

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

**PROJECT FOR THE IMPLEMENTATION OF THE MOCOA SEWER MASTER PLAN
(STAGE I)**

(CO-L1232)

LOAN PROPOSAL

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ELECTRONIC LINKS
REQUIRED
1. Multiyear Execution Plan and Annual Work Plan
2. Monitoring and Evaluation Plan
3. Environmental and Social Management Report (ESMR)
4. Procurement Plan
OPTIONAL
1. Socioeconomic analysis
2. Technical analysis
3. Institutional analysis
4. Financial analysis
5. Analysis of compliance with the Public Utilities Policy
6. Draft Project Operations Manual
7. Itemized project budget
8. Draft Project Progress Monitoring Report
9. Itemized disbursements
10. Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF)

ABBREVIATIONS

CPMU	Comprehensive project management unit
EBITDA	Earnings before interest, tax, depreciation, and amortization
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ICB	International competitive bidding
LIBOR	London interbank offered rate
MVCT	Ministry of Housing, Cities, and Territory
NCB	National competitive bidding
PCU	Project coordination unit
VASB	Viceministerio de Agua y Saneamiento Básico [Office of the Deputy Minister of Water and Basic Sanitation]
W&S	Water and basic sanitation

PROJECT SUMMARY
COLOMBIA
PROJECT FOR THE IMPLEMENTATION OF THE MOCOA SEWER MASTER PLAN (STAGE I)
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Financial Terms and Conditions					
Borrower: Republic of Colombia			Flexible Financing Facility ^(a)		
			Amortization period:		Bullet payment: 15 July 2030
Executing agency: Ministry of Housing, Cities, and Territory (MVCT)			Disbursement period:		5 years
			Grace period:		Bullet payment: 15 July 2030 ^(b)
Source	Amount (US\$)	%	Interest rate:		LIBOR-based
IDB (Ordinary Capital):	30,000,000	100.0	Credit fee:		(c)
			Inspection and supervision fee:		(c)
Total	30,000,000	100.0	Weighted average life:		12.45 years
			Currency of approval:		U.S. dollars
Project at a Glance					
Project objective/description: The objective of the project is to improve the health and environmental conditions of the urban area of the municipio of Mocoa, facilitating sustainable access to sanitation services. The specific objectives are to: (i) expand coverage and improve the sanitary sewer system, and build a wastewater treatment system; (ii) promote the sustainable management of sanitary sewer and wastewater treatment services; and (iii) promote the efficient use of sanitation services by providing health and environmental education to beneficiary families.					
Special contractual conditions precedent to the first disbursement of the loan: In accordance with the terms and conditions previously agreed upon with the Bank: (i) the approval by the executing agency and entry into effect of the Project Operations Manual, including as annexes the Environmental and Social Management Plan for the sample works and the Environmental and Social Management Framework for the remaining works; and (ii) the selection and retaining of the following minimum personnel for the project coordination unit (PCU): coordinator; technical specialist; administrative and financial specialist; and legal procurement specialist (paragraph 3.13).					
Special contractual execution conditions: (i) the executing agency will retain a comprehensive project management unit within 180 days after the effective date of the loan contract, in accordance with the terms of reference previously agreed upon with the Bank; (ii) prior to awarding each works contract, submit evidence that rights and/or authorizations have been obtained to use the land needed for the respective works, and that those rights and/or authorizations were obtained in compliance with applicable national and local regulations (paragraph 3.14); for other execution conditions, see Section IV of Annex III and the Environmental and Social Management Report (required electronic link 3).					
Partial eligibility for disbursement: To facilitate fulfillment of the conditions precedent and begin the project, a disbursement of up to US\$300,000 may be made for the establishment and operation of the PCU. This special disbursement will only take place once the conditions precedent set forth in the general conditions of the loan contract have been fulfilled (paragraph 3.7).					
Exceptions to Bank policies: A partial waiver is being requested of Directive B.5 of the Environment and Safeguards Compliance Policy (document GN-2208-20) because, although the environmental impact assessments were duly published, that was not done before the analysis mission, as required in that Directive (paragraph 2.4).					
Strategic Alignment					
Challenges: ^(d)		SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
Crosscutting topics: ^(e)		GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>
				IC	<input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. When considering such requests, the Bank will take operational and risk management considerations into account.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes in the grace period are possible as long as the original weighted average life of the loan and the last payment date, as documented in the loan contract, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Flash flooding emergency in the municipio of Mocoa.** The city of Mocoa, which had a population of 44,400 urban dwellers in 2017,¹ is the seat of the municipio of Mocoa (hereinafter, Mocoa) and the capital of the department of Putumayo. Historically, Mocoa has received victims of forced displacement,² and is the municipio in the department of Putumayo with the largest population inflow. In this context, inadequate planning has resulted in the proliferation of settlements in high-risk areas and under precarious conditions.³
- 1.2 Between 31 March and 1 April 2017, in just three hours, Mocoa recorded 129.3 mm of rain—30% of the area's normal monthly rainfall.⁴ This caused flash floods, mudslides, and a large volume of sediment displacement, impacting infrastructure, property, and economic activity. In all, 48 neighborhoods (58% of the total) and more than 1,460 households were affected. In addition, it collapsed water supply and sewer systems and brought down electricity, gas, land telephone, and Internet networks.⁵ The reported death toll was 332, in addition to 398 wounded, 77 missing, and more than 22,000 persons affected.
- 1.3 Accordingly, a municipal public disaster was declared (Municipal Decree 056 of 1 April 2017), as was an economic, social, and ecological emergency in Putumayo (State Decree 601 of 6 April 2017). Based on these decrees, the national government guaranteed the necessary resources to address the emergency and protect victims in Mocoa, strengthen mechanisms to ensure the survival of victims, and improve supply channels and telecommunications, among other things.
- 1.4 **Municipio of Mocoa Reconstruction Plan 2017-2022.** The government approved the Municipio of Mocoa Reconstruction Plan on 31 October 2017. Its strategy includes six lines of action: (i) land use planning, environment, and risk management;⁶ (ii) social infrastructure; (iii) regional connectivity and integration; (iv) economic development; (v) social development; and (vi) institutional development. The social infrastructure portion includes rebuilding the public utilities infrastructure (water supply systems, sewer systems, and electricity).
- 1.5 For the first phase of the plan, the government has prioritized projects that address the damage caused by the disaster. Specifically, US\$9.5 million was allocated to recover water supply services. With this objective, there are plans for the Ministry of Housing, Cities, and Territory (MVCT) to execute the following actions: use of tank trucks; construction of a drinking water plant; optimization of storage tanks; installation of 2,341 household connections, 57,687 meters of pipes, and

¹ According to data from the electric company, which has the most current household census in the urban area of the municipio de Mocoa, the average demographic growth rate is 2.86%, with 3.7 persons per household. Of the 12,000 households, 10,700 are residential and the remainder are commercial or other. The figures are estimates, given the uncertainty in the primary data sources.

² According to the Mocoa Municipal Development Plan 2016-2019, Mocoa has been the primary recipient of victims since 1985, with a total of 57,531 (more than 50% of the municipio's population).

³ National Social and Economic Policy Council (CONPES), 2017. Municipio of Mocoa Reconstruction Plan.

⁴ Institute of Hydrology, Meteorology, and Environmental Studies (IDEAM), April 2017.

⁵ "Mocoa Avanza" Specific Action Plan, 2017.

⁶ This includes an analysis of climate risks and trends through the Basic Land-use Management Plan.

- 7,511 water meters; and rehabilitation of four intakes to provide more than 88 million liters of water. In July 2017, the government asked the IDB for financing to rebuild the municipal sanitation system through an investment loan operation.
- 1.6 **Institutional framework of the water and basic sanitation (W&S) sector.** Law 142 of 1994 lays the foundations for the provision of public utilities and the distribution of policy, regulatory, control, oversight, and service delivery functions. In the W&S sector, the MVCT sets public policy and establishes technical regulations. The National Planning Department supplements these functions. The Water and Basic Sanitation Regulatory Commission is responsible for economic regulations, regarding rates, quality, and measuring efficiency and provider performance. Municipios are responsible for delivering service through state-owned, private, or mixed-ownership companies. The Superintendency of Public Utilities is in charge of provider control and oversight.
- 1.7 **The W&S services situation in Mocoa.** Before the disaster, the water supply system had 85% coverage, operating 20 hours per day.⁷ However, 40% of the raw water supplied was not fit for human consumption.⁸ Sewer system coverage was below 50%. Wastewater generated in the city was untreated.⁹ Moreover, the Environmental Quality Index¹⁰ showed pollution problems in Mocoa, with a ranking that slipped from 74.3 in 2007 to 55.3 in 2015. This was mainly due to population growth, hygiene habits, use of inadequate facilities, increased discharges, and lack of wastewater treatment.¹¹ The disaster destroyed intakes, water mains, and water supply systems. It also impacted six kilometers of sewer laterals, sewer mains, and residential connections. Most of the water service was restored, although water is still being provided with tank trucks in some areas. The sewer system underwent cleaning, unblocking, and emergency repairs. However, sewer mains and residential connections were damaged. As a result, old and new wastewater continues to be discharged into the watercourses that cross the urban area.
- 1.8 The W&S service deficit, compounded by the emergency, is an indicator of exposure to health risks. This is particularly important given that it impacts areas with the highest rates of poverty and indigence.¹² It is also relevant because of the positive link between health and access to water and basic sanitation.¹³ According to Ministry of Health data,¹⁴ in Colombia the mortality rate from acute diarrheal diseases per 100,000 children under 5 is higher in Mocoa (23.24 deaths) than in the overall department of Putumayo (7.63 deaths), and is above the national average

⁷ It falls to 16 hours/day during the rainy season. In 2013, a National Administrative Department of Statistics (DANE) survey found that 78% of urban households had uninterrupted service nationwide.

⁸ Mocoa Municipal Development Plan 2016-2019.

⁹ Nationwide, coverage was 81%, and 20% of wastewater is treated (*World Bank Data*, 2017).

¹⁰ This analyzes physical and chemical conditions and, in some cases, microbiological conditions in the body of water.

¹¹ Levels set by the environmental authority CORPOAMAZONIA: Excellent (91-100), good (71-90), fair (51-70), poor (26-50), very poor (0-25).

¹² In Colombia, the [health sector](#) made the greatest contribution to multidimensional poverty reduction from 2010 to 2016. Of the 12.6 percentage point drop, four points are attributable to improved access to health services.

¹³ Documented in numerous studies, such as those summarized by Brennenman, A. and M. Kerf, *"Infrastructure & Poverty Linkages, A Literature Review"*. The World Bank, 2002.

¹⁴ Ministry of Health and Social Welfare, 2013. *"Análisis de situación de salud según regiones Colombia"* [Analysis of the Health Situation by Region in Colombia].

(5.26 deaths). Those levels are determined by factors that include a lack of adequate sanitation services.¹⁵

- 1.9 **The scope of W&S services in Mocoa.** In the Mocoa urban area, two companies provide these services: Aguas Mocoa S.A., with 6,076 water subscribers and 7,268 sewer customers as of 2015;¹⁶ and the Barrios Unidos de Mocoa community water supply system, with 2,439 subscribers.¹⁷ The municipio obtains its supply from the Mulato river and the Almorzadero stream, through three catchments. There are no instruments to measure the volume of water collected from the Mulato river. This water goes through a sandcatch and is then supplied untreated to the municipio. The Barrios Unidos community water supply system collects water from the Taruca and Conejo streams, serves approximately 25% of the population, and is highly vulnerable to landslides.¹⁸ In addition, while it does have a direct filtering and disinfecting system, the water may not be sanitary.¹⁹ These providers have management weaknesses, such as: (i) an outdated roster of users;²⁰ (ii) no strategic management plan; (iii) lack of job skill certifications;²¹ and (iv) limitations in implementing subsidies for Barrios Unidos users.²²
- 1.10 **Sewer system.** Mocoa has a combined sewer system, made up of sewer laterals, inspection chambers, sewer mains, and final outfalls. Aguas de Mocoa is the operator. The total length of the system is 38,000 meters, made up of materials such as PVC, concrete, and earthenware. The sewer system has 34 sewer mains that receive flow from secondary segments, stormwater, and water from residential facilities. Of these, almost 75% have reached their useful life and are built mainly from concrete and earthenware.
- 1.11 The surface storm drainage system (channels and catchments) drains partly into sewer system mains. These discharge into the Sangoyaco and Mulato rivers, which in turn flow into the Mocoa river. There is a lack of information about the system's operation, because updated data on the infrastructure, its management, and the quality of wastewater is not available.
- 1.12 **Sewer Master Plan for Mocoa.** The Sewer Master Plan for Mocoa was approved in 2002 and has not been updated. Therefore, it does not include new land use planning guidelines and does not take into account post-disaster conditions.
- 1.13 Regionally, in 2009 the Corporation for the Sustainable Development of the Southern Amazon (CORPOAMAZONIA) approved the Sanitation and Disposal Management Plan for Mocoa.²³ Although this plan establishes the conditions for

¹⁵ Municipal Development Plan 2016-2019.

¹⁶ Office of the Superintendent of Public Utilities, 2016. "*Evaluación Integral de Prestadores*" [Comprehensive Evaluation of Service Providers].

¹⁷ Report of the Single Information System, 2014.

¹⁸ Office of the Superintendent of Public Utilities, 2016.

¹⁹ The Water Quality Risk Index for household consumption averaged below 50% for all the systems examined, failing to meet the required safety levels for consumption.

²⁰ Management Report 2016, Aguas Mocoa.

²¹ Office of the Superintendent of Public Utilities, 2016.

²² Office of the Superintendent of Public Utilities, 2015. "*Evaluación Integral de Prestadores*" [Comprehensive Evaluation of Service Providers].

²³ Resolution 0901 of 1 December 2009.

wastewater discharge and the quality objectives for the receiving bodies of water, it is outdated (it expired in 2014).

- 1.14 **Rationale and proposed interventions.** Despite the government's effort to address the emergency, there is still a serious need for investments to restore the infrastructure. Rehabilitating the sewer system in urban areas, including residential connections to the sewer system and building a wastewater treatment system, is essential to promote adequate sanitary conditions for Mocoa's population. It will also help prevent negative spillover effects that will impact the safety of water sources for human consumption, production, and eco-friendly uses.²⁴
- 1.15 This operation will finance treatment of wastewater, rebuilding the sewer system for the Mocoa urban area, and increasing service coverage. It will also enhance service quality by improving the efficiency and operations management of providers, supporting institution-strengthening, and providing health and environmental education to the population.²⁵ The proposed operation includes one-off investments for drainage associated with preventing damage to the sewer system. The project will also finance an update of the Sewer Master Plan for Mocoa and the studies and designs for the bidding of works, which will include parameters to mitigate risks associated with climate change effects. These actions will supplement the projects financed with government funds (water supply system, drainage, and flood control) as part of the Municipio of Mocoa Reconstruction Plan. This project will help improve the environmental (decrease pollution through wastewater treatment) and health conditions (increase access to sewer systems) of the beneficiary population.
- 1.16 **Evidence of effectiveness.** There is a positive relationship between access to sanitation and health in Colombia²⁶ and similar contexts.²⁷ There is also evidence regarding improvements in environmental education activities, connectivity, and hygiene habits,²⁸ as well as between institutional strengthening activities and service delivery.²⁹
- 1.17 **The Bank's sector knowledge and lessons learned.** The Bank has extensive experience in the W&S sector in Colombia. Its activities include financing for water, sewer systems, and wastewater treatment, both in urban and rural areas, as well as institutional strengthening of companies in the sector. Loans 2120/OC-CO, 2183/OC-CO, 2732/OC-CO, and 3610/OC-CO are in execution. Some of the lessons learned during these operations and embedded into the design of this

²⁴ The low coverage and poor quality of the sanitation services have an impact on health, nutrition, and potentially on child development, education, the environment, and activities such as tourism. This also increases the likelihood of girls dropping out of school or being attacked when seeking privacy ([World Bank, 2005](#)).

²⁵ For example, on subjects such as connectivity incentives, service payments, and proper hygiene practices.

²⁶ [Caceres et al., 2005](#), in a study on acute diarrheal diseases, noted that environmental sanitation can have a larger impact on decreasing the prevalence of diarrhea than other measures, like improving the water supply.

²⁷ In Peru in 2016, a higher incidence of diarrhea was observed among children under 5 living in households with unimproved or shared sanitation services (12.0%) compared with improved or not shared (11.2%) (National Statistics and Information Technology Institute, 2016 [link](#)). In Bolivia, investments in W&S systems led to a reduced mortality rate among children under 5, similar to that associated with health interventions ([Newman et al., 2002](#)). Expanding sewer system coverage generates positive spillover effects, decreasing the likelihood of spreading acute diarrheal diseases ([Gertner et al., 2016](#); [Bancarlar et al., 2016](#)).

²⁸ See [Wilson et al., 1993](#); [Carincross et al., 2003](#) and [World Bank, 2016](#).

²⁹ See [IWA, 2013](#); [Mugabi et al., 2006](#) and [World Bank, 2015](#).

project are: (i) the need to have leadership from the top level of the institutional framework, to ensure the success of execution and the sustainability of the projects. In this project, the MVCT is taking on responsibility for the operation with the Bank. Its Office of the Deputy Minister of Water and Basic Sanitation (VASB) will be directly responsible for project coordination; (ii) the need for the executing agencies to have experience executing projects financed by international organizations and to operate autonomously. This operation will benefit from the experience of the program implementation team for loan 2732/OC-CO and will have a comprehensive project management unit (CPMU) with experience in project execution; and (iii) the need to define permanent support measures to draw lessons for the proper execution and ownership of interventions. This operation includes a supervision plan and ongoing dialogue with the executing agency and the municipio, to resolve questions in a timely manner and mitigate risks early on.

- 1.18 **IDB country strategy.** The project is aligned with the IDB country strategy with Colombia 2015-2018 (document GN-2832), which aims to support areas to transform Colombia into a high-income country. To achieve this, the country's vulnerabilities will need to be addressed with respect to sustained growth, increased institutional productivity and greater social mobility. The strategy identifies three policy areas: (i) economic productivity; (ii) public management effectiveness; and (iii) social mobility and consolidation of the middle class. To address this latter area, the strategy focuses on improving equitable access to quality basic services and proposes to improve the efficiency and sustainability of electricity and water services.
- 1.19 **Strategic alignment.** The operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008), and aligns with the development challenge of social inclusion and equality, since it will improve health and environmental conditions in Mocoa, contributing to increasing sanitation services coverage in the municipio with the highest Multidimensional Poverty Index and unemployment rate in the department of Putumayo.³⁰ The project is also aligned with the crosscutting topic of climate change and environmental sustainability. An estimated 1.53% of the loan proceeds will be invested in climate change adaptation activities,³¹ according to the [joint methodology of the multilateral development banks for estimating climate finance](#). Those resources contribute to the IDB Group goal of increasing financing for climate change-related projects to 30% of all approvals by end-2020. Moreover, the contribution to environmental sustainability is evidenced through the increase the collection and treatment of wastewater in the Mocoa urban area. The project is also aligned with the crosscutting topic of institutional capacity and rule of law, by strengthening Mocoa and the service providers. The operation will contribute to the Corporate Results Framework (CRF) 2016-2019 (document GN-2727-6) through the indicator "households with new or upgraded access to sanitation." In addition, the project is aligned with the Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy (document GN-2710-5), contributing to: (i) promote access to infrastructure services; and (ii) support the construction and maintenance of an environmentally and socially sustainable infrastructure. It is also consistent with the Water and Sanitation Sector Framework (document GN-2781-3), seeking to achieve universal access and improved service

³⁰ The Multidimensional Poverty Index for the municipio of Mocoa is 52.58%. In 2015, the unemployment rate was 10.2%, compared with the national average of 9.6% ([National Planning Department, 2015](#)).

³¹ For the preparation of the Sewer Master Plan for Mocoa.

quality; efficient and sustainable management; and social and environmental sustainability.

- 1.20 **Compliance with the Public Utilities Policy (document GN-2716-6).** The proposed project and the national objectives for the sector are consistent with the principles of the Public Utilities Policy (document GN-2716-6) and fulfill the financial sustainability and economic evaluation conditions ([optional electronic link 5](#)). According to Law 142 of 1994, W&S service operators should cover their operating and maintenance costs with operating revenues, through rates regulated by the Water and Basic Sanitation Regulatory Commission. The project would also finance institution-strengthening activities to ensure that the operator fulfills this requirement (paragraph 1.31). Lastly, the works to be financed are socioeconomically viable (paragraph 1.30).

B. Objectives, components, and cost

- 1.21 **Objective.** The objective of the project is to improve the health and environmental conditions of the urban area of the municipio of Mocoa, facilitating sustainable access to sanitation services. The specific objectives are to: (i) expand coverage and improve the sanitary sewer system, and build a wastewater treatment system; (ii) promote the sustainable management of sanitary sewer and wastewater treatment services; and (iii) promote the efficient use of sanitation services by providing health and environmental education to beneficiary families. To achieve the objectives, the project will be divided into four components:
- 1.22 **Component I. Project studies and designs (US\$1.39 million).** This component will finance: (i) updating the Sewer Master Plan for Mocoa and preparing the studies and final designs for project works within the framework of the Municipio of Mocoa Reconstruction Plan; and (ii) supervising the studies. The expected outcomes of this component are an updated Sewer Master Plan for Mocoa; and the final designs necessary to make investments in sewer laterals, sewer mains, outfalls, and a wastewater treatment plant.
- 1.23 **Component II. Investment in sewer laterals and mains (US\$11.7 million).** This component will finance: (i) building or rehabilitating residential service connections,³² sewer mains, interceptors, pumping stations, and laterals in the Mocoa urban area; (ii) building structures to prevent stormwater from entering the sewer system, including the collection, separation, and final disposal of stormwater, based on system requirements; (iii) supervising works; and (iv) managing the social and environmental aspects of the works. Preliminary technical designs for the representative sample of works are included in [optional electronic link 2](#). The expected outcome of this component is to benefit approximately 2,000 households with new access and 8,000 households with upgraded access to sanitary sewerage. By the end of the project, 80% of the households with existing access (8,000) to the sewer system are expected to have efficient connections.^{33,34}

³² Connection from the user inspection chamber to the sewer system.

³³ These 10,000 households account for approximately 83% of the homes in the Mocoa urban area, and 70% of the total in the municipio. These are estimates due to the lack of an up-to-date census.

³⁴ While there were households connected to the system before the disaster, the majority of those connections were inadequate and were damaged. They need to be properly reconnected to the sewer systems that will be rehabilitated or rebuilt during this project.

- 1.24 **Component III. Treatment system (US\$11.18 million).** This component will finance: (i) building the main interceptor to carry wastewater from the system to the wastewater treatment plant; (ii) building and outfitting the wastewater treatment plant; (iii) building the discharge outfall for treated wastewater into the Mocoa river; (iv) supervising works; (v) procuring the land; and (vi) managing the social and environmental aspects of the wastewater treatment system. Preliminary technical designs for the wastewater treatment plant are included in [optional electronic link 2](#). The expected outcome of this component is to provide wastewater treatment to approximately 8,000 households. Additional expected outcomes are to achieve a wastewater treatment volume of 65 liters per second at the plant, pursuant to the conditions of the current regulations; and to decrease to 10 the number of locations where untreated wastewater is discharged into the Sangoyaco, Mulato, and Mocoa rivers.
- 1.25 **Component IV. Capacity-building and health and environmental education (US\$1.5 million).** This component will finance: (i) conducting a study of W&S service delivery mechanisms in Mocoa, including the current operators; (ii) strengthening the municipio of Mocoa's³⁵ authority and responsibilities regarding the provision of W&S services, pursuant to the Public Utilities Act;³⁶ (iii) providing equipment³⁷ and strengthening³⁸ the administration, operations, and maintenance of operators to ensure sustainable service delivery; (iv) implementing health and environmental education activities for the population, including hygiene habits, awareness of paying for service, and sewer system connections; and (v) developing and implementing a communications plan. The expected outcome of this component is to improve the indicator on operating revenue to operating costs for Aguas Mocoa.
- 1.26 **Administration, evaluations, audits, and CPMU (US\$4.23 million).** This includes expenditures of the CPMU (US\$2.92 million) and administration, monitoring, midterm and final evaluations, and external audits of the project (US\$1.31 million).
- 1.27 **Cost and financing.** The project will have a total cost of US\$30 million and will be financed by the Bank from its Ordinary Capital ([optional electronic link 7](#)).

Table I-1 – Project cost (US\$ thousands)

Components	IDB (US\$ thousands)	%
Component I. Project studies and designs	1,391.5	4.6
Component II. Investment in sewer laterals and mains	11,700.6	39.0
Component III. Treatment system	11,178.1	37.3
Component IV. Capacity-building and public health and environmental education	1,500.0	5.0
Administration, evaluations, and audits	1,311.0	4.4
CPMU	2,918.8	9.7
Project total	30,000.0	100.0

³⁵ Includes governance training for W&S service providers, subsidy management, monitoring and supervision of W&S services, and service stratification of the municipio.

³⁶ Law 142 of 1994, Article 5, authority of municipios over the provision of public utilities.

³⁷ Procurement of pressure/suction equipment will be financed. The rest of the necessary equipment will be determined based on the service provision assurance plan, to be financed with this component.

³⁸ Includes the preparation of the service provision assurance plan and training on business and accounting management; financial management; job skills; and systems administration, operations, and maintenance.

C. Key results indicators

- 1.28 The main project outcomes are associated with public health and environmental improvements in the Mocoa urban area and improvements in the management of sewer and wastewater treatment services (see Annex II).

Table I-2 – Key indicators

Outcome indicator	Measurement unit	Baseline	Target outcome
Number of households with new access to sanitary sewer services in the Mocoa urban area	Households	0	2,000
Number of households with upgraded access to sanitary sewer services in the Mocoa urban area	Households	0	8,000
Number of households with efficient connections to the sewer system in the Mocoa urban area	Households	0	8,000
Number of households in the Mocoa urban area with wastewater treatment	Households	0	8,000
Volume of wastewater treated at the wastewater treatment plant	Liters per second	0	65
Decrease in the number of locations where untreated wastewater is discharged into the Sangoyaco, Mulato, and Mocoa rivers within the municipio of Mocoa	Number	122	10
Operating revenue divided by operating costs for Aguas Mocoa*	Value	0.8	1

* It was estimated that this indicator would fall to 0.8 in 2017 (baseline) from 1.0 the previous year, given the adverse impacts of the emergency. That drop is due to a temporary interruption in billing and a decline in the number of subscribers. This figure will be verified once the 2017 financial report is approved. The institutional strengthening activities under Component IV will enable the operator to cover operating costs with operating revenue, in compliance with Law 142 of 1994, ensuring the financial sustainability of the service provided.

- 1.29 **Technical viability.** The project is considered to be technically feasible and fully justified. Based on conceptual designs, a sample of the proposed works for the project was evaluated. It included sewer mains, interceptors, outfalls, pumping stations, and complementary works to separate stormwater from the sewer systems for two municipal watersheds, as well as a wastewater treatment plant. This sample will account for 43% of the project. The works to be financed under the project will be determined based on the applicable feasibility study. They will be executed once the final designs for bidding have been prepared. The project will finance these studies and the update of the Sewer Master Plan for Mocoa, which will be used as a framework to prepare proposals. There are also plans to execute designs and works for more urgent specific interventions, in parallel with moving forward with the Master Plan. All the studies and designs will follow current national regulations, generally accepted international engineering principles, and the guidelines of the Project Operations Manual. In every case, the lowest-cost, technically viable alternative will be selected. Specialized consulting firms will supervise works execution ([optional electronic link 2](#)).
- 1.30 **Economic viability.** A cost-benefit analysis was performed for the works to remediate the Mocoa river and build a sewer system for the population that currently lacks sewer and wastewater treatment services.³⁹ Benefits were estimated using the contingent valuation method of willingness to pay. The analysis included incremental

³⁹ Approximately 75% of Mocoa's total population is inadequately connected to the sewer system and lacks wastewater treatment. The remaining 25% has no access to the sewer system.

investment costs and operations and maintenance (costs for Components II and III, not including costs for uncertainty and for the rehabilitation of interceptors), converted into social prices. The project was found to be viable, generating a return of 14.3% and a net present value of US\$1.7 million. In addition, the sensitivity analysis with various economic evaluation assumptions included the cost of uncertainty ([optional electronic link 1](#)).

- 1.31 **Sustainability of investments.** The financial sustainability analysis included a review of the financial statements and operating information of Aguas Mocoa for the past three fiscal years, as well as financial projections based on assumptions about the company ([optional electronic link 4](#)). Aguas Mocoa had an earnings before interest, tax, depreciation, and amortization (EBITDA)⁴⁰ margin of 4.6% over the past three years. The emergency had negative effects on the company's financial situation, such as billing interruptions associated with temporary service suspensions due to damage to the system and fewer subscribers. Therefore, it is estimated that Aguas Mocoa will have negative EBITDA in 2017 and until it recovers from those effects. In addition, the wastewater treatment plant will generate additional costs for operations and maintenance. Based on the country's rate framework, these additional costs should be recovered through rates. To ensure financial sustainability, institution-strengthening activities will be financed, including updating the user roster; designing and implementing a business system; and conducting a cost and rate study. A study of the service delivery mechanism will also be financed.
- 1.32 In addition, the project sets and allocates a budget for health and environmental education activities aimed at the entire population of Mocoa. The objective of these activities is to create conditions for the sustainability and proper use of the infrastructure built, to improve the quality of Mocoa's environment and its health situation. These activities include workshops in educational and community centers, on subjects that include sewer system connectivity, resource conservation, rate payments, and hygiene habits. They also include designing and implementing a communications plan to raise awareness and disseminate information about the project among the population.
- 1.33 **Institutional viability.** The institutional capacity of the VASB was evaluated using the Institutional Capacity Assessment System methodology, which found a satisfactory level of development and a low level of risk. Based on the results of the assessment, to execute the new project, there is a need to either establish a new project coordination unit (PCU) that reports to the VASB or strengthen the unit that is currently responsible for executing loan 2732/OC-CO. Special contractual conditions will include approval of the Project Operations Manual and contracting of the minimum personnel (paragraph 3.13) ([optional electronic link 3](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality.** This will be an investment loan under the multiple-works modality, since it will finance independent works that are physically similar and can start operating individually, such as sewer laterals, connections, sewer mains, pumping stations,

⁴⁰ EBITDA is a financial indicator that shows the operating profitability of a company, which subtracts its operating costs from its operating revenue, without including interest, tax, depreciation, and amortization.

and complementary works. The works for the main interceptor, the wastewater treatment plant, and the final outfall are defined. Details about these criteria are included in the Project Operations Manual (paragraph 3.8). The planned execution period is five years as of the entry into force of the loan contract. The disbursement schedule is as follows:

Table II-1 – Disbursement schedule (US\$ thousands)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	915.5	5,670.2	9,301.8	8,905.6	5,206.9	30,000.0
%	3.0	18.8	31.1	29.7	17.4	100.0

- 2.2 **Representative sample.** The representative sample includes investments for an estimated value of US\$13 million, which account for 43% of the project amount. The works selected for the sample fulfill eligibility criteria (ii) to (iv) (paragraph 3.9). Once the final designs have been prepared, a favorable technical opinion should be obtained from the VASB, to meet the eligibility conditions for the applicable works.

B. Environmental and social risks

- 2.3 According to Directive B.03 of the Environment and Safeguards Compliance Policy (document GN-2208-20), this has been classified as a category “B” operation. Its socioenvironmental risks will be localized, temporary, and short-term, and there are effective mitigation measures with which the W&S sector has experience. The operation is in an area prone to natural disasters (flooding, landslides, and seismic events). Therefore, pursuant to the Disaster Risk Management Policy (Operational Policy OP-704), it has been classified as a moderate type 1 operation that does not require additional studies. In this regard, the Environmental and Social Management Plan (ESMP) for the sample works and the Environmental and Social Management Framework (ESMF) for the project establish mitigation measures to be executed during implementation of the infrastructure components.
- 2.4 Pursuant to the Access to Information Policy (Operational Policy OP-102), the environmental and social evaluations for the sample and for the operation as a whole have been posted on the Bank’s website. However, that was done during a special mission (the final one) held from 9 to 13 October 2017, partially fulfilling Directive B.5 of Operational Policy OP-703, which requires that these documents be published prior to the analysis mission. It is important to note that preparation of this loan operation began in August 2017, to meet an urgent need of the population of Mocoa with priority, strategic sanitation investments. A special mission for this project was justified by the need to move up analysis of the operation’s technical information, given the emergency situation in Mocoa. However, an analysis mission was not needed after the special mission, because during the latter the Government of Colombia had provided all the technical, environmental, social, economic, and fiduciary information required for the Bank to complete its analysis of the project. Accordingly, a partial waiver is being requested of Directive B.5 of the Environment and Safeguards Compliance Policy (document GN-2208-20). Although the environmental and social evaluations for the sample and for the project as a whole were not published at the juncture indicated in that Directive, the information was disclosed in the early stages of project preparation, more than 22 days before the public consultations.
- 2.5 None of the works will result in involuntary resettlement of persons or expropriation of land, since they will be constructed on uninhabited land. The extent and intensity

of the socioenvironmental risks and impacts is moderate, since there are procedures, technical knowledge, and practices that will be easy to design and implement. These risks are: (i) odors and sludge generated as a result of the wastewater treatment plant's operation. The main mitigation measures are: (a) include sludge management in plant design; and (b) leave a buffer zone between the plant, the pumping stations, and the households; (ii) pollution in the Mocoa river due to wastewater treatment plant failures. The mitigation measure is to assign trained personnel and provide them with suitable resources and tools, to ensure that the system operates according to the plant's operations manual; and (iii) potential temporary interference with the activities of businesses when work is being done in the street. The mitigation measures are: have consultations with these business owners and maintain ongoing communication with them; notify them of the works to be constructed and the timelines; plan intervention times; and seek alternatives to ensure that safe access to their businesses is always available.

- 2.6 The works will be in urban areas that may include indigenous reservations. Therefore, the guidelines of the Indigenous Peoples Policy (Operational Policy OP-765) will be followed to mitigate and prevent environmental and social risks and impacts on any potentially affected reservations. Guidelines to manage potential effects on indigenous peoples' settlements are set out in the project's ESMF. For sample works, there have been representative consultations, in accordance with Bank requirements. For future works not in the sample, there will be a suitable public consultation process, following the guidelines of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), Directive B.6 on consultations.
- 2.7 The Bank will supervise fulfillment of environmental and social safeguards, pursuant to the conditions set forth in Annex B of the Environmental and Social Management Report (ESMR) ([required electronic link 3](#)). The main conditions were included in the special conditions of the loan contract and the Program Operations Manual.

C. Fiduciary risks

- 2.8 As part of project design, a risk management assessment was performed using the Bank's methodology, with participation from MVCT/VASB personnel. It identified two medium-level financial management and procurement risks. To address the risk of potential noncompliance with contract requirements that may cause delays in execution, the mitigation measure is to establish a PCU that reports directly to the VASB for monitoring, financial, and procurement issues. Its members will have experience in multilateral banking and work full-time on the project. To address the risk of resistance to following Bank standards and policies for procurement processes due to a lack of familiarity with them, there are two mitigation measures: (i) the PCU will have a basic team of specialists with knowledge and experience in multilateral banking projects (paragraph 3.14); and (ii) the institutional capacity assessment of procurement and financial management will be tracked at the end of the first year of execution, to evaluate the results of implementing the proposed mitigation measures and any potential change to the MVCT's risk classification.

D. Other project risks

- 2.9 Delays in works execution was identified as a high-level development risk. This risk will be mitigated with the following measures: (i) take into account the risk map in designing works; (ii) include urban drainage works in the project budget; and (iii) implement the ESMP for the sample and the ESMF for the operation as a whole. Medium development and public management risks, respectively, are as follows:

(a) inadequate designs and budgets to implement works. This risk will be mitigated with the following measures: (i) commission the studies and designs for priority works in parallel with contracting for the Sewer Master Plan for Mocoa; (ii) include the costs of land in the project budget; (iii) purchase the land for the wastewater treatment plant before bidding for the works; and (iv) retain an engineer as part of the PCU to evaluate the feasibility of the works; and (b) lack of coordination among the institutions involved to fulfill project commitments. This risk will be mitigated with the following measures: (i) include as a special execution condition the signing of an agreement between the MVCT and the municipio of Mocoa, for the latter to take on the following commitments: acquire the land, rights of way, and environmental permits and licenses for the construction of works; sign an agreement with the landfill operator to accept the sludge from the wastewater treatment plant; and receive the assets constructed under the project; (ii) implement a communications plan for the project; and (iii) train personnel from the operators and the municipio (paragraph 3.14).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Colombia. The executing agency will be the MVCT, with support from a CPMU. The beneficiary will be the municipio of Mocoa.
- 3.2 **Execution mechanism.** The MVCT will assume technical and fiduciary responsibility for the project with the Bank, acting through its VASB. The VASB will establish a PCU that will report directly to that office. The VASB has a permanent team of professionals to perform the technical, economic, social, environmental, and financial evaluation of W&S projects, through a single window system.
- 3.3 Once the MVCT retains a CPMU through a competitive process, it will transfer project resources to that unit. This will be pursuant to the conditions set forth in the contract or agreement signed by the MVCT and the CPMU. After the single window system has deemed the works eligible, the CPMU will be responsible for the selection and contracting of works, goods, and services, in accordance with IDB procurement policies. In addition, the CPMU will commission evaluations and the MVCT will commission project audits.
- 3.4 **Financial-accounting management of the project.** This is laid out in Annex III. The details of the activities and responsibilities are described in the Project Operations Manual.
- 3.5 **Project coordination unit.** During project execution, using loan proceeds, the MVCT will maintain a PCU (this could be an expanded, strengthened program implementation team), which will be responsible for comprehensive control and monitoring of the operation. The unit will have a coordinator who will be accountable to the Bank, supported by a technical team for project execution. As part of the execution mechanism, the PCU will have support from the operational areas of the VASB.
- 3.6 The executing agency, with support from the CPMU, will be responsible for the project's technical, administrative, fiduciary, and operational execution, including general coordination and resource management. The PCU will consist of, at a minimum, a general coordinator; a technical specialist; a legal/procurement

specialist; and an administrative and financial specialist. The qualifications of these specialists will be included in the Project Operations Manual. They will be retained after obtaining the Bank's prior no objection. The executing agency's duties will include: (i) prepare and periodically update the Multiyear Execution Plan, the Annual Work Plan, and the Procurement Plan; (ii) supervise the CPMU, based on the conditions of the contract or agreement; (iii) perform the financial management and submit the required financial reports to the Bank; and (iv) prepare and update semiannual project and risk matrix reports ([optional electronic link 8](#)).

- 3.7 **Partial eligibility for disbursement.** To facilitate fulfillment of the conditions precedent to disbursement and begin the project, up to US\$300,000 may be disbursed for the establishment and operation of the PCU. This special disbursement will only take place once the conditions precedent in the general conditions of the loan contract have been fulfilled.
- 3.8 **Project Operations Manual.** Project execution will be governed by the provisions of the Project Operations Manual, which will include aspects such as: (i) a detailed execution mechanism; (ii) financial management of the project; (iii) institutional roles and responsibilities of the entities involved, and a model agreement to be signed by the MVCT and the municipio of Mocoa, for the latter to take on commitments that include: (a) receive the assets constructed under the project; (b) acquire the land for the construction of the wastewater treatment plant; (c) sign an agreement with the landfill operator to accept the sludge from the wastewater treatment plant; and (d) obtain the rights of way, and environmental permits and licenses; (iv) an intervention strategy; (v) rules and procedures for the selection and contracting of works, goods, and services; (vi) implementation of mitigation measures for environmental and social risks; (vii) monitoring procedures; (viii) guidelines from the Environmental and Social Management Analysis and the ESMF; and (ix) eligibility criteria for the preparation of designs and execution of works ([optional electronic link 6](#)).
- 3.9 **Eligibility criteria.** To be eligible, works should meet the following criteria: (i) have a favorable technical opinion according to the VASB feasibility mechanism; (ii) be socioeconomically, legally, technically, socially, environmentally, and financially viable, as stipulated in the Project Operations Manual; (iii) be beneficial for the residents of the Mocoa urban area; and (iv) be classified as a category "B" or "C" project and not require resettlements.
- 3.10 **Multiyear execution plan.** Project activities will be carried out according to the schedule of the multiyear execution plan. Their annual review will be included in the applicable annual work plan. The multiyear execution plan contains details equivalent to the annual work plan for every year of execution. However, it will be updated every year, taking into account the actual progress made on the project. Annual reviews of the multiyear execution plan will be submitted to the Bank ([required electronic link 1](#)).
- 3.11 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements (see Annex III) establish the financial management and planning framework, as well as the framework for supervision and execution of relevant procurement processes for project execution. The disbursement modalities for loan proceeds will be advance of funds, expense reimbursement, and direct payment to suppliers. The minimum percentage required for replenishment of the advance will be 70%. The executing agency will submit audited annual and final financial

statements for the project, following the terms and deadlines that the Bank requires in its policies. The executing agency agrees to select and retain an independent audit firm acceptable to the Bank for the duration of the project.

- 3.12 **Procurement plan.** This plan contains the details of the project's procurement processes, which will follow the policies in documents GN-2349-9 and GN-2350-9. The plan includes: (i) the contracts for works, goods, and consulting services required for project execution; (ii) the proposed methods for the contracting of goods and for the selection of consultants; and (iii) the procedures that the Bank follows to review procurement processes. The executing agency will update the Procurement Plan annually, or according to the project's needs. Any proposed change to the Procurement Plan will be presented to the Bank for its approval ([required electronic link 4](#)).
- 3.13 **Special contractual conditions precedent to the first loan disbursement.** In accordance with the terms and conditions previously agreed upon with the Bank: (i) the approval by the executing agency and entry into effect of the Project Operations Manual, including as annexes the ESMP for the sample works and the ESMF for the remaining works; and (ii) the selection and retaining of the following minimum personnel for the PCU: coordinator; technical specialist; administrative and financial specialist; and legal procurement specialist. These conditions are considered essential to ensure that the borrower will be prepared to begin project execution, with the minimum personnel selected within the executing agency, as well as a Project Operations Manual that sets forth detailed guidelines for operational and coordination issues.
- 3.14 **Special contractual execution conditions.** The special execution conditions are as follows: (i) the executing agency will retain a CPMU within 180 days after the effective date of the loan contract, in accordance with the terms of reference previously agreed upon with the Bank; and (ii) prior to awarding each works contract, submit evidence that rights and/or authorizations have been obtained to use the land needed for the respective works, and that those rights and/or authorizations were obtained in compliance with applicable national and local regulations. These conditions are included to ensure that, prior to the start of the works, there is a CPMU available for project execution as well as the land that is required.
- 3.15 **Operation and maintenance.** The borrower, through the executing agency, commits during project execution to: (i) adopt the necessary measures for adequate maintenance for the works and equipment that are part of the project, in accordance with generally accepted technical standards; and (ii) to submit to the Bank a report on the status of those works and equipment, and the annual maintenance plan for that year. If the inspections conducted by the Bank, or the reports it receives, show that maintenance is being performed below the agreed-upon levels, the borrower and the executing agency will take the necessary steps to fully correct the deficiencies.

B. Summary of arrangements for monitoring results

- 3.16 **Monitoring.** For the activities under its responsibility, the executing agency will prepare reports indicating the progress made and outcomes achieved. The monitoring mechanism will include: (i) the Procurement Plan; (ii) the Multiyear Execution Plan; (iii) the Annual Work Plan; (iv) annual verification that the targets set forth in the Results Matrix were met; and (v) semiannual reports, including: (a) activities conducted, progress in their execution, problems that came up, and

solutions implemented; (b) evaluation of the Results Matrix, Procurement Plan, Annual Work Plan, and Risk Matrix; and (c) analysis of the Project Monitoring Report ([required electronic link 2](#)).

- 3.17 **Evaluation.** The following project evaluations will be commissioned: (i) a midterm evaluation, which will be submitted within 90 days after 50% of the loan proceeds have been disbursed or after 30 months of project execution, whichever occurs first; and (ii) a final evaluation, within 90 days after 90% of the loan proceeds have been disbursed. The proposed evaluation methodology will be a “before and after” analysis, which will measure the results indicators before and after project implementation and compare the measurements to verify that the targets were met. There will also be an ex post economic evaluation, taking into account the model developed on an ex ante basis but with potential adjustments, as described in the Monitoring and Evaluation Plan ([required electronic link 2](#)). The report from this evaluation will be included in the Project Completion Report.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Households with new or upgraded access to sanitation (#)* -Households with wastewater treatment (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2832	Increase equitable access to quality basic services.
Country Program Results Matrix		The intervention is not included in the 2017 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability	Evaluable	
3. Evidence-based Assessment & Solution	9.6	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	3.6	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	8.5	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0	
4.2 Identified and Quantified Benefits	1.5	
4.3 Identified and Quantified Costs	0.0	
4.4 Reasonable Assumptions	1.5	
4.5 Sensitivity Analysis	1.5	
5. Monitoring and Evaluation	7.2	
5.1 Monitoring Mechanisms	2.3	
5.2 Evaluation Plan	5.0	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality		
Labor		
Environment		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The loan proposal identifies the precarious sanitary and environmental conditions in Mocoa, after the avalanche that affected the municipality in 2017, as the problem to be addressed by the project. The document presents information on high rates of mortality due to acute diarrheal disease and malnutrition in children under five years of age, in comparison with the total departmental and national levels, as evidence of the aforementioned problems.

The document identifies the low coverage and quality of the sewage system, the absence of wastewater treatment plants, the poor management of providers and municipal authorities, and the lack of health education in the population as causal factors of this problem. The document presents information related to the levels of coverage prior to the disaster, as well as the damages caused by it. It also includes information on pollution levels of wastewater and management problems on the part of operators and municipal authorities.

The loan proposal proposes four components to solve the identified problems and their causes: studies and designs, investment in networks and collectors, treatment system, and capacity building and health and environmental education.

The results matrix of the project is adequate in general terms. However, it does not contemplate the measurement of impact indicators to verify health outcomes. The matrix includes SMART results and output indicators, with their respective baselines, goals and information sources.

The economic analysis annex presents a cost-benefit analysis in which the benefits of the project are estimated based on a contingent valuation methodology and willingness to pay by users. However, there is no consistency between the costs presented in the analysis and the budget of the loan proposal.

The monitoring plan presents the instruments to monitor the outputs of the results matrix, and the initial PMR presents the annual and total costs of these outputs. The evaluation plan proposes an ex post economic analysis replicating the methodology followed ex ante.

RESULTS MATRIX											
Project objectives	The overall objective of the project is to improve the health and environmental conditions of the urban area of the municipio of Mocoa, facilitating sustainable access to sanitation services. The specific objectives are to: (i) expand coverage and improve the sanitary sewer system, and build a wastewater treatment system; (ii) promote the sustainable management of sanitary sewer and wastewater treatment services; and (iii) promote the efficient use of sanitation services by providing health and environmental education to beneficiary families.										
OUTCOMES											
Outcome 1. Improved access to the sewer system in the Mocoa urban area											
Expected outcomes	Unit of measurement	Base-line	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Number of households with new access to the sewer system in the Mocoa urban area	Households	0	2017					2,000	2,000	Acceptance certificates for the works built, submitted by the contractor	New access refers to households that previously lacked access to the sewer system.
Number of households with upgraded access to the rebuilt sewer system in the Mocoa urban area	Households	0	2017					8,000	8,000	Acceptance certificates for the works built, submitted by the contractor	Upgraded access refers to the rebuilding of the systems that were impacted by the disaster and had been built with materials that were technically inadequate for the area.
Number of households actually connected to the sewer system in the Mocoa urban area	Households	0	2017					8,000	8,000	Reports from the operations area of the service provider in the Mocoa urban area	By the end of the project, at least 80% of the households with new or upgraded (rebuilt) access to the sewer system are expected to be actually connected.

Outcome 2. Improved environmental conditions in the Mocoa urban area											
Expected outcomes	Unit of measurement	Base-line	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Number of households in the Mocoa urban area with wastewater treatment	Households	0	2017					8,000	8,000	Reports from the operations area of the service provider in the Mocoa urban area	Households for which wastewater is collected and transported to the wastewater treatment plant built under the project, then treated before being discharged into the Mocoa river (80% of the 10,000 households with new or upgraded access).
Volume of wastewater from the Mocoa urban area treated at the wastewater treatment plant	Liters per second	0	2017					65	65	Testing reports of volume received in the wastewater treatment plant, submitted to the municipio of Mocoa	Pursuant to current regulations.
Decrease in the number of locations where untreated wastewater is discharged into the Sangoyaco, Mulato, and Mocoa rivers within the municipio of Mocoa	Number	122	2017					10	10	Works supervision reports	Measurements will be performed during the dry season in the Mocoa urban area.
Outcome 3. Improved management of sanitary sewer and wastewater treatment services											
Expected outcomes	Unit of measurement	Base-line	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Operating revenue divided by operating costs for Aguas Mocoa	Value	0.8	2017					1	1	Financial reports from service provider Aguas Mocoa	The baseline will be verified once the 2017 financial report has been approved. Operating costs include the cost of sales and operations, and operational expenses. The minimum target value is 1.

OUTPUTS												
Component I. Studies, designs, and project management												
Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Sewer Master Plan for Mocoa, updated	460.0	1, 2, 3	Plan	0		1				1	Update of the Sewer Master Plan for Mocoa, approved by the municipio of Mocoa	
Studies of final designs for project works	931.5	1, 2	Studies	0	1	3				4	Final studies and the applicable conformity reports, submitted by the executing agency	
A comprehensive project management unit (CPMU), retained and working according to contractual conditions	2,918.9	1, 2, 3	Contract	0	1	1	1	1	1	1	Contract between the MVCT and the CPMU in effect, according to contractual conditions	During the five years of project execution, the CPMU will be retained under the established contractual conditions.
Component II. Investment in sewer laterals and mains												
Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Interceptors, constructed	2,963.4	1	Kilometers	0		0.2	0.8	3.0	1.8	5.8	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Sewer mains, constructed	3,771.2	1	Kilometers	0		0.2	0.8	8.0	2.6	11.6	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Pumping stations, constructed	1,471.5	1	Unit	0			2	1		3	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Ditches, constructed	1,957.0	1	Kilometers	0		10	10			20	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	

Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Watercourse spillways and channels, constructed	439.2	1	Unit	0		18	18			36	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Component III. Treatment system												
Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Land for the construction of the wastewater treatment plant, acquired	500.0	2	Land	0		1				1	Purchasing receipts and the applicable conformity reports, submitted by the executing agency	
Wastewater treatment plant modules, constructed according to the technical design specifications	9,340.4	2	Module	0				1	2	3	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Outfalls, constructed	2,435.9	2	Kilometers	0				2	1.9	3.9	Acceptance certificates for the works and the applicable conformity reports, submitted by the executing agency	
Component IV. Capacity-building and health and environmental education												
Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Study of the mechanism to provide water and basic sanitation services in Mocoa	50.0	3	Study	0		1				1	Study submitted by the consulting firm and approved by the executing agency	

Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Persons in the municipio of Mocoa trained annually to implement the competencies and responsibilities to provide water and basic sanitation services ¹	30.0	3	Persons	0		30	30	30	30	30	Participation records for capacity-building activities in Mocoa	Includes governance training for water and sanitation service providers, subsidy management, monitoring and supervision of water and sanitation services, and service stratification of the municipio.
Service provision assurance plan	80.0	3	Plan	0		2				2	Plan submitted by the consulting firm and approved by the executing agency	For the providers Aguas Mocoa and Barrios Unidos.
Water and sanitation service providers in Mocoa, equipped to sustainably manage services	100.0	3	Provider					2		2	Records of final delivery of equipment to the municipio of Mocoa	The necessary equipment will be defined in the service provision assurance plan. For the providers Aguas Mocoa and Barrios Unidos.
Pressure/suction equipment	200.0	3	Unit			1				1	Records of final delivery of equipment to the municipio of Mocoa	
Personnel from water and sanitation service providers trained annually in administration, operations, and maintenance	60.0	3	Persons			30	30	30	30	30	Participation records for capacity-building activities for the providers	Includes business and accounting management; financial management; job skills; and systems operations and maintenance.
Business management and enterprise resource planning systems implemented by water and sanitation service providers in the municipio of Mocoa	350.0	3	System	0			2			2	Audited annual management reports from service providers	For the providers Aguas Mocoa and Barrios Unidos.

¹ Pursuant to Law 142 of 1994, Article 5, authority of municipios over the provision of public utilities.

Outputs	Estimated cost (US\$ thousands)	Outcome to which it contributes	Unit of measurement	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
Commercial roster of users for water and sanitation service providers in the municipio of Mocoa, updated	300.0	3	Study	0			2			2	Study submitted by the consulting firm and approved by the executing agency	For the providers Aguas Mocoa and Barrios Unidos.
Cost and rate studies of water and sanitation service providers in the municipio of Mocoa, updated	100.0	3	Study	0				2		2	Study submitted by the consulting firm and approved by the executing agency	For the providers Aguas Mocoa and Barrios Unidos.
Persons who participate annually in health and environmental education workshops and fairs in the municipio of Mocoa	80.0	3	Persons	0		1,500	1,500	2,000	2,000	2,000	Participation records for health and environmental education workshops and fair attendance reports from the organizers.	Workshops in community centers and fairs. Subjects include resource conservation, rate payments, system use, and hygiene habits.
Project communications plan, implemented on an annual basis	150.0	3	Plan	0		1	1	1	1	1	Plan submitted by the consulting firm and activity implementation reports, approved by the executing agency	The plan includes communications strategies to disseminate information about the project among the population. The plan will be developed in year two and its activities will be reviewed annually.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Colombia
Project No.: CO-L1232
Name: Project for the Implementation of the Mocoa Sewer Master Plan (Stage I)
Executing agency: Ministry of Housing, Cities, and Territory (MVCT)
Fiduciary team: Miguel A. Orellana, Fiduciary Specialist in Financial Management; and Eugenio Hillman, Lead Fiduciary Specialist in Procurement

I. EXECUTIVE SUMMARY

- 1.1 An institutional capacity assessment of the Office of the Deputy Minister of Water and Basic Sanitation (VASB) was conducted. This office is part of the Ministry of Housing, Cities, and Territory (MVCT), which is the executing agency. The assessment utilized the following tools: (i) the Institutional Capacity Assessment System; (ii) an analysis of the main financial processes of the MVCT that will support project execution; and (iii) project risk management. The VASB is currently executing loan 2732/OC-CO through a program implementation team, with support from a comprehensive project management unit (CPMU) provided by Aguas Nacionales S.A.S., a subsidiary of EPM.
- 1.2 The assessment found that the VASB has the capacity to execute its current portfolio. For this new operation, its technical/operational teams will need to be strengthened. It will also need support from a CPMU for financial management, resource administration, and loan procurement activities. Therefore, the fiduciary risk in financial management and procurement was rated as medium.
- 1.3 According to the Public Expenditure and Financial Accountability assessment,¹ Colombia's Public Financial Management system is sophisticated and performs well in most areas. However, it still is not entirely compliant with international standards. In addition, from a regulatory standpoint, the Government Contracting System is adequate and consistent with internationally accepted practices, but its use has not yet been authorized for Bank loans. The MVCT uses the Integrated Financial Information System (Nación II SIIF), which has online budgetary, accounting, and cash management control modules. The CPMU, which will be retained with loan proceeds, will use its own systems for budgetary, accounting, and cash management control, in order to generate reports for the MVCT.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MVCT, acting through its Finance and Budget Department, will use the Nación II SIIF for accounting purposes. It is also responsible for meeting the Bank's requirements. As the project's executing agency, the MVCT will

¹ The latest Public Expenditure and Financial Accountability report for Colombia is from October 2016. It applied an international standard known as a frame of reference to measure public financial management performance.

consolidate the accounting information generated by the CPMU and will prepare the financial statements for the project. The CPMU, with support from the MVCT's Finance and Budget Department, will be responsible for coordinating the financial and administrative procedures for the budget, cash management, and accounting, as well as financial reports in general.

- 2.2 The MVCT has the appropriate structure for processing procurements that are financed with local resources. However, that is not the case for procurement financed by multilateral banks. Therefore, it will be necessary to build its capacity in order to meet the needs of this new operation. The MVCT lacks experience applying the Bank's procurement policies and using harmonized documents, because it generally delegates these responsibilities to supporting entities such as the CPMU. One of the conditions precedent is to either establish a project coordination unit (PCU) that will report to the Deputy Minister of Water and Basic Sanitation, or to strengthen the program implementation team that is currently executing loan 2732/OC-CO. Procurement processes are monitored manually using Excel files. There is no specialized software available to manage the procurement cycle. MVCT and CPMU personnel will only be trained on the application of procurement policies for Bank-financed operations during the IDB's regular annual training.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 As part of project design, a risk management assessment was performed using the Bank's methodology, with participation from MVCT/VASB officials. This assessment identified two medium-level risks in financial management and procurement. To address the risk of potential noncompliance with contract requirements that may cause execution delays, the mitigation measure is to establish a PCU that reports directly to the VASB for monitoring, financial, and procurement issues. Its members will have experience in multilateral banking and will work full-time on the project. To address the risk of resistance to following Bank standards and policies for procurement processes due to a lack of familiarity, there are two mitigation measures: (i) the entity in charge of comprehensive project management functions and responsibilities will have a basic team of specialists with knowledge and experience in multilateral banking projects; and (ii) the institutional capacity assessment of procurement and financial management will be reviewed at the end of the first year of execution, to evaluate the results of implementing the proposed mitigation measures and the potential for changing the MVCT's risk classification.
- 3.2 No other fiduciary risks that may impact the effectiveness of project execution were identified. The risk mitigation plan will be implemented to ensure proper execution.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 To mitigate the fiduciary risks identified in Section III of this annex, the following are the special fiduciary conditions for execution:
- (i) The executing agency will submit supporting documentation on expenditures using the exchange rate for payments made from the U.S. dollar account to Colombian pesos (monetization rate).

- (ii) For accounting purposes and for the Nación II SIIF to automatically generate the project's financial reports, the MVCT/VASB will create budget categories for loan proceeds based on the classification by component and breakdown in the "cost and financing" table of the loan contract.
- (iii) Each year and until the end of the operation, the MVCT/VASB will submit financial statements audited by an independent audit firm to be selected and retained following Bank policies, with a multiyear contract, if possible.
- (iv) Submit documentation acceptable to the Bank showing evidence of the approval of the project's Procurement Plan for an initial period of at least 18 months and the issuance of an administrative order authorizing procurement for the activities included in the Annual Work Plan for the first year of execution.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 5.1 **Procurement of works, goods, and nonconsulting services:**² Works, goods, and nonconsulting services required for the project and subject to international competitive bidding (ICB) will be procured using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank. The project sector specialist is responsible for reviewing the technical specifications of procurements during preparation of the selection processes.
- 5.2 **Selection and contracting of consultants:** Consulting service contracts required for the project will be executed using the standard request for proposals agreed upon with the Bank.

The project sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services.
- 5.3 **Policy for the selection of individual consultants.** This will be in accordance with document GN-2350-9.
- 5.4 **Training:** The possible training activities do not require special action.
- 5.5 **Recurrent expenditures:** The PCU will incur recurrent and operating expenses required during the life of the operation, which will be financed by the project under the annual budget approved by the Bank. Disbursements to cover the CPMU's operating costs will be calculated based on a fixed percentage of the operational cost plus another percentage based on the table of results achieved.

² Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9), paragraph 1.16; Policies for the Selection and Contracting of Consultants (document GN-2350-9), paragraph 1.23. The borrower will prepare, and, prior to loan negotiations, submit to the IDB for approval, a Procurement Plan acceptable to the Bank for an initial period of at least 18 months.

Table of threshold amounts (US\$)

Works		Goods		Consulting services	
International competitive bidding (ICB)*	National competitive bidding (NCB) (complex works)**	ICB	NCB (complex goods)**	Consulting advertised internationally	Shortlist without nationality restrictions
≥ 10,000,000	350,000 - 10,000,000	≥ 1,000,000	50,000 - 1,000,000	≥ 200,000	≤ 500,000

* Simple works and off-the-shelf goods with values below the threshold for ICB may be purchased by means of shopping.

** Complex works and goods with values below the threshold for NCB may be purchased by means of shopping.

Table of threshold amounts for ex post review (US\$)

Threshold amounts for ex post review*		
Works	Goods	Consulting services
10,000,000	1,000,000	200,000

* Ex post reviews are subject to the provisions of the procurement supervision section³

B. Main procurement processes

- 5.6 Procurements for the first 18 months are outlined in the Procurement Plan, a required annex in the Proposal for Operations Development. See Procurement Plan ([required electronic link 5](#)).⁴

C. Procurement supervision

- 5.7 The initial review method for procurement processes is ex ante. Application of the ex post review method will be evaluated by the project team and potentially implemented after providing timely training to executing agency personnel. Direct contracts are an exception and will be reviewed on an ex ante basis.
- Works:** ex ante, unless the Bank determines otherwise.
 - Goods:** ex ante for ICB and NCB, unless the Bank determines otherwise.
 - Shopping:** ex ante first, and may become ex post if results are satisfactory.
 - Consulting firms:** ex ante, unless the Bank determines otherwise.
 - Individual consultants:** ex ante the first time, and may become ex post if results are satisfactory.

D. Records and files

- 5.8 The MVCT will retain complete documentation on procurement processes; the CPMU will submit this information to the executing agency. The applicable technical area will maintain documentation for the precontract, contract, and postcontract stages. Upon completion of contract execution, all the documentation will be sent to the MVCT's central archives.
- 5.9 The CPMU will maintain complete documentation on procurement processes (precontract stage). The CPMU's contracting system will contain duly digitized procurement documentation. The CPMU will manage documentation for the

³ Policies (document GN-2349-9), Annex II, and the loan contract.

⁴ See Guide for the Preparation and Implementation of the Procurement Plan.

precontract, contract, and postcontract stages. Upon completion of contract execution, all the documentation will be sent to the CPMU's central archives.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** The national government, through the National Public Budget Bureau and the National Planning Department, is responsible for budget programming, a process that concludes with passage of the Annual Budget Act by the Congress of the Republic. The proceeds from the loan will be included in the national budget under the VASB/MVCT and will be controlled through the Nación II SIIF.
- 6.2 **Accounting and information systems.** The lead agency for government accounting in Colombia is the General Accounting Office (CGN), which has guidelines on how to maintain the accounts. The official system for maintaining government accounts is the Nación II SIIF, where the information transmitted to the CGN through the Finance and Public Information Consolidation System can be downloaded. The MVCT will use the Nación II SIIF to control project budget, accounting, and cash management. Entries will be recorded according to the accrual accounting method. However, the project's audited financial statements will be prepared on a cash accounting basis and submitted to the Bank each year. In recording its operations and preparing its financial statements, the agency uses the standards prescribed by the CGN and, for items not covered by those standards, Colombia's generally accepted accounting standards as established in Decree 2649 of 1993. The CPMU will record accruals in its own accounting system for projects (required) and will submit this information to the executing agency for its review and submission to the Bank.
- 6.3 **Disbursements and cash flow.** Externally sourced funds are executed through the Nación II SIIF. To manage the project's cash flow, the PCU will open a special foreign currency account (designated account) at the Banco de la República (Central Bank) in the name of the project, to be used exclusively for loan proceeds. The MVCT, acting through the PCU, will submit disbursement requests to the Bank. The disbursement method will be in the form of fund advances, based on liquidity needs for a maximum of six months. Once at least 70% of the advance has been justified, a new disbursement can be made, in accordance with the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-6). In addition to the cash flow projection, the disbursement request will be accompanied by reconciliation of the special account as well as the implementation status of technical and fiduciary performance commitments (if applicable). There will be a special (partial) disbursement to cover the establishment and strengthening of the PCU, once the general conditions precedent to the first disbursement have been met. Expenses will be documented using the exchange rate in effect on the date that the proceeds disbursed were converted from U.S. dollars to Colombian pesos, that is, the monetization rate. See the special conditions precedent to the first disbursement in Section IV of this annex. Upon request from the PCU, the MVCT's Finance and Budget Department will disburse funds to the CPMU based on cash needs due to commitments signed and formalized to be payable from the loan proceeds. For that purpose, it will open a special account in local currency in a Colombian bank. The department will perform monthly bank reconciliations of the use of these funds and submit the reports to the PCU.

- 6.4 **Internal control and internal audit.** The MVCT and the VASB each have an Internal Control Office. The internal control of both organizations is based on the 2005 public internal control model and on the principles of self-regulation, self-management, self-oversight, and continuous improvement. There are also risk maps prepared for each of the processes in the quality management system. The Internal Control Offices have professionals to perform these duties, and also participate in the support process for improvement plans arising from external audits and the CGR. Internal audit activities are performed in accordance with audit standards.
- 6.5 **External control and reporting.** External control of the MVCT is carried out by the CGR, through public audits conducted selectively and on an ex post basis, for the purpose of verifying compliance with standards, the proper use of resources, observance of processes and procedures, the scope of goals and objectives, etc. Given that the CGR is not eligible to audit projects financed with Bank resources, the project will use the services of an independent audit firm, which will perform an accounting audit of the project (including management of the PCU and the CPMU).
- 6.6 The project financial statements and eligibility of expenditures will be audited annually by an independent audit firm acceptable to the Bank, which will be retained by the PCU. Auditing services will be financed with loan proceeds. The estimated budget for these services is US\$250,000. The project's annual financial statements will be sent to the Bank no later than four months after the close of each fiscal year or based on another deadline that the parties agree to, in accordance with the procedures and terms of reference previously agreed upon with the Bank.
- 6.7 **Financial supervision plan.** Based on the results of the project's capacity and risk assessments, the financial specialist will at a minimum perform one annual on-site review and desk reviews of the audited annual and final financial statements. The project auditor will verify that resources are executed in accordance with Bank standards and policies in the area of fiduciary management and with the conditions stipulated in the Project Operations Manual. The auditor will conduct inspection visits to both agencies. Fiduciary supervision visits for financial management will include verification of the financial and accounting arrangements used for project administration, as well as monitoring of implementation of the independent auditor's recommendations.
- 6.8 There is no national policy regarding public disclosure of audit reports. Nonetheless, according to the current access to information and disclosure policy, the project's audited reports will be published in the Bank's systems.
- 6.9 **Execution mechanism.** The MVCT will assume technical and fiduciary responsibility for the project with the Bank, acting through its VASB. The VASB will delegate project coordination to the unit responsible for project execution of loan 2732/OC-CO, a rural water supply operation. This unit will be strengthened and will report to the VASB. The VASB has a permanent team of professionals to perform the technical, economic, social, environmental, and financial evaluation of water and sanitation projects, through a single window system. The Proposal for Operations Development contains more details about this mechanism.

- 6.10 **Other financial management agreements and requirements.** There are no agreements in addition to those mentioned above. However, the fiduciary agreements and requirements included in this annex may be adjusted according to the project dynamics based on updates in the risk analysis and the institutional capacity assessment to be performed during project execution.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/17

Colombia. Loan ____/OC-CO to the Republic of Colombia
Implementation of the Mocoa Sewer
Master Plan (Stage 1)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Colombia, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a project for the implementation of the Mocoa Sewer master plan (stage 1). Such financing will be for the amount of up to US\$30,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____)