particularly for education, urban development and agriculture. More recently, it has moved in the direction of small project loans aimed chiefly at the improvement of income distribution. It is expected to phase out its aid program in Colombia over the next year.

PART III: AGRICULTURE IN COLOMBIA

20. An exceptional regional diversity in soils and climates enables Colombia to produce a wide range of agricultural commodities for home consumption and export. In recent years, Government policy has been successful in encouraging the use of the country's potential to diversify agricultural production and exports. This, combined with increasing exports of manufactures, has brought about the decline of coffee from over two-thirds to about half the value of total exports. The overall rate of growth of the agricultural sector averaged 4.6% annually in real terms during 1965-73, as compared with 2.7% during the first half of the 1960's.

21. Despite the recent favorable growth performance, the sector is confronted with serious structural problems. While agriculture contributes only about 27% of GDP, it employs about 40% of the Colombian labor force. Average per capita income in rural areas is only half the level of urban incomes, and rural income distribution is very inequitable, with the poorest 40% of the rural population receiving only 12% of total rural income.

Land Use and Distribution

22. The Agustin Codazzi Geographic Institute and the Colombian Agrarian Reform Institute (INCORA) have classified 69 million of Colombia's 114 million hectares into eight major soil classes. (The remaining 45 million hectares of national territory are located in the largely unpopulated regions of the Orinoco plains and Amazonia). These studies show that there are more than 12 million hectares of land suitable for crops, two-thirds of which are situated in the Andean and Caribbean regions. About 32 million hectares are believed suitable for extensive livestock operations. Nevertheless in 1970 only 7.7 million hectares were put to permanent and seasonal crops and only 17.5 million hectares were in use for livestock. It appears, moreover, that in the heavily populated Caribbean and Andean regions more than half of the 8 million hectares suitable for crops are used for livestock operations. These figures point to a considerable under-utilization of available land resources.

23. The size distribution of land among farms is highly skewed. According to the 1960 agricultural census the largest 10% of farm units accounted for 80% of farm land, while half of all units comprised less than 3% of farm land. Despite the activities of INCORA during the last decade, the 1970 agricultural census shows that the size distribution of farms remained almost the same as in 1960. It should be noted that the distribution of farms by asset value is less skewed than the distribution of farms according to physical size. Nevertheless, since many large holdings consist of unimproved natural grassland and fallow land, it is necessary to improve the distribution of land ownership if more efficient use of the land is to result.

Labor Force and Productivity

24. There is large seasonal variation in agricultural employment which generates seasonal labor movements from urban to rural areas, from one farming area to another, and from farm to farm. In view of these seasonal changes in rural employment, it is difficult to draw conclusions from available statistical data. A recent study of rural employment concluded that farm families of the 1970 census could be classified according to principal source of income as follows: about half were dependent on their family-size farms, while one-quarter were dependent on wages from agricultural work. The remaining were either operators of large farms or derived their income about equally from family-size farms and agricultural wages.

25. Continuing rapid migration from rural to urban areas has held the net increase in the agricultural labor force to an estimated 1% annually in recent years, notwithstanding high birth rates and population growth in the country

as a whole. 1/ In the highland areas, the agricultural labor force appears to have decreased slightly, with most of the increase taking place in the lowlands and eastern plains. Both areas have probably gains in productivity per worker, in view of the relatively high agricultural growth rate since 1965.

26. Most attempts to analyze the rural labor supply and demand situations have shown considerable unemployment or underemployment. A recent study of the 1950-70 period concluded that average rural underemployment had fallen from 31% in 1950 to 25% in 1970, but that in the season of peak labor needs, the gap had narrowed from 20% in 1950 to 9% in 1970. Thus, the employment situation seems to have been improving in recent years. However, there are indications that as a result of the recession during 1974 and 1975 rural unemployment increased.

Sources of Increased Production

27. In 1974 growth of value added in Colombia's agricultural sector reached the relatively high rate of 5%. The growth rate for crop agriculture exceeded that for livestock, in contrast to the long-term trend since 1953. Fishing, forestry, and miscellaneous components of agricultural output account for less than a tenth of the total, but their combined growth has been faster than that of the crop and livestock subsectors. Prospects now appear to be good that Colombia's agriculture can maintain an overall rate of growth of 5 to 5.5% over the medium term.

28. Exceptionally large crops of rice, cotton, and grain sorghum contributed to the large increase of output in 1974. Production of these crops has risen substantially since 1963, and there have also been substantial gains for sugar, palm oil, and cassava. Gains in crop output have for the most part been realized through expansion of planted acreage. Only in the case of rice has increased yield been a dominant factor and this is the result of replacement of traditional cultivation of dry land rice by irrigated rice. More double-cropping has accompanied the expansion in plantings of irrigated rice and cotton, with the result that the increase of nearly half a million hectares in total plantings of major crops over the last decade has been realized with only about half as large an increase in the area of cropland.

29. Much of the additional crop output is being produced under a new structuring of relationships between producers, land, and products. Irrigated rice, for example, is commonly being grown on different land and by different producers than the rain-fed crop which it replaced. INCORA's colonization activities have brought new entrepreneurs into agriculture, and INCORA has also encouraged livestock producers in the Sinu Valley and elsewhere to plant higher value cash crops such as corn on some of their arable land. Available evidence indicates that small farms of the hillsides

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1/ The Population Council has found recently that Colombia's birth rate is declining. The birth rate is now estimated at 30-33 per thousand, which would result in a natural population increase of 2.1%-2.4%.

and highlands have added less to crop output than have new producers, both large and small, working with or without mechanization on the lowlands.

30. Most of the expanded output of the livestock subsector has been associated with the 3 - 4% annual expansion of the national cattle herd, which in 1974 numbered an estimated 23.9 million head. Annual production of cattle (the number of animals slaughtered, exported, and retained for inventory expansion) has remained close to 16% of the national herd for a number of years, while the commercial extraction rate (slaughter plus live exports) has varied between 11 and 15% in a roughly cyclical pattern. Calving rates have been estimated at about 55%, with mortality at about 4% of total inventory. These performance rates reflect the relatively extensive type of livestock management which predominates in Colombia. Animals of the dairy breeds and others classified as milking stock account for only about a seventh of all cattle. Much of the milk output comes from cows milked only once a day in herds kept primarily for beef production.

31. Only a small portion of present grassland is improved, so that stocking rates average only about one head per hectare. Improvement of technical performance rates will require substantial amounts of assistance to small as well as large producers, since 20% of the cattle population is in herds of fewer than 50 head and about 30% is in herds of 50 to 500 head. With expanded assistance, including investment credit, cattle production could grow at 5% per year.

32. Non-coffee agricultural exports amounted to about US$342 million and accounted for about 24% of total merchandise exports at the end of 1975. During the last five years they have been growing rapidly, at an annual rate of about 45%. This expansion has been particularly important for cotton (19% per annum), sugar (42% per annum), bananas (18% per annum), beef (28% per annum), tobacco (19% per annum), as well as flowers and rice (each in excess of 100% per annum). The Government proposes to continue policies which have stressed maintenance of an appropriate exchange rate through the crowling peg mechanism and to complement this with the provision of sufficient credit to agriculture, in order to increase non-coffee agricultural exports further.

Agro-industries

33. The facilities for processing and storage of crop and animal products have not improved as fast as the expansion of production from the commercial segment of the agricultural sector. Processing of agricultural products is concentrated in sugar cane processing plants, cotton ginneries, rice and wheat mills, oil extraction plants and milk, vegetable, and fruit processing plants. Considerable additional investment is required to expand and modernize existing agro-industries. While the larger projects are able to rely on industrial credit sources for their financing, there is also a need for additional small processing facilities located close to the areas in which production is increasing or is expected to increase. Financing for such small, decentralized facilities is in general more difficult for entrepreneurs to obtain and therefore would be assisted under the proposed project.

Institutional Support

34. The Colombian Agricultural Institute (ICA) and the Institute for Renewable Natural Resources and the Environment (INDERENA) are responsible for research, quality control and technological development in the sector. In addition, ICA trains extension agents and checks the quality of advice provided by private consultants. ICA also has a special responsibility for advisory services for farmers with less than 10 ha. The Institute for Agricultural Marketing (IDEMA) is charged with stabilizing prices and ensuring adequate supplies of agricultural products by storage and importation. Each of the institutions has experienced serious financial and managerial problems, but the difficulties have been recognized by the present Government, which is committed to strengthening these key entities in the agricultural sector. The financial condition of ICA has been improved by instituting charges for many of its services while the activities of IDEMA have been brought more closely into line with its financial capacity.

35. Associations of producers are important institutions in Colombia and have assumed many of the functions undertaken by public agencies elsewhere. In addition, banks also have technical staff for credit evaluation and supervision and the provision of technical assistance. The private sector has about 1,000 professionals and 700 assistants engaged in advisory work, while the public sector has about 900 professionals and 1,500 assistants concerned exclusively with technical assistance.

Agricultural Credit

36. Caja de Credito Agrario, Industrial y Minero (Caja Agraria) is the principal agricultural credit bank in Colombia. It was initiated in 1931 as a part of a state-owned bank. In 1971 it was transformed into a mixed enterprise although the Government still retains an 89% shareholding. Caja Agraria has had considerable experience with lending to farmers and has participated successfully in two previous projects partially financed by the Bank. It has 25 regional and 805 branch offices, many of which also have outlets for seeds, fertilizers, and other farm requirements. Sales of farm inputs by Caja Agraria currently account for about half of all national sales of these products. At the end of 1974, loans to small-scale farmers accounted for about 60% of its loan portfolio.

37. At the end of 1975, the agricultural credit portfolio of the Colombian banking system totalled about US$500 million equivalent, which corresponded to about 25% of all outstanding loans, exclusive of those for housing, or an allocation approximately equivalent to the contribution of the agricultural sector to GDP. The increase in nominal Colombian pesos was about 17% in 1973, 17% in 1974, and 22% in 1975. Given the prevailing rates of inflation, in real terms there were no increases in credit to agriculture during these three years. More rapid expansion of agricultural credit, therefore, will be needed if a 5% growth rate in agriculture is to be sustained over the long run. This, in turn, might require increases in the interest rates and spreads permitted under the central bank's agricultural rediscount system, if financial intermediaries are to have sufficient incentive to bring about such expansion.

Government Policy

38. The Colombian authorities have recognized that the problems of rural poverty and unemployment cannot be solved without a change in the structure of the agricultural sector through a production-oriented agrarian reform. Government actions since the establishment of INCORA in 1961 have aimed at lessening the concentration of land ownership and income through resettlement on publicly owned lands and on private land which has been purchased by the Government; by providing irrigation and drainage in areas inhabited chiefly by small farmers; and by granting land titles to squatters and tenants. In its irrigation and drainage districts INCORA has imposed legal ceilings on the amount of land that may be retained by one owner once project works are completed. Elsewhere there has been little outright redistribution of productive land, however. A new phase of land reform policies was initiated by the agrarian reform act of 1973. This had two main purposes: first, to substantially improve the compensation paid by INCORA for well-managed land and thus dispel insecurity among land-owners able to embark upon farm investment programs and, second, to make it easier for INCORA to acquire land from private owners. In the implementation of these policies, however, the Government proposes not to break up and redistribute large farms which are being utilized effectively and are contributing to maintaining the growth rate. The Government feels that a balance should be kept between economic growth and greater participation by small farmers in the production process.

39. The Government's objectives in the agricultural sector are to increase total agricultural production as rapidly as possible, thereby making available greater supplies of food and agricultural raw materials to help raise the nutritional standards of its population, decrease imports, and increase exports. To support these goals, the Government has adjusted the prices of certain commodities upward to encourage their increased production. Although food supplies have generally kept pace with population growth, the average diet has improved little, if any, over a decade or more. Recognizing this problem, the Government has focused special attention on improving the levels of human nutrition, particularly of the poorest sector of the population, and to this end has prepared a National Food and Nutrition Plan. The proposed project and the proposed Integrated Rural Development Project--as well as a Nutrition and Health Project which the Bank has under consideration--are considered by the Government to be key elements in the carrying out of this Plan.

PART IV: THE PROJECT

Background

40. From FY66 to date the Bank has made eight loans to Colombia for agricultural development, totalling US$114.6 million equivalent. 1/ Five of

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1/ A ninth loan -- US$52 million equivalent for an Integrated Rural Development Project -- is scheduled for presentation to the Executive Directors on December 23, 1976.

the Bank loans helped to finance land development or colonization projects of INCORA, while the other three helped to finance credit programs for livestock ranchers and crop farmers in specific regions. Loans No. 448-CO of FY66 and No. 651-CO of FY71 provided credit funds through the Caja Agraria for livestock development, while Loan No. 624-CO of FY69 utilized INCORA as the intermediary for a program of credit for crop farmers. A Project Performance Audit Report on Loan No. 651-CO has been distributed to the Executive Directors and a similar report on Loan No. 624-CO is under preparation. With the exception of the two livestock loans, small and medium farmers have been the principal beneficiaries of the Bank's agricultural loans to Colombia.

41. With the approaching completion in 1975 of the commitment periods for Loans No. 624-CO and No. 651-CO, the Bank began discussions with the Colombian Government with a view toward the preparation of projects that would permit continuation of the Bank's financial assistance to the two credit programs, one for crops and the other for livestock development. These discussions ultimately led to the conception of the present project, which combines the two programs into one.

42. Preparation of the project was coordinated by BOR (Colombia's central bank), with assistance from the FAO-IBRD/CP and the Bank. The project was appraised by a Bank mission in April/May 1975, and loan negotiations were held in Bogota and Washington from February to December 1976 with a Colombian delegation led by Dr. Rudolf Hommes, Director of Public Credit, Ministry of Finance. A project appraisal report entitled "Colombia: Second Agricultural Credit Project" (No. 1248-CO dated November 15, 1976) is being circulated separately to the Executive Directors. The main features of the loan and project are summarized in Annex III hereto.

Project Description

43. The proposed loan would support a three-year lending program of BOR to help finance on-farm investment (excluding coffee) and investment in agro-industries through public and private financial intermediaries. The project would be production-oriented and would be in line with the Government's strategy to raise the output, productivity, and employment capacity of the agricultural sector. The principal objectives of the project would be to:

(a) expand food production to enable Colombia to continue meeting nearly all its domestic food requirements from local resources, and particularly, to increase the domestic supply of carbohydrate and protein foods in support of the Government's efforts to improve dietary standards through the National Food and Nutrition Plan;

(b) increase the availability of inputs for industry from the agricultural sector;

(c) continue agriculture's substantial contribution to export earnings; and

(d) increase employment opportunities, particularly in rural areas, by creating jobs on farms and in agro-industries.

44. The project would be administered by BOR. Loan proceeds totaling US$37 million, allocated for financing on-farm investment including the purchase of equipment by farm machinery contractors, would be handled by BOR's Agricultural Credit Department, while loan proceeds totaling US$19 million, allocated for financing agro-industry investment, would be channeled through BOR's Development Credit Department. The latter Department handles BOR's industrial credit lines. Credit to sub-borrowers would be extended in the form of rediscounts of sub-loans granted by any public or private financial intermediary which fulfills prescribed conditions and is approved by BOR. An US$8 million portion of the proposed loan would initially be unallocated as between agricultural and agro-industry investment, with its ultimate allocation to be determined by actual experience under the project regarding the effective demand for sub-loans. Of the US$37 million initially allocated for on-farm investment, an amount of US$14 million would be reserved exclusively for relending to small commercial farmers, defined as those who (i) have gross assets, including land, not exceeding the equivalent of US$25,000, of which not less than 75% is invested in farming activities, and (ii) derive at least 75% of their income from farming.

Project Cost and Financing

45. The project would finance investments estimated to total approximately US$175 million, with commitments taking place over an estimated three-year period and disbursement of the Bank loan over an estimated four-year period. The proposed Bank loan of US$64 million would finance 37% of the total estimated investment, which represents the estimated foreign exchange costs. The foreign-exchange risk on the Bank loan would be borne by BOR.

46. The remainder of the financing of the investment program would be provided by (1) BOR and the participating financial intermediaries, which would contribute US$73.8 million equivalent or 42% of total estimated investment; and (2) sub-borrowers, who would be required to finance US$36.3 million equivalent or 21%.

Projected Investments

47. The project would be country-wide and would increase the availability of medium- and long-term investment financing for the whole agricultural sector with the exception of coffee. It is estimated that about 9,000 sub-loans would be made to farmers, about 100 to machinery contractors, and 150 to 200 to agro-industries. Annual crops, the production of which would be most likely to increase under the project, include rice, cotton, soybeans, and vegetables. Production of potatoes, wheat, and barley on small farms in the

highlands would also be expected to increase. The perennial crops whose production is most likely to be promoted are sugarcane for non-centrifuged sugar (panela), cocoa, plantains, citrus, and perhaps bananas and oil palms.

48. As to livestock development, the project would help to establish or improve the productivity of dairy farms averaging about 60 hectares, located mainly in the temperate and cool zones of the Andes. Investment would also be stimulated in new or expanded beef breeding and/or fattening operations, for the most part located in the plains of the Orinoco or in the Amazon basin where ranching using extensive grazing techniques is practiced. Small-scale livestock farmers--chiefly in the Caribbean coastal plains, upper and middle Magdalena River valley, and the Andean foothills where about 70% of Colombia's cattle population is grazed--would also be expected to seek financing as a result of the project. Besides cattle, operations producing small animals such as sheep, goats, pigs, poultry, and rabbits wold be eligible for financing, either independently or in association with cattle operation.

49. The most likely agro-industry investments under the proposed project would be in plants for processing staples (rice, sugar, poultry), associated inputs (seeds, animal feed), service industries (grain storage, cold storage), and export industries (flowers, fruits, and vegetables). It is hoped that the agro-industry component in the proposed loan will facilitate the undertaking of investments in small processing or storage facilities needed in rural areas close to farms, the lack or insufficiency of which may constitute a bottleneck to increased farm production. While industrial firms may be eligible to receive financing from the private development finance companies in Colombia which can draw on the Bank's DFC loans, the DFC's tend to deal with relatively large-scale firms. The Bank has also made a Small-Scale Industry Loan to Colombia through the Corporacion Financiera Popular (CFP), but like the clients of the DFC's the clients of CFP are generally located in urban areas.

Institutional Arrangements

50. BOR would administer the project through the office of the submanager for credit, who supervises the two specialized departments that would be involved--the Agricultural Credit Department and the Development Credit Department. Lending for on-farm development and for machinery contractors would be handled by the Agricultural Credit Department through its Agricultural Finance Fund (FFAP). Lending for agro-industries would be handled by the Development Credit Department and coordinated with that Department's Private Investment Fund (FIP) and Industrial Finance Fund (FFI).

51. The FFAP was created by Law 5 of 1973 to increase short-, medium-, and long-term lending by the banking system to the agricultural sector. Under this law, banks other than those specializing in agricultural lending are required to invest a percentage (currently 17%) of their total loan placements in 8% agricultural bonds issued by BOR. These funds are then used to finance the FFAP, from which banks, including those exempt from compulsory bond purchases, are permitted to rediscount loans made to the agricultural sector.

52. The Agricultural Credit Department has been increasing its staff, both numerically and in qualifications, to meet the increasing volume of work of the FFAP, whose approved medium- and long-term credits increased from Col$ 1.4 billion (US$46.7 million) during the first nine months of 1975 to Col$ 2.2 billion (US$73.3 million) during the same period of 1976. The Development Credit Department has been the channel for seven Bank loans which have been made since 1964 to finance industrial development. It has been hampered in the past by loss of staff to private industry but has recently regained its strength. Moreover, under the Bank's Sixth DFC Loan signed on March 31, 1976 BOR committed itself to maintaining a staff in the Development Credit Department adequate in numbers and quality for carrying out Bank-financed projects. A Bank-assisted training program for the Department's staff, begun under the Fifth DFC project, is being continued under the Sixth DFC project.

53. Credit to sub-borrowers would be channeled through any financial institution wishing to participate in the project that has signed a Subsidiary Loan Agreement, satisfactory to the Bank, with BOR. It is anticipated that the principal participating institutions would be Caja Agraria, INCORA, Banco Cafetero, Banco Ganadero, Corporacion Financiera de Fomento Agropecuario y Exportaciones (COFIAGRO),and two commercial banks that have expressed interest in participating--Banco de Bogota and Banco de Colombia. The DFC's and the Corporacion Financiera Popular might also participate. It would be a condition of loan effectiveness that BOR had signed a Subsidiary Loan Agreement satisfactory to the Bank with Caja Agraria. (Section 6.01 of draft Loan Agreement.)

54. It would be the responsibility of BOR to insure that investments financed by subloans under the project are for the purposes authorized and that they are technically, financially, and economically sound. During negotiations, assurances to this effect were obtained. In order to discharge this responsibility, BOR would require all participating institutions to follow evaluation procedures for subloans satisfactory to it. (Section 3.01 and Schedule 5 of draft Loan Agreement.)

55. All subloans would be based on detailed investment plans, which would include cash flow projections and estimates of expected changes in key production coefficients. Small farmers would be assisted by government agencies and by the technical staff of the participating institutions in the preparation of farm development plans, while applications for subloans from larger farmers and for agro-industrial development would be supported by farm plans or feasibility studies prepared by consultants at the sub-borrower's cost. In all subloans, the development plan or feasibility study would form part of the subloan application. It would be a condition of participation in the project for each participating institution to have a technical staff that, in the opinion of BOR, is of sufficient size and training to carry out their assigned responsibilities to help prepare and evaluate investment plans. (Schedule 5 of draft Loan Agreement.)

56. In order to further help BOR discharge its responsibility for the quality of project investments, BOR would establish within six months of loan signing a monitoring system, satisfactory to the Bank, on at least 5% of sub-borrowers' investment plans. BOR would collect technical and financial data on such sample investment plans in sufficient measure to facilitate an evaluation of the overall success of the project in achieving its objectives. (Section 3.03 of draft Loan Agreement.)

Relending Rates, Terms, and Rediscounting Procedures

57. Participating institutions would make medium- and long-term subloans for crop and livestock development and machinery contractors, and these would be rediscounted by BOR in accordance with FFAP rates and rediscount margins currently in force. Subloans for agro-industry investments would be rediscounted by BOR in accordance with FFI and FIP rates and rediscount margins currently in force. BOR would be permitted to vary the rediscount margins between the percentages of the subloans to be financed by the Bank and 100% in the light of Government policy and the demand for funds by the banking system. The initial rates would be as follows:

Category of Sub-borrower	Interest Rate to Sub-borrower		Percent of Subloan Rediscounted		Rediscount Rates to Participating Agencies (%)	
	Minimum %	Effective %	Minimum	Current Range	Current Range	Maximum
Small commercial farmers	15	17-18	39	65-85	12.25-13.00	13
Other farmers and machinery contractors	15	18-19	37	65-85	12.25-13.00	13
Agro-industries	18 /1		60	60-85	14.00-23.00	23

/1 As of November 30, 1976, FFI rates ranged between 22% and 24% per annum in Bogota, Medellin and Cali and from 18% to 20% per annum elsewhere; FIP rates ranged between 23.5% and 26% per annum in Bogota, Medellin and Cali and from 20% to 23% per annum elsewhere. Within each locality for FFI interest rates vary according to whether the assets of the borrowers are greater or less than Col$ 5 million (US$167,000) and for FIP according to the term of the loan.

58. Effective interest rates on loans to farmers would be higher than the basic rates shown in the above table, since borrowers would be required under FFAP procedures to prepay interest and to pay a 1% fee for life insurance on

their loans. In addition, farmers with total assets over Col$500,000 (US$15,000) would be charged, under FFAP procedures, a 1% fee which is used by the Government to finance the provision of technical assistance to farmers with total assets under Col$500,000. The effective interest rates are currently 17%-18% for farmers with total assets under Col$500,000 and 18%-19% for farmers with total assets over that level. In addition, farmers in the smaller category would be eligible to receive financing for 85% of their investment plans, compared to 75% for those in the larger category.

59. It has been agreed that the Bank, the Government or BOR may request a review of subloan interest rates and other lending and rediscount terms whenever they believe changes in economic conditions make it advisable to do so. If, within 60 days of the initiation of the review, agreement could not be reached between the Government, the Bank and BOR on any of the lending or rediscount terms, BOR would cause participating institutions to suspend commitment of subloans until agreement had been achieved. (Section 3.04 of Loan Agreement.)

60. Repayment terms for sub-loans would be flexible and would reflect the forecast cash flows of the investments to be financed. Terms would range from two to 15 years and would include grace periods of one to five years.

61. It is estimated that during the 1977-79 commitment period of the loan the average rate of inflation in Colombia will about equal the effective interest rates now charged to farmers. However, given Colombia's record of relative price stability (the rate of inflation averaged 8% per year from 1950 to 1972) and the aggressive stabilization measures which the Government is implementing, it appears likely that over the longer term the rate of inflation will be below the rate of interest on the sub-loans. We therefore consider it likely that the effective interest rates during the next three years will be about zero in real terms, and positive thereafter.

Disbursements

62. The Bank will disburse against certificates of expenditure for 39% of the amount of sub-loans to small commercial farmers, 37% of the amount of sub-loans to larger commercial farmers, and 60% of the amount of sub-loans to agro-industrial enterprises. The remainder of each sub-loan will be financed by the resources of the financial intermediary and BOR, with the proportion between the two sources depending upon BOR's prevailing rediscount policy for the particular type of investment.

Procurement

63. International competitive bidding is not contemplated in view of the fact that procurement will be in small lots spread over a four-year investment period. Land development would be undertaken on contract by small local contractors or by the sub-borrowers themselves. Machinery, equipment, and other goods required for development would be obtained through existing commercial

channels, which are satisfactory. Most foreign suppliers are well represented in Colombia, competition is keen, and service facilities are widespread and adequate. Whenever the cost of machinery and equipment in a single investment exceeded US$150,000 BOR would ensure that at least three bids would be obtained by sub-borrowers.

Project Benefits and Risks

64. The project is of high priority because it would reduce constraints imposed on the Colombian agricultural sector by the lack of long term credit for investments as well as lack of small farmers' savings. Removal of these constraints should increase output, which would lead to higher exports, increased employment, and improvement in the incomes of the poorer classes in Colombia. The overall economic rate of return is estimated at approximately 28% (22% for livestock, 38% for crop farms and 25% for agro-industries). If a shadow exchange rate 20% higher than the existing exchange rate is assumed--a figure calculated from tariffs on imports and subsidies on exports--the economic rate of return is about 49%. The use of a shadow wage rate (0.7 times the nominal wage for unskilled labor and 0.8 times the nominal wage for semi-skilled labor) because of the unemployment in the rural sector raises the economic rate of return to about 57%.

65. The value of the estimated annual incremental output of rice, cocoa, soybeans, sugarcane, cotton, fruits and vegetables, beef, and milk, would be US$86 million when fully developed and valued at 1975 international prices. Increased rice and beef production should lead to higher exports, as also cotton, whether directly as cotton fiber or indirectly as cotton textiles. This would help export diversification. Increased production of cocoa and soybeans would save foreign exchange as these commodities are now imported. The net foreign exchange savings of the project at full development would be about US$50 million a year. The other products are mainly for domestic consumption, though panela production would substitute for sugar which in turn can be exported. The increase in production is necessary in order to meet the increased demands forthcoming due to the expected rise in per capita income. Furthermore, the expanded production of basic grains, fruits and vegetables, and milk should help to relieve the protein and calorie shortages of the deficient groups.

66. The project would provide additional wage employment on farms and in agro-industries for roughly 8,000 people. It would also increase the amount of family labor used on about 5,000 small farms, thus lowering underemployment. Furthermore, it would provide employment in industries supplying goods to the farms and agro-industries.

67. Execution of the project entails no special risks other than the possibility that interest rates and rediscount margins might require adjustments to insure that financial intermediaries have sufficient incentive to expand agricultural credit in line with Government objectives.

PART V: LEGAL INSTRUMENTS AND AUTHORITY

68. The draft Loan Agreement between the Bank and the Banco de la Republica, the draft Guarantee Agreement between the Republic of Colombia and the Bank, the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement, and the text of the draft resolution approving the proposed loan are being distributed to the Executive Directors separately. The draft agreements conform to the normal pattern for loans for agricultural and industrial credit projects. Special conditions of the Project are listed in Section III of Annex IV. It would be a special condition of effectiveness that the Borrower would have signed a subsidiary loan agreement satisfactory to the Bank with the Caja Agraria.

69. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI: RECOMMENDATION

70. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

Attachments
December 16, 1976

COLOMBIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM2)

TOTAL 1138.9
AGRIC. 227.8

	COLOMBIA 1960	COLOMBIA 1970	COLOMBIA MOST RECENT ESTIMATE	REFERENCE COUNTRIES (1970) TURKEY	BRAZIL	MEXICO **
GNP PER CAPITA (US$)	210.0	340.0	554.0	480.0	540.0	780.0
POPULATION AND VITAL STATISTICS						
POPULATION (MID-YR, MILLION)	15.4	20.6	23.8	35.7	92.8	50.4
POPULATION DENSITY						
PER SQUARE KM.	14.0	18.0	21.0	46.0	11.0	26.0
PER SQ. KM. AGRICULTURAL LAND	..	92.0	99.0	67.0	66.0	52.0
VITAL STATISTICS						
CRUDE BIRTH RATE PER THOUSAND	46.1	44.3	31.0	40.6	38.4	43.8
CRUDE DEATH RATE PER THOUSAND	14.7	11.0	8.8	14.4	9.9	10.2
INFANT MORTALITY RATE (/THOU)	100.0 /a	70.0 /a	..	145.0	110.0	68.5
LIFE EXPECTANCY AT BIRTH (YRS)	54.7	58.5	60.9	54.4	59.7	61.0
GROSS REPRODUCTION RATE	3.2	3.2	3.1	2.6 /a,b	2.6	3.1
POPULATION GROWTH RATE (%)						
TOTAL	2.9	2.9	2.6	2.5	2.9	3.4
URBAN	6.0 /b	5.5 /b	4.9	4.2	5.0	5.5
URBAN POPULATION (% OF TOTAL)	53.0 /a	60.0	63.0	31.2	56.0	59.0
AGE STRUCTURE (PERCENT)						
0 TO 14 YEARS	46.6 /c	46.6	44.1	41.8	42.0	46.2
15 TO 64 YEARS	50.4 /c	50.4	52.7	53.9	55.0	50.1
65 YEARS AND OVER	3.0 /c	3.0	3.2	4.3	3.0	3.7
AGE DEPENDENCY RATIO	1.0 /c	1.0	0.9	0.9	0.8	1.0
ECONOMIC DEPENDENCY RATIO	1.8 /c	1.6 /c	1.6 /a	1.1 /c	1.5	2.0
FAMILY PLANNING						
ACCEPTORS (CUMULATIVE, THOU)	0.5	306.9	955.1	..	250.0	55.5
USERS (% OF MARRIED WOMEN)	..	..	31.0	8.2	1.6	..
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSAND)	5100.0 /c	6200.0	6800.0	14500.0 /d	29600.0	13000.0
LABOR FORCE IN AGRICULTURE (%)	47.0 /c	39.0	..	67.0	44.0	39.5
UNEMPLOYED (% OF LABOR FORCE)	8.0 /d,e	7.0	14.3	4.0 /e	..	..
INCOME DISTRIBUTION						
% OF PRIVATE INCOME REC'D BY-						
HIGHEST 5% OF HOUSEHOLDS	41.2 /c,f	31.9 /d	..	32.8 /f	35.0 /a	37.8
HIGHEST 20% OF HOUSEHOLDS	67.7 /c,f	60.1 /d	..	60.6 /f	62.0 /a	63.2
LOWEST 20% OF HOUSEHOLDS	2.1 /c,f	3.5 /d	..	2.9 /f	3.0 /a	4.2
LOWEST 40% OF HOUSEHOLDS	6.8 /c,f	10.1 /d	..	9.4 /f	10.0 /a	10.2
DISTRIBUTION OF LAND OWNERSHIP						
% OWNED BY TOP 10% OF OWNERS	..	..	80.0 /b	53.0	45.0	..
% OWNED BY SMALLEST 10% OWNERS	..	..	0.2 /b	0.9	1.5	..
HEALTH AND NUTRITION						
POPULATION PER PHYSICIAN	2400.0	2160.0	2180.0 /c	2220.0	1950.0	1440.0
POPULATION PER NURSING PERSON	3520.0 /g	..	1500.0 /c	1880.0 /g	3300.0 /b	1570.0
POPULATION PER HOSPITAL BED	580.0	450.0	500.0 /c	490.0	260.0	930.0
PER CAPITA SUPPLY OF -						
CALORIES (% OF REQUIREMENTS)	94.0	97.0	95.0 /d	110.0	109.0	110.0
PROTEIN (GRAMS PER DAY)	50.0	51.0	51.0 /d	78.0	64.0	65.0
-OF WHICH ANIMAL AND PULSE	28.0 /h	29.0 /e	..	22.0 /h	39.0	28.0 /a
DEATH RATE (/THOU) AGES 1-4	16.3	8.4	..	15.0 /b	..	9.8
EDUCATION						
ADJUSTED ENROLLMENT RATIO						
PRIMARY SCHOOL	77.0 /i	102.0 /f	114.0 /e,e	111.0 /i	87.0	106.0
SECONDARY SCHOOL	12.0	23.0 /f	28.0 /c	28.0	28.0 /c	23.0
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)	11.0	11.0	11.0	11.0	13.0	12.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)	31.0 /j	20.0 /g	19.0 /c,f	14.0	17.0	24.0
ADULT LITERACY RATE (%)	..	73.0	74.0 /c	55.0 /j	68.0	76.0
HOUSING						
PERSONS PER ROOM (AVERAGE)	..	..	..	1.9	1.0	2.2
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)	59.0 /c,k	..	..	64.0	73.0 /d	61.0 /b
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)	47.0 /c	..	..	41.0	48.0	59.0
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)	8.0 /c	..	..	18.0	8.0	28.0
CONSUMPTION						
RADIO RECEIVERS (PER THOU POP)	139.0	105.0	120.0	89.0	60.0	276.0
PASSENGER CARS (PER THOU POP)	7.0 /e	11.0	14.0	4.0	25.0	25.0
ELECTRICITY (KWH/YR PER CAP)	244.0	414.0	499.0	247.0	491.0	567.0
NEWSPRINT (KG/YR PER CAP)	2.4	2.8	1.8	0.7	2.7	3.1

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimate between 1973 and 1975.

** Mexico has been selected as an objective country because Colombia is now in the stage of economic development that Mexico was in ten years ago Both countries aim at a GDP growth rate of about 7 percent and at a substantial reduction of unemployment.

COLOMBIA

1960 /a Registered only, /b 1951-64, /c 1964, /d Bogota only; /e 1963, /f Economically active population, /g 1965, /h 1961-63, /i 7-11 years of age, /j Total secondary includes teacher training at the third level, /k Water piped inside.

1970 /a Rate based on burial permits, /b 1964-70; /c Ratio of population under 15 and 65 and over to total labor force, /d Economically active population, /e 1964-66, /f 6-10 and 11-16 years of age respectively, /g Total secondary includes teacher training at the third level.

MOST RECENT ESTIMATE /a Ratio of population under 15 and 65 and over to total labor force, /b 1971, /c 1972, /d 1969-71 average, /e 7-11 years of age, /f Total secondary includes teacher training at the third level.

TURKEY

1970 /a Excludes 17 Eastern provinces, /b 1965-67, /c Ratio of population under 15 and 65 and over to labor force age 15 years and over; /d 15 years and over, excludes unemployed, /e Registered only, /f Disposable income, /g Including assistant nurses and midwives, /h 1964-66; /i 7-11 years of age, /j Persons six years old and over who tell the census takers that they can read and write.

BRAZIL

1970 /a Economically active population, /b Hospital personnel, /c 12-18 years of age, /d Inside only.

MEXICO

1970 /a 1964-66, /b Inside only.

October 12, 1976

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thou km2)
Total - Total surface area comprising land area and inland waters.
Agric. - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market & kitchen gardens or to lie fallow.

GNP per capita (US$) - GNP per capita estimates at current market prices, calculated by the same conversion method as World Bank Atlas (1973-75 basis), 1960, 1970 and 1975 data.

Population and vital statistics
Population (mid-yr. million) - As of July first if not available, averages of two end-year estimates, 1960, 1970 and 1975 data

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.
Population density - per square km of agric. land - Computed as above for agricultural land only.

Vital statistics
Crude birth rate per thousand - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimate.
Crude death rate per thousand - Annual deaths per thousand of mid-year population, ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimate.
Infant mortality rate (/thou) - Annual deaths of infants under one year of age per thousand live births
Life expectancy at birth (yrs) - Average number of years of life remaining at birth, usually five-year averages ending in 1960, 1970 and 1975 for developing countries.
Gross reproduction rate - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates, usually five-year averages ending in 1960, 1970 and 1975 for developing countries.
Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70, and 1970-75.
Population growth rate (%) - urban - Computed like growth rate of total population, different definitions of urban areas may affect comparability of data among countries.
Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.
Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.
Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.
Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.
Family planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.
Family planning - users (% of married women) - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment
Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc , definitions in various countries are not comparable.
Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.
Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of households.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition
Population per physician - Population divided by number of practicing
Population per nursing person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.
Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers, excludes nursing homes and establishments for custodial and preventive care.
Per capita supply of calories (% of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day, available supplies comprise domestic production, imports less exports and changes in stock, net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution, requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.
Per capita supply of protein (grams per day) - Protein content of per captia net supply of food per day, net supply of food is defined as above, requirements for all countries established by USDA Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein, these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.
Death rate (/thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group, suggested as an indicator of malnutrition.

Education
Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population, includes children aged 6-11 years but adjusted for different lengths of primary education, for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.
Adjusted enrollment ratio - secondary school - Computed as above, secondary education requires at least four years of approved primary instruction, provides general, vocational or teacher training instructions for pupils of 12 to 17 years of age, correspondence courses are generally excluded
Years of schooling provided (first and second level) - Total years of schooling, at secondary level, vocational instruction may be partially or completely excluded.
Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.
Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing
Persons per room (average) - Average number of persons per room in occupied conventional dwellings in urban areas, dwellings exclude non-permanent structures and unoccupied parts.
Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.
Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.
Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption
Radio receivers (per thou pop) - All types of receivers for radio broadcasts to general public per thousand of population, excludes unlicensed receivers in countries and in years when registration of radio sets was in effect, data for recent years may not be comparable since most countries abolished licensing.
Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons, excludes ambulances, hearses and military vehicles.
Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita, generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.
Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint

ECONOMIC DEVELOPMENT

(In Millions of US Dollars)

	Actual 1967-69 Average	Actual 1973	Actual 1974	Projected 1975	Projected 1977	Projected 1980	1967-69-1974	1974-1977	1977-1980	1974	1977	1980
	1974 Prices and Exchange Rates						Average Annual Growth Rates			As Percent of GDP		
National Accounts												
Gross Domestic Product	8526	11838	12540	13022	14621	17904	6.6	5.2	7.0	100.0	99.3	100.7
Gains from Terms of Trade (+)	- 360	- 72	-	- 306	106	- 130	-	-	-	-	0.7	- 0.7
Gross Domestic Income	8166	11766	12540	12715	14727	17774	7.4	5.5	6.5	100.0	100.0	100.0
Import (Incl. NFS)	1311	1637	1819	1782	2133	2812	5.6	5.4	9.6	14.5	14.5	15.8
Exports " (Import Capacity)	1247	1799	1896	1772	2391	2802	7.2	8.0	5.4	15.1	16.3	15.8
Resource Gap	64	- 162	- 77	10	- 258	10	-	-	-	0.6	- 1.8	-
Consumption Expenditures	6488	9555	9349	9917	11224	13646	6.3	6.3	6.7	74.6	76.2	76.8
Investment " (Incl. Stocks)	17 2	2048	3114	2808	3244	4138	10.2	1.4	8.5	24.8	22.0	23.2
Domestic Savings	1678	2210	3190	2798	3502	4128	11.3	3.2	5.6	25.4	23.8	23.2
National Savings	1594	1999	3022	2658	3349	3940	11.2	3.5	5.6	24.1	22.7	22.2
Merchandise Trade	Annual Data at Current Prices									As Percent of Total		
Imports												
Capital Goods	290	373	525	488	780	1207	10.4	14.1	15.7	34.8	37.4	34.0
Intermediate Goods (Excl. Fuels)	254	453	811	793	992	1685	21.3	6.9	19.3	53.7	47.5	47.4
Fuels and Related Materials	3	3	6	31	118	373	12.2	-	46.7	0.4	5.6	10.5
of Which: Petroleum	(-)	(-)	(-)	(31)	(118)	(373)	-	-	(46.7)	-	(5.6)	(10.5)
Consumption Goods	61	153	167	149	198	289	18.3	5.8	13.4	11.1	9.5	8.1
Total March. Imports (CIF)	608	982	1509	1461	2088	3554	16.4	11.4	19.4	100.0	100 0	100.0
Exports												
Primary Products (Excl. Fuels)	418	949	1001	1099	1868	2354	15.7	23.1	8.0	67.0	72.9	63.1
Fuels and Related Materials	71	54	95	87	102	167	5.0	2.4	17.9	6.4	4.0	4.5
of Which: Petroleum	(56)	(27)	(4)	-	-	-	-	-	-	(0.3)	-	-
Manufactured Goods	117	260	398	372	593	1208	22.7	14.2	26.7	26.6	23.1	32.4
Total March. Exports (FOB)	606	1263	1494	1558	2563	3729	16.2	19.7	13.3	100.0	100.0	100.0
Tourism and Border Trade	-	-	-	-	-	-	-	-	-	-	-	-
Merchandise Trade Indices												
Export Price Index	29.3	86.1	100.0	96.2	137.2	156.0						
Import Price Index	37.8	86.5	100.0	112.8	131.2	163.3						
Terms of Trade Index	77.5	99.5	100.0	85.3	104.6	95.6						
Exports Volume Index	84.7	98.7	100.0	109.6	120.6	154.7						
Value Added by Sector	Annual Data at 1974 - Prices and Exchange Rates						Average Annual Growth Rates			As Percent of Total		
Agriculture	2589	3168	3320	3460	3833	4501	4.2	4.9	5.5	28.3	28.2	27.0
Industry and Mining	1656	2467	2600	2678	2993	3864	7.8	4.8	8.9	22.2	22.4	23.2
Services	3694	5391	5803	5975	6775	8290	7.8	5.3	7.0	49.5	49.8	49.8
Total	7939	11026	11723	12113	1 601	16655	6.7	5.1	7.0	100.0	100.0	100.0
Public Finance												
(Central Government)												
Current Receipts	744	1174	1186	1460	1652	2041	8.1	11.7	7.3	9.5	11.3	11.4
Current Expenditures	471	669	632	709	819	949	5.0	9.0	5.0	5.0	5.6	5.3
Budgetary Services	273	505	554	751	833	1092	12.5	14.6	9.4	4.5	5.7	6.1
Other Public Sector Savings	782	13	120	110	117	215	-28.5	- 0.9	22.3	1.0	0.8	1.2
Public Sector Investment	1101	933	1030	948	1389	2023	- 1.2	10.5	13.3	8.2	9.5	11.3

Selected Indicators	1965-1970	1970-1973	1973-1975	1975-1980
Calculated from 3-year averaged data)				
Average ICOR	3.17	3.11	4.28	3.32
Import Elasticity	1.16	0.19	0.88	1.45
Marginal Domestic Savings Rate	-	-	-	-
Marginal National Savings Rate	0.14	0.12	0.24	0.26

Detail on Public Sector Investment Program	At end 19 P and ER-US$ Million First Plan (1968/72	% of Total -1973/75)
Social Sectors	26.2	37.7
Agriculture	23.8	11.3
Industry and Mining	12.4	7.6
Power		8.6
Transport and Communications	31.6	21.9
Other	6.0	12.9
Total Expenditures	100.0	100.0
Financing		
Public Sector Savings	69.4	70.7
Program Aid Counterpart	0.8	1.1
Foreign Project Aid	29.8	28.2
	100.0	100.0

Labor Force and Output per Worker

	Total Labor Force In Millions 1964	1973	% of Total 1964	1973	1964-73 Growth Rate
Agriculture	2.427	2.057	47.3	30.2	- 1.9
Industry	0.958	1.212	18.7	17.8	2.7
Service	1.749	3.542	34.0	52.0	8.2
Total	5.134	6.812	100.0	100.0	3.2

	Value Added per Worker (1974 Prices and Exchange Rates) In US Dollars 1964	1973	% of Average 1964	1973	1964-73 Growth Rate
Agriculture	791	1329	66.4	88.4	5.9
Industry	1610	2236	135.2	148.7	3.7
Service	1516	1355	127.3	9011	- 1.2
Total	1191	1504	100.0	100.0	2.6

BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT

(Amounts in Millions of US Dollars at Current Prices)

	Actual 1970	1971	1972	1973	1974	Estimated 1975	Projected 1976	1977	1978	1979	1980	Avg Annual Growth Rate 1976-1980
Summary Balance of Payments												
Exports (Incl. NFS)	1000	974	1207	1548	1858	1999	2661	3136	3413	3939	4577	14.5
Imports (Incl. NFS)	1149	1285	1236	1424	2043	2010	2317	2798	3417	3933	4592	18 6
Resource Balance (X-M)	- 149	- 311	- 29	124	- 185	- 11	344	338	- 4	6	- 15	-
Interest (Net)	- 64	- 56	- 63	- 85	- 82	- 102	- 117	- 116	- 112	- 134	- 158	7 8
Direct Investment Income	- 68	- 70	- 73	- 74	- 60	- 72	- 83	- 95	- 110	- 128	- 148	15 6
Other Factor Service Income (Net)	- 48	- 50	- 61	- 56	- 50	- 61	- 71	- 85	- 99	- 113	- 129	16 1
Current Transfers (Net)	27	34	35	35	55	75	84	94	105	116	127	10 9
Balance on Current Accounts	- 302	- 453	- 191	- 56	- 322	- 171	157	136	- 220	- 253	- 323	-
Private Direct Investment	39	40	17	23	36	15	20	25	30	35	45	22 5
Public M&LT Loans												
Disbursements	235	222	351	414	364	365	414	372	528	582	714	14 6
-Repayments	- 75	- 92	- 96	- 132	- 206	- 139	- 142	- 184	- 234	- 278	- 326	23 0
Net Disbursements	160	130	255	282	158	226	272	188	294	304	388	9 3
Other M&LT Loans												
Disbursements	128	145	139	60	50	93	-	-	-	-	-	-
-Repayments	- 67	- 79	- 84	- 58	- 58	83	-	-	-	-	-	-
Net Disbursements	61	66	55	2	- 8	10	-	-	-	-	-	-
Capital Transactions n.e.i.	36	135	28	- 38	- 253	85	-	-	-	-	-	-
Change in Net Reserves (-Increase)	6	82	- 164	- 213	389	- 165	-	-	-	-	-	-

Grant and Loan Commitments	1970	1971	1972	1973	1974	1975
Official Grants and Grant-like						
Public M&LT Loans						
IBRD	109	153	74	162	8	88
IDA	-	-	-	-	-	-
Other	-	-	-	-	-	-
Other Multilateral	-	42	41	29	64	-
Governments	123	110	114	49	52	63
Suppliers	117	35	32	28	46	73
Financial Institutions	19	38	91	190	53	143
Bonds	-	-	-	45	-	-
Public Loans n.e.i.	-	-	-	-	8	-
Total Public M&LT Loans	358	378	357	503	232	367

	Actual 1970	1971	1972	1973	1974	Estimated 1975
Debt and Debt Service						
Public Debt Out. & Disb	1249 9	1385.6	1647.8	1936 0	2101 1	2314 4
Int. on Pub Debt	43 6	48 8	57 9	78 4	103 2	114 6
Repayments on Pub. Debt	75.0	92 0	95 9	131.5	206 2	138 5
Total Pub. Debt Serv	118.6	140.8	153 8	209 9	309 4	253 1
Other Debt Serv (Net)	112 3	133 1	155 1	126 6	118 6	110 2
Total Debt Serv (Net)	230.9	273 9	308.9	336 5	428 0	363 3
Burden on Export Earnings (%)						
Pub. Debt Serv	11 9	14 5	12 7	13 6	16 7	12 7
Total Debt Serv.	23.0	28 1	25 6	21.7	23 0	18 2
TDS+Direct Invest. Inc.	29.9	35 3	31 6	26 5	26.3	21 8
Average Terms of Public Debt						
Int. as % Prior Year DO&D	4.0	3 9	4 2	4 8	5 3	5 5
Amort. as % Prior Year DO&D	6 9	7 4	6 9	8 0	10 7	6 6
IBRD Debt Out and Disbursed	354 1	390.8	453 4	504 5	561 7	633 4
IBRD as % Public Debt O&D	28 3	28 2	27 5	26 1	26 7	27 4
IBRD as % Public Debt Service	30 9	29.5	30 9	29.0	24 0	30 2
IDA Debt Out. & Disbursed	19.5	19 4	20 9	23 0	22 8	22 6
IDA as % Public Debt O&D	1 6	1 4	1 3	1.2	1.1	1.0
IDA as % Public Debt Service	0.1	0.1	0.1	0 1	0 0	0 0

External Debt	Actual Debt Outstanding on December 31, 1975 1/ Disbursed Only	Percent
World Bank	633 4	27.4
IDA	22.6	1.0
Other Multilateral	135.1	5.8
Governments	911.9	39.4
Suppliers	169.3	7.3
Financial Institutions	369.9	16.0
Bonds	50.9	2.2
Public Debts n.e.i.	21.3	0.9
Total Public M&LT Debt	2314.4	100.0

. Not applicable
.. Not available
... Not available separately but included in total

e Staff estimate
- Nil or Negligible
-- Less than half the smallest unit shown

1/ Provisional

THE STATUS OF BANK GROUP OPERATIONS IN COLOMBIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS (As of October 31, 1976)

Loan Number	Year	Borrower	Purpose	Amount (less Cancellation) Bank	IDA	Undisbursed
				(US$ million)		
Fully disbursed loans and credits				607.0	19.5	--
502	1967	Instituto Colombiano de la Reforma Agraria	Irrigation	9.0		.3 /1
536	1968	Empresa de Acueducto y Alcantarillado de Bogota	Water Supply	14.0		.0
575	1968	Interconexion Electrica, S.A.	Power	18.0		.6
680	1970	Colombia	Roads	32.0		4.1
681	1970	Interconexion Electrica, S.A.	Power	52.3		.6
682	1970	Empresas Municipales de Cali	Water Supply	18.5		.8
738	1971	Empresas Municipales de Palmira	Water Supply	2.0		.4
739	1971	Colombia	Agriculture	8.1		.0 /2
740	1971	Empresa Nacional de Telecomunicaciones	Communications	15.0		.5
741	1971	Empresa de Acueducto y Alcantarillado de Bogota	Water Supply	88.0		38.8
842	1972	Colombia	Industry	30.0		.5 /1
849	1972	Instituto Colombiane de la Reforma Agraria	Irrigation	5.0		4.6
860	1972	Instituto de Fomento Municipal	Water Supply	9.1		5.1
874	1973	Empresas Publicas de Medellin	Power	56.0		29.7
903	1973	Banco de la Republica	Industry	60.0		13.2
920	1973	Colombia	Education	21.2		13.8
926	1973	Ferrocarriles Nacionales	Railways	25.0		6.9
971	1974	Colombia	Pre-Investment Studies	8.0		6.7
1071	1975	Banco de la Republica	Industry	5.5		2.8
1072	1975	Instituto Nacional de Fomento Municipal	Water Supply	27.0		25.8
1073	1975	Empresa Nacional de Telecomunicaciones	Communictions	15.0		10.5
1118	1975	Colombia	Rural Settlement	19.5		17.6
1163	1975	Colombia	Agriculture	21.0		20.9
1223	1976	Banco de la Republica	DFC	80.0		80.0
		Total		1246.2	19.5	284.0
		Of which has been repaid		295.4	1.1	
		Total now outstanding		950.8	18.4	284.0
		Amount sold	23.1			
		Of which has been repaid	18.2	4.9		
		Total now held by Bank and IDA		945.9	18.4	
		TOTAL UNDISBURSED				284.0

/1 Undisbursed balance cancelled November 1976.
/2 Fully disbursed November 1976.

B. STATEMENT OF IFC INVESTMENTS (as of October 31, 1976)

Year	Obligor	Type of Business	Amount in US$ million Loan	Equity	Total
1959	Laminas del Caribe, S.A.	Fiber-board	0.50	-	0.50
1960-1965	Industrias Alimenticias Noel, S.A.	Food products	1.98	0.08	2.06
1961	Envases Colombianos, S.A.	Metal cans	0.70	-	0.70
1961-1968	Morfeo-Productos para el Hogar, S.A.	Home furniture	0.08	0.09	0.17
1961	Electromanufacturas, S.A.	Electrical equipment	0.50	-	0.50
1962	Corporacion Financiera Colombiana	Development financing	-	2.02	2.02
1962-1963	Corporacion Financiera Nacional	Development financing	-	2.04	2.04
1963-1967 1968-1969	Compania Colombiana de Tejidos, S.A.	Textiles	1.86	0.27	2.13
1964-1970	Corporacion Financiera de Caldas	Development financing	-	0.81	0.81
1964-1968	Forjas de Colombia, S.A.	Steel forging	-	1.27	1.27
1966	Almacenes Generales de Deposito Santa Fe, S.A.	Warehousing	1.00	-	1.00
1966	Industria Ganadera Colombiana, S.A.	Livestock	1.00	0.58	1.58
1967-70-74	ENKA de Colombia, S.A.	Textiles	5.00	2.60	7.60
1969	Compania de Desarrollo de Hotels y Turismo, Ltda. HOTURISMO	Tourism	-	0.01	0.01
1969-1973	Corporacion Financiera del Norte	Development financing	-	0.45	0.45
1969	Corporacion Financiera del Valle	Development financing	-	0.43	0.43
1970	Promotora de Hoteles de Turismo Medellin, S.A.	Tourism	0.23	0.11	0.34
1970-1976	Pro-Hoteles, S.A.	Tourism	0.80	0.25	1.05
1973-1975	Corporacion Colombiana de Ahorro y Vivienda	Housing	-	0.45	0.45
1974	Cementos Boyaca, S.A.	Cement	1.50	-	1.50
1975	Cementos del Caribe, S.A.	Cement	3.60	-	3.60
1976	Las Brisas	Mining	6.0	-	6.0
	Total Gross Commitments		24.75	11.43	36.23
	Less cancellations, terminations, repayments and sales		9.83	5.17	15.00
	Total commitments now held by IFC		14.92	6.31	21.23
	Total undisbursed		6.00	0.03	6.03

C. PROJECTS IN EXECUTION /1

Summarized below is the current status of all loans signed but not disbursed fully:

1. Ln No. 502 Irrigation (Atlantico I); US$9 million, June 1967.
   Effective date: November 2, 1967
   Closing Date: original - December 31, 1972
   current - December 31, 1975

Physical works have been completed. Delays in project execution were occasioned by poor selection of areas suitable for irrigation, technical problems in the construction of irrigation and drainage works, and non-compliance by contractor with established schedules. Agricultural development has also been slow, due to poor project management and lack of adequate supporting services to the farmer. However, the present INCORA agricultural team has the potential to develop the project satisfactorily under its less than ideal circumstances. Agricultural development and reclamation of saline areas will require two to three years. Disbursement of Loan 502-CO has been completed.

2. Ln No. 536 Water Supply (Bogota I); US$14 million, June 1968.
   Effective date: August 7, 1968
   Closing Date: original - June 30, 1972
   current - December 31, 1975

This loan is almost fully disbursed.

3. Ln No. 575 Electric Power (Interconnection); US$18 million, December 1968.
   Effective date: February 25, 1969
   Closing Date: original - February 29, 1972
   current - December 31, 1976

The original project was completed and commercially operational in 1971. The Bank agreed that an undisbursed balance could be used to finance a 220 kv transmission line, Guatape - Barrancabermeja. The cost of the line is estimated at US$7.2 million of which about US$4.1 million represents the foreign component. Work is substantially completed on the second line.

/1 These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

4. Ln No. 680 Highways VI; US$32 million, June 1970.
   Effective date: March 29, 1971
   Closing date: original - November 30, 1974
   current - November 30, 1976

The largest component of the project, the paving program, has experienced considerable cost increases and is still experiencing delays. The status of the other components of the project is more satisfactory. The Ministry of Public Works has taken many steps (supported by the Bank) which have reduced, although not avoided, delays and contractor bankruptcies under the paving program.

5. Ln No. 681 Chivor Hydroelectric Power; US$52.3 million, June 1970.
   Effective date: September 1, 1970
   Closing date: June 30, 1977

The project has experienced considerable delay and project costs are expected to be 35% higher than originally estimated. Work is proceeding and the first generating units are expected to be put into service in early 1977.

6. Ln No. 682 Cali Water Supply and Sewerage; US$18.5 million, June 1970.
   Effective date: September 2, 1970
   Closing date: original - June 30, 1974
   current - June 30, 1977

As of October 31, 1976, about 95% of the loan amount was disbursed. Disbursements were delayed due to a late project start, but the entire project is now under execution, and it is expected that construction activities will be finished by mid-1977.

7. Ln No. 738 Palmira Water Supply and Sewerage; US$2 million, May 1971.
   Effective date: December 29, 1971
   Closing Date: original - March 1, 1975
   current - March 1, 1977

As of October 31, 1976, about 80% of the loan amount was disbursed. Disbursements were delayed due to initial management and fiscal problems. A financial crisis in early 1973 was resolved through higher tariffs and tight budget control.

8. Ln No. 739 Land Settlement Caqueta I; US$8.1 million, May 1971.
Effective date: October 19, 1971
Closing Date: original - December 31, 1975
current - June 30, 1976

Because of considerable price increases and unexpectedly difficult physical problems, project objectives were reduced to about 70% of appraisal targets in August 1973 halfway through the project period. Since then, the livestock credit program has picked up speed so that the revised goal for this component should be achieved ahead of time. On the other hand, the road construction program has fallen far behind schedule although it is now proceeding at an accelerated pace. Despite these problems, the project is making a substantial contribution to the successful colonization of the Caqueta area. Project works are completed and loan proceeds are fully disbursed. A second loan for the project (No. 1118-CO) was signed in June 1975.

9. Ln No. 740 Telecommunictions II; US$15 million, May 1971.
Effective date: August 16, 1971
Closing Date: December 31, 1976

Contracts for all Bank-financed goods have been signed and technical and financial consultants have been retained. Due to initial delays in the procurement of project equipment, a slippage of up to 18 months in the completion date of some of the works in the project is now anticipated.

10. Ln No. 741 Water Supply (Bogota II); US$88 million, May 1971.
Effective date: August 16, 1971
Closing Date: June 30, 1978

Disbursements up to October 31, 1976 amounted to 56% of this loan. Slow progress in the construction of the vital Palacio - Rio Blanco Tunnel is the main reason for the project's delay; the previous foreign contractor has been replaced by another firm which has already made an impressive start. The progress of the project, however, is endangered by serious financial problems which are currently the subject of consultations with the Government and the Borrower concerning necessary corrective measures, including further tariff increases.

11. Ln No. 842 Development Program and Export Expansion Project; US$60 million, June 1972.
Effective date: August 24, 1972
Closing Date: original - December 31, 1974
current - June 30, 1976

The second tranche of US$30 million was canceled. Of the first tranche, the US$20 million program component was promptly disbursed; the US$10 million DFC component has now been fully disbursed except for a small balance which has been canceled.

12. Ln No. 849 Irrigation (Atlantico II); US$5 million, June 1972.
Effective date: November 14, 1972
Closing Date: March 31, 1978

Construction of drainage facilities and hence disbursements are lagging far behind schedule primarily due to the poor performance of the contractor having the major responsibility for the drain construction financed under this loan. Steps are being taken to replace the contractor with another. INCORA had been delaying initiation of the agricultural development phase of the project, which includes land clearing, leveling, and initial preparation, until the physical works were completed. However, INCORA has now agreed to expedite this part of the project. Meanwhile, the principal use has been for livestock. Originally conceived for dry-farming of crops and dairy farming, INCORA now believes the soils in the area are better than originally classified and suitable for irrigation in the future.

13. Ln No. 860 Medium-Size Cities Water Supply and Sewerage Project; US$9.1 million, October 1972.
Effective date: March 7, 1973
Closing Date: original - September 30, 1976
current - September 30, 1978

As of October 31, 1976, about 55% of the loan amount was disbursed. Disbursements were delayed due to initial serious management problems, but progress of works has since accelerated.

14. Ln No. 874 Guatape II Hydroelectric Power Project; US$56 million, January 1973.
Effective date: March 13, 1973
Closing Date: December 31, 1978

The progress of the work is generally satisfactory except for delays in the resettlement of El Penol and Guatape villages, which means that filling the Santa Rita reservoir cannot be started before mid-1977, two years behind schedule. This would be likely to lead to an energy deficit in the interconnected system of at least 10% from 1978 to 1981. The revised project cost estimate is substantially above appraisal estimates, mainly due to higher costs of the works at El Penol and Guatape. The Borrower experienced serious financial problems but as a result of a series of tariff increases, the company is projected to achieve the covenanted rate of return in 1977. Financial gaps, however, remain to be met if the investment program is to be completed on schedule.

15. Ln No. 903 Development Finance Companies V; US$60 million, May 1973.
Effective date: November 9, 1973
Closing Date: June 30, 1977

Commitments have proceeded well, and the loan is expected to be fully committed soon. Disbursements are still behind schedule, but in view of the present repaid rate of commitment, they should be completed by the Closing Date.

16. Ln No. 920 Education III; US$21.2 million, July 1973.
Effective date: January 10, 1974
Closing Date: June 30, 1977

Project implementation is about eighteen months behind schedule and all work has now been suspended pending completion of discussion concerning restructuring the project.

17. Ln No. 926 Sixth Railway Project; US$25 million, August 1973.
Effective date: December 6, 1973
Closing Date: original - June 30, 1976
current - December 31, 1977

The Railways received from the Government Col$87.5 million to meet the operating deficit for 1975. The financial condition of the Railways, however, continued to deteriorate in the first seven months of 1976, due primarily to increases in staff costs accompanied by a drop in traffic. The working and operating ratios deteriorated to 130.9 and 139.1 for the first seven months of 1976, but are expected to improve to 114.4 and 122.0 if the increase in traffic in the months of June and July 1976 continues for the rest of the year. The track rehabilitation work has progressed, as has procurement, but the position in regard to derailments and availability of locomotives and rolling stock continues to be poor.

18. Ln No. 971 Preinvestment Studies Project; US$8 million, March 1974.
Effective date: June 27, 1974
Closing Date: December 31, 1978

The Bank has approved 15 sub-projects. The Bank loan is expected to be fully committed by early 1977.

19. Ln No. 1071 Small-Scale Industry; US$5.5 million, January 1975.
Effective date: May 20, 1975
Closing Date: December 31, 1977

After a slow start due to a change of management in Corporacion Financiera Popular, the beneficiary institution, commitments moved well and are now on schedule. The second tranche was released by the Bank in view of the satisfactory performance of CFP.

20. Ln No. 1072 Second Multi-City Water Supply and Sewerage Project; US$27 million, January 1975.
Effective date: April 14, 1975
Closing Date: June 30, 1980

This loan became effective on April 14, 1975 but there have been substantial delays in making the eight subloans effective. The last subloan (Barranquilla) was made effective on September 9, 1976.

21. Ln No. 1073 Telecommunications III; US$15 million, January 1975.
Effective date: April 14, 1975
Closing Date: December 31, 1978

This loan became effective on April 14, 1975 and US$4.5 million has been disbursed. Bid awards for all Bank-financed goods have been approved by the Bank.

22. Ln No. 1118 Caqueta Rural Settlement Project; US$19.5 million, June 1975.
Effective date: April 1, 1976
Closing Date: October 31, 1979

This loan became effective on April 1, 1976 after a six-month delay. Since then, implementation has proceeded rapidly and some of the lost time regained. Road and bridge construction is underway (85 km have been completed) and bidding documents for school construction have been prepared.

23. Ln No. 1163 Cordoba 2 Agricultural Development Project; US$21 million, September 1975.
Effective date: March 30, 1976
Closing Date: December 31, 1980

This loan became effective on March 30, 1976. Implementation is proceeding satisfactorily.

24. Ln No. 1223 Sixth Development Finance Companies Project; US$80.0 million, March 1976.
Effective date: September 1, 1976
Closing Date: June 30, 1980

This loan was signed on March 31, 1976, and has only recently become effective.

COLOMBIA

SECOND AGRICULTURAL CREDIT PROJECT

LOAN AND PROJECT SUMMARY

Borrower: Banco de la Republica (BOR)

Guarantor: Republic of Colombia

Beneficiaries: Public and private financial institutions (FIs) providing medium- and long-term credit to agriculture and agro-industries.

Amount: US$64 million

Terms: 15 years, including 3-1/2 years' grace, at 8.7% interest.

Relending Terms:

	Rediscount Rates BOR to FIs	Interest Rates FIs to Recipients	Maximum Term
Small farmers	12.25-13%	15% /a	15 years including 5 years' grace
Other farmers and machinery contractors	12.25-13%	15% /b	15 years including 5 years' grace
Agro-industries	14.00-23%	18-26% /c	15 years including 5 years' grace

/a Effective rate of approximately 17-18%.
/b Effective rate of approximately 18-19%.
/c Depending on location and size of firm.

Project Description: The project would support a three-year lending program of BOR to assist in the financing of on-farm investments by commercial farmers and investments in agro-industries. A US$14 million portion of the loan would be reserved exclusively for re-lending to small commercial farmers.

Estimated Disbursements:	FY77	FY78	FY79	FY80	FY81
	US$ Million				
Incremental	3.0	14.5	21.5	14.0	11.0
Cumulative	3.0	17.5	39.0	53.0	64.0

Procurement Arrangements: International competitive bidding is not contemplated in view of the fact that procurement will be in small lots spread over a four-year investment period. Land development would be undertaken on contract by small local contractors or by the sub-borrowers themselves. Machinery, equipment, and other goods required for development would be obtained through existing commercial channels, which are satisfactory. Most foreign suppliers are well represented in Colombia, competition is keen, and service facilities are widespread and adequate. Whenever the cost of machinery and equipment in a single investment exceeded US$150,000 BOR would ensure that at least three bids would be obtained by sub-borrowers.

Rate of Return: 28%

Appraisal Report: Report No. 1248-CO dated November 15, 1976.

COLOMBIA

SECOND AGRICULTURAL CREDIT PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetable of Key Events

(a) Project Preparation: Initiated in March 1974 by agricultural lending agencies in Colombia--guidelines supplied by Bank during two project preparation missions--preparation assisted by FAO/CP mission in November 1974--preparation completed in April 1975 by Government under supervision of proposed Borrower, Banco de la Republica (central bank).

(b) Appraisal Mission: Departed April 1975.

(c) Negotiations: Completed December 1976.

(d) Planned Date of Effectiveness: April 30, 1977

Section II: Special Bank Implementation Actions

None

Section III: Special Conditions

(a) Allocation for Small Commercial Farmers: US$14 million of proposed loan allocated for relending to small commercial farmers (para. 44).

(b) Subsidiary Loan Agreement (Condition of Effectiveness): To be signed between the Borrower and Caja Agraria (para. 53).

(c) Monitoring System: Borrower to establish monitoring system satisfactory to Bank to review and evaluate 5% of sub-borrowers' investment plans (para. 58).

(d) Review of Lending Terms and Conditions: Bank to initiate with Government and Borrower a review of sub-loan interest rates and other relending terms and conditions whenever called for by changed economic conditions in Colombia (para. 61).

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