

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

**ENERGY EFFICIENCY AND BUSINESS FINANCING PROGRAM
(CO-L1255)**

**SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR
INVESTMENT PROJECTS (CCLIP) FOR PRODUCTIVE BUSINESS FINANCING
(CO-O0004)**

LOAN PROPOSAL

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ABBREVIATIONS

ASOBANCARIA	Asociación Bancaria y de Entidades Financieras de Colombia [Association of Colombian Banks and Financial Institutions]
Bancóldex	Banco de Comercio Exterior de Colombia S.A. [Colombian Foreign Trade Bank]
CCLIP	Conditional Credit Line for Investment Projects
Confecámaras	Confederación Colombiana de Cámaras de Comercio [Colombian Federation of Chambers of Commerce]
COVID-19	Coronavirus disease
CTF	Clean Technology Fund
DANE	Departamento Administrativo Nacional de Estadística [National Statistics Bureau]
ESMR	Environmental and social management report
GHG	Greenhouse gas
IEA	International Energy Agency
MSMEs	Micro, small, and medium-sized enterprises
OECD	Organisation for Economic Co-operation and Development
ICAP	Institutional Capacity Assessment Platform
PAI PROURE	Plan de Acción Indicativo de Eficiencia Energética [Indicative action plan for energy efficiency]
PCR	Project completion report
PMR	Progress monitoring report
SMEs	Small and medium-sized enterprises
UPME	Mining and Energy Planning Unit

PROJECT SUMMARY

COLOMBIA ENERGY EFFICIENCY AND BUSINESS FINANCING PROGRAM (CO-L1255)

SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR PRODUCTIVE BUSINESS FINANCING (CO-O0004)

Financial Terms and Conditions ^(a)				
Borrower and executing agency: Banco de Comercio Exterior de Colombia S.A. (Bancóldex)			Amortization period:	20 years
Guarantor: Republic of Colombia			Disbursement period:	4 years
Source	Amount (US\$)	%	Grace period:	10.5 years
Clean Technology Fund (CTF):^(b)	8,000,000	50	Administration fee (single payment):	0.45%
Local	8,000,000	50	Service fee:	0.75% fixed
Total	16,000,000	100	Currency of approval:	U.S. dollar
Project at a Glance				
Program objectives: The general objective of the second program under the CCLIP is to help improve the productivity of small and medium-sized enterprises (SMEs) through financing channeled by Bancóldex. The specific objective is to promote a reduction in greenhouse gas (GHG) emissions by scaling up financing for SME investments in energy efficiency projects.				
Special contractual conditions precedent to the first disbursement of the loan: Approval of the program's Credit Regulations by Bancóldex, with the Bank's prior no objection, which will include information on criteria and procedures for the selection of subborrowers (paragraph 3.4).				
Exceptions to Bank policies: Approval of a partial waiver of the Bank's Policy on Guarantees Required from the Borrower (Operational Policy OP-303) is sought from the Board of Executive Directors so that the Republic of Colombia guarantees only the loan repayment obligations, including interest and fees (paragraph 3.5).				
Strategic Alignment				
Challenges:^(c)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(d)	GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input type="checkbox"/>	

^(a) Applicable only to CTF resources and not to the local counterpart

^(b) See document GN-2571, Proposal for the Establishment of the Clean Technology Fund in the Inter-American Development Bank.

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

^(d) 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 Background on the Conditional Credit Line for Investment Projects (CCLIP).

This is the second program under the CCLIP for productive business financing with the Banco de Comercio Exterior de Colombia S.A. (Bancóldex), approved by the Board of Executive Directors on 11 December 2019, for US\$600 million. The objective of the CCLIP is to promote business productivity in Colombia through financing channeled by Bancóldex. This is a Multisector Modality I (MM-I) CCLIP, and its areas of intervention include productive modernization and upgrading, and climate change management. The CCLIP's components may include crosscutting considerations, such as technological innovation, orange value added or orange economy, and products with a gender approach. The first program for productive business financing (loan [4939/OC-CO](#)) was approved on 11 December 2019, and had the general objective of helping to improve the productivity of smaller enterprises through financing channeled by Bancóldex. The IDB made the first disbursement of US\$25.9 million to Bancóldex in August 2020.

1.2 Macroeconomic context.

In the last 20 years, Colombia's macroeconomic indicators have changed favorably and it has become a middle-income country like Argentina, Brazil, Mexico, Peru, and Costa Rica. The COVID-19 outbreak in March 2020 drastically changed Colombia's outlook.¹ The combined effect of the external shock and the interruption of all of the country's nonessential activities led to a contraction of 7.4% in the country's economy in the first half of 2020.² Production and the job market are expected to pick up in the second half thanks to the use of selective isolation since 1 September and better behavior of external demand. Nonetheless, projections for the main economic variables to the end of 2020 are not positive. According to Banco de la República, the economy will contract by about -8.5%, within a range of -10% to -6%. One of the situation's consequences could be increased job losses, leading to unemployment levels of between 16.5% and 19% by the close of 2020.³ Even so, the figures are subject to many sources of uncertainty, including the behavior of the infection rate and possible additional public health and fiscal measures impacting economic activity. In August 2020, the government launched [Compromiso por el Futuro de Colombia 2020-2022](#) [Commitment for Colombia's Future 2020-2022] as a roadmap for reactivating the economy after the crisis has ended.⁴

1.3 Connection between the productive structure and energy consumption.

Colombia's economy is highly dependent on natural resources, scantily diversified, and unsophisticated.⁵ The country's productive structure is chiefly based on oil and

¹ COVID-19 was declared a world pandemic on 11 March 2020. As of 12 November 2020, 1,165,326 infections and 33,312 deaths had been reported in Colombia.

² Data from the National Statistics Bureau (DANE), August 2020.

³ Banco de la República (2020). Informe de Política Monetaria [Monetary Policy Report]. Bogota.

⁴ The plan calls for a US\$30 billion investment to create one million jobs and consists of four pillars: (i) job creation; (ii) clean and sustainable growth; (iii) support for the poorest and most vulnerable; and (iv) support for rural areas and peace with legality.

⁵ Organisation for Economic Co-operation and Development (2019). Production Transformation Policy Review of Colombia: Unleashing Productivity, Paris.

coal extraction for export.⁶ Owing to the heavy weight of the extractive industry in the country's foreign trade balance, its economic activity is closely linked to demand for electricity. As a consequence of COVID-19, energy demand fell by -10.6% in April 2020 compared to its value in the previous year, but there are signs of a gradual recovery. Final energy consumption in 2019 was 32,141 kilotons of oil equivalent (ktep) according to the Mining and Energy Planning Unit.⁷ The main consumer of primary energy in Colombia is the transportation sector, with a 36% share, industry with 28% of all energy, followed by the residential sector (20%), and the services sector (6%). Other sectors consume the remaining 10%.⁸ Fossil fuels are used primarily in the transportation sector (99.3%);⁹ moreover, industry makes the highest use of natural gas and coal, which together account for 63% of total primary energy consumption. Energy prices in Colombia are considered high in comparison with regional peers, and the price of electricity remains on a continuous upward trend, reaching a level of close to US\$16 per kWh.¹⁰ This trend is due to the periodic decline in hydroelectric power production, and the prices of natural gas sold in the northern region and the interior of the country that project increases of over 40% by 2030.¹¹ All these figures are important since they point to the high dependence of the productive plant on energy consumption, above all considering that energy costs represent between 2% and 7%¹² of the total production costs of an average company in the sector.¹³

- 1.4 **Institutional and strategic framework for energy use.** Colombia has a Plan Energético Nacional [National energy plan]¹⁴ and a Plan de Acción Indicativo de Eficiencia Energética [Indicative action plan for energy efficiency] (PAI PROURE).¹⁵ The efficient use of energy and promotion of alternative sources is considered strategic and fundamental for the development of all commercial and industrial activities and for household well-being, since energy efficiency is a mechanism for assuring energy supply based principally on the adoption of new technologies and good consumption habits. The indicative savings targets for 2017-2022 in the PAI PROURE estimate potential energy savings of 9.05% of total current consumption. This percentage would represent saving of 699,678 terajoules¹⁶ in the event various energy efficiency measures are implemented in different economic sectors.
- 1.5 In terms of legislation, the country has made progress in promoting rational energy use and energy efficiency through the prohibition of incandescent bulbs (Decree

⁶ According to DANE, mineral fuels and oils accounted for 58% of the total export basket in June 2019.

⁷ UPME (2019). [Balance Energético de Colombia](#) [Colombia's energy balance].

⁸ International Energy Agency (IEA), 2020. IEA data.

⁹ UMPE (2015). Plan Energético Nacional Colombia: Ideario Energético 2050 [National energy plan].

¹⁰ Brazil posts a price of US\$12 per kWh, and Ecuador has a rate of US\$10 per kWh, for example.

¹¹ Plan de Acción Indicativo de Eficiencia Energética [Indicative action plan for energy efficiency] (PAI PROURE) 2017-2022.

¹² The definition established in [Decree 957 of 2019](#) was used to determine energy consumption by size of company, which is classified on the basis of annual company earnings.

¹³ DANE (2017). Encuesta Anual Manufacturera [Annual manufacturing survey].

¹⁴ UPME (2015). Plan Energético Nacional: Ideario Energético 2050 [National energy plan].

¹⁵ UPME (2016). Plan de Acción Indicativo de Eficiencia Energética PAI PROURE 2017-2022.

¹⁶ Unit of measure of energy, work, and heat.

3450 of 12 September 2008), compulsory energy efficiency labeling on equipment (Resolution 41021 of 18 September 2015), and the entry into force of Law 1715 of 2014 which established tax and tariff incentives for equipment, machinery, and services that are energy efficient or that use unconventional energy sources. Between the time the law took effect and 31 May 2019, the UPME has processed 613 projects that applied for the tax benefit, 425 of which were approved, which mainly involved companies in the tertiary sector.¹⁷ The tax benefits were also applied in 2020 to rational energy management projects, under UPME Resolution 196.

- 1.6 Colombia's commitment on mitigation under the Paris Agreement is to reduce GHG emissions by 20% by 2030.¹⁸ Of the 240 million tons of CO₂ emitted by the country, 130 million are from agriculture, 70 million from the energy sector,¹⁹ and the remainder is divided between waste and industrial processes. The ground, river, and air transportation sector for domestic travel contributes 38% of the country's total emissions.²⁰ Colombian industry consumes about 30% of all primary energy and is responsible for 11% of total emissions. This sector has the highest growth rate of emissions, since total CO₂ emissions have doubled over the last 20 years.²¹ According to the Estrategia Nacional de Financiación del Cambio Climático [National climate change financing strategy], the investments required in the 2017-2030 period to mitigate climate change are US\$1.47 billion a year, with 14% of the total in the industrial sector. In addition, in the post-COVID-19 economic reactivation plan (Commitment for Colombia's Future 2020-2022) (paragraph 1.2) energy transition is a key part of the clean and sustainable growth pillar.
- 1.7 **Small and medium-sized enterprises (SMEs) and investments in clean technologies.** Colombia has a business fabric that is dense but concentrated in smaller companies that, at the same time, are less productive—92% of the country's 1.3 million active businesses are microenterprises, with the remaining 8% comprised of 99,000 SMEs and 7,000 large companies.²² The productivity of the microenterprises lags particularly far behind. In 2015, their productivity was 16% of the figure reported by the large companies. For SMEs, the figures were 43% and 51% respectively.²³ The COVID-19 crisis is hitting local businesses hard. Surveys indicate that 96% of companies are seeing a reduction in sales, 70% are

¹⁷ UPME (2019). Informe Mensual – Solicitud de certificación de proyectos de Fuentes No Convencionales de Energía [Monthly report – Request for certification of projects involving unconventional energy sources].

¹⁸ The target of 20% has been established mainly on account of its economic cost-benefit. The measures are aimed at modernizing and transforming the economy with none of them costing more than US\$20 per ton of CO₂.

¹⁹ PAI PROURE 2017-2022 defines strategic and sectoral actions for attaining the energy efficiency targets in a way that contributes to energy security and compliance with international environmental commitments. The plan estimates that through the use of energy efficiency, savings in electricity consumption on the order of 699,678 terajoules can be obtained in 2017-2022 and establishes indicative targets for savings in the transportation, industrial, tertiary, and residential sectors.

²⁰ Institute of Hydrology, Meteorology, and Environmental Studies (2016). Proyecto Informe Bienal de Actualización [Biennial project update report].

²¹ UMPE (2015). Plan Energético Nacional Colombia: Ideario Energético 2050 [National energy plan].

²² Confecámaras (2016). Nacimiento y Supervivencia de las Empresas en Colombia [Birth and survival of companies in Colombia]. Cuadernos de Análisis Económico.

²³ OECD/UN/UNIDO (2019). Production Transformation Policy Review of Colombia: Unleashing Productivity, OECD Development Pathways. OECD Publishing.

operating at partial capacity, and 12% are cutting back on personnel.²⁴ As for new companies, 26.3% fewer were established between January and June 2020 than in the same period in 2019, with microenterprises being the hardest hit.²⁵

- 1.8 Prior to the crisis, Colombian business owners were predisposed to invest in clean technologies. In 2017, 66.2% of them said that their business had been affected by climate phenomena. That is why more than 80% of companies took factors such as environmental impact (84.8%), access to and efficient use of water (81.5%), and access to and efficient use of energy (80.8%) into account in their business planning and development strategies.²⁶ In the most complicated period of the COVID-19 crisis, business owners prioritized the allocation of resources to working capital (wages and rent, for example) ahead of investments in equipment or machinery. However, in the economic recovery period, investments in fixed assets and clean technologies represent a relevant opportunity since, in addition to having a positive impact on reducing GHG emissions, they offer clear potential for savings by optimizing resources, as well as generating a return and market competitiveness, and conferring greater business prestige.²⁷
- 1.9 Historical data indicate that SMEs consume approximately 56% and 53% of the energy used by the country's business sector. With regard to energy efficiency, the International Energy Agency's analysis concludes that investments of this kind have multiple benefits for SMEs,²⁸ but gaps in financing for SMEs stand in the way of larger investments. Estimates for potential energy savings in the commercial and industrial sectors if SMEs were to use efficient equipment, i.e. if they operated with cutting-edge technology, would be 11,543 terajoules a year. Potential savings take into account distribution by typical energy use in each economic sector, prioritizing interventions based on needs and specific type of company. The most interesting opportunities were identified in financing air conditioning, motors, lighting, refrigeration, furnaces, boilers, etc.²⁹
- 1.10 **Access to long-term financing for SMEs.** Despite the benefits identified, Colombian companies encounter difficulties in accessing more modern technologies and migrating to more productive business models, largely because of their low levels of investment stemming from their limited access to credit. Some 46.3% of the country's companies still finance their investments with their own

²⁴ Confecámaras (2020). Encuesta de las Cámaras de Comercio sobre el Impacto de la COVID-19 en las empresas colombianas. Versión consolidada [Survey of chambers of commerce on the impact of COVID-19 on Colombian companies. Consolidated version].

²⁵ Confecámaras (2020). Informe de Dinámica de Creación de Empresas en Colombia [Report on the dynamics of business creation in Colombia]. January-June 2020.

²⁶ [Misión de Crecimiento Verde](#) [Green growth mission].

²⁷ McLaughlin, L. (2015). ISO 50001: Energy Management Systems – A Practical Guide for SMEs. United Nations Industrial Development Organization.

²⁸ International Energy Agency (IEA) (2015) Accelerating EE in Small and Medium-Sized Enterprises. According to this study, the benefits for SMEs are: (i) lower energy costs and therefore higher revenue and greater profitability and competitiveness; (ii) less exposure to volatility in energy prices; and (iii) a contribution to broader policy objectives, such as increased job opportunities, expansion of the market for energy-efficient goods and services, better energy security, reduced GHG emissions, and postponement of investments in additional energy generation.

²⁹ CORPOEMA (2019). Financiamiento de Eficiencia Energética en las PYME [Financing energy efficiency in SMEs]. IDB.

capital.³⁰ The situation is more critical for SMEs, since they account for just 27% of the total bank business portfolio, lagging behind international benchmarks such as the OECD countries,³¹ and historically fewer than 41% of SMEs apply for loans from a credit institution.³² The International Finance Corporation estimates that the financing gap of Colombian SMEs is US\$38.6 billion.³³

- 1.11 The gap also has a significant gender connotation in Colombia. Data indicate that: (i) 58.1% of businesses headed by women take out bank financing, compared to 63.4% of businesses headed by men; and (ii) the refusal rate for loan applications by women is 7.3%, which is higher than the figure of 5.3% for businesses headed by men.³⁴ As the international literature³⁵ and specific studies for Colombia³⁶ suggest, these gaps respond to fewer loan applications made by female entrepreneurs since they anticipate more stringent requirements and more refusals. For example, in Colombia, the collateral required for a loan was 191.4% for businesses headed by women, compared to 159.7% for men.³⁷ On the supply side, Bancóldex recently began an analysis of gaps in its portfolio of second-tier lines by the gender of entrepreneurs with loans from a credit institution. The general results show that although 54% of all loans went to female entrepreneurs, they received just 26% of total disbursements.³⁸ Lastly, the preliminary analysis of loans to SMEs that invest in clean technologies linked to energy efficiency estimates that just 9% of the total portfolio goes to enterprises headed by women.³⁹
- 1.12 Throughout the entire financial system, the provision of long-term loans for SMEs faces an underlying problem in the structure of liabilities, in addition to the need to overcome the recurrent obstacles of information asymmetries or the limited types of guarantees accepted. About 81% of liabilities in Colombian banks have terms of less than 18 months, which means that long-term financing entails disincentives owing to liquidity mismatches.⁴⁰ This has a direct impact on the size of the portfolio that finances investments with environmental impact, such as investments in clean technologies which normally require medium- and long-term repayment periods. Although no recent data are available, the Asociación Bancaria y de Entidades Financieras de Colombia [Association of Colombian Banks and Financial Institutions] (ASOBANCARIA) reported that at the close of 2017, the loan portfolio for energy efficiency, renewable energy, cleaner production, and sustainable construction, etc., was US\$533 million, with the figure representing just 0.4% of

³⁰ World Bank (2018). Colombia Enterprise Survey 2017.

³¹ Average loans to SMEs out of the business portfolios of the OECD countries is 37.9%. See OECD (2020), Financing SME and Entrepreneurs 2020. An OECD Scorecard.

³² Asociación Nacional de Instituciones Financieras (2019): Gran Encuesta PYME 2019 [National Association of Financial Institutions: Large-scale SME survey, 2019].

³³ MSME FINANCE GAP of 2017.

³⁴ World Bank (2018). op. cit.

³⁵ More et al. (2017) Does a manager's gender matter when accessing credit? Journal of Banking & Finance. 80(C): 119-134.

³⁶ Zuleta, L. A. (2019): La Inclusión Financiera de las PYME en Colombia [Financial inclusion of SMEs in Colombia]. Revista Actualidad PYME.

³⁷ World Bank (2018). op. cit.

³⁸ Gutierrez, M. A. (2020). Diagnóstico de Brechas de Género en el Sistema de Financiamiento de Bancóldex [Analysis of gender gaps in Bancóldex's financing system].

³⁹ Preliminary data. The analysis is expected to be completed toward the end of 2020.

⁴⁰ Calculations based on the financial statements published by the Financial Superintendency of Colombia.

the total loan portfolio. Lastly, the financial system faces challenges imposed by COVID-19, given the increases in risk and financial vulnerability. Nonetheless, the credit institutions are responding effectively, since up to May 2020, more than 10 million borrowers benefited from alleviation measures,⁴¹ and the institutions provided US\$12.2 billion in new loans.⁴²

1.13 **Other energy efficiency financing challenges.** The financial system's first-tier credit institutions have confirmed their interest in climate financing and for energy efficiency in companies and SMEs during the economic recovery, but they are also aware of different obstacles, particularly:

- a. **The importance of establishing a business line in the credit institutions.** Credit institutions need to understand the importance of designing lines of credit to finance energy efficiency projects with conditions that are different from traditional investment financing: (i) competitive interest rates with exclusive benefits; (ii) terms consistent with the return period and cash flows generated by the investment; and (iii) grace periods that permit entrepreneurs to begin repaying their loans once the solution has been installed and is operating, etc.
- b. **Specialized knowledge in the credit institutions.** Credit institutions have few employees who are knowledgeable about environmental impact or energy efficiency and the financial and nonfinancial tools needed to support execution of projects of this kind. This knowledge is necessary to evaluate the projects presented by SMEs and to provide guidance on the best financial offer available.
- c. **Creation and use of nonfinancial tools.** The risks of investing in clean technologies are still perceived to be high for credit institutions, SMEs, and technology and equipment suppliers. Although the market has some tools for measuring energy savings, validating and verifying the installation of equipment, and providing financial coverage in the event the expected results are not attained,⁴³ there is still room to develop more tools to spur investments of this kind.
- d. **Prioritization of SME investments.** Since energy efficiency projects normally require the investment of relatively large sums in fixed assets, SMEs commonly prioritize other types of investments directly related to their business models. This behavior can be partly explained by ignorance of the positive impacts in financial, productive, reputational, and competitive terms associated with an investment to improve performance in the use of energy resources. Moreover, SMEs may prioritize the use of working capital resources instead of fixed assets in the context of a post COVID-19 recovery.

1.14 **Bancóldex** is the public bank that provides business financing in Colombia, including for the micro, small and medium-sized enterprise (MSME) segment. MSMEs have historically received 50% of Bancóldex's loan disbursements. MSMEs tap Bancóldex's long-term resources which they use to replace short-term loans in projects involving investments in fixed assets. A study of MSMEs that

⁴¹ With options such as grace periods and restructuring of existing loans.

⁴² Data from ASOBANCARIA at the end of July 2020.

⁴³ Such as those developed by the Energy Savings Insurance Program promoted by the IDB ([ATN/CF-15453-RG](#)).

obtained loans from credit institutions through Bancóldex programs, found increases of 24% in sales, 11% in employment, 70% in investments, and 10% in productivity over a four-year observation period.⁴⁴

- 1.15 In recent years, Bancóldex satisfactorily piloted business lines to increase SME investments in projects to promote energy efficiency and mitigate climate change, such as: (i) competitive SMEs and scaling up of production; (ii) green microfinance; and (iii) sustainable development and energy efficiency. In 2016, with ASOBANCARIA, it developed a program to create financing arrangements that could tap sustainable business and innovation opportunities. These projects have generated changes in financial flows in the order of 1.2% and 1.6% of all industrial investments financed by Bancóldex. Lastly, Bancóldex is leading Colombia's [Green Protocol](#), a financial sector platform for dialogue and consensus on sustainability.⁴⁵
- 1.16 **Rationale.** The barriers to investments in energy efficiency projects require an intervention to promote potential demand (paragraph 1.9) using a combination of the following elements:
- a. **First, the proposed loan operation is based on the identification of unmet demand by SMEs**, which also needs to be promoted to get them to decide to make investments in energy efficiency, particularly in a post COVID-19 economic recovery where investments in fixed assets would have to be prioritized over the working capital requirements of SMEs. The program will also help to meet the country's commitments to green growth and reducing CO₂ emissions.
 - b. **Second, the proposed loan operation will provide Bancóldex with medium- and long-term concessional resources** from the Clean Technology Fund (CTF) which, combined with the Bancóldex counterpart, will help to expand the supply of financing that is attractive in terms of interest rates and repayment periods for investments in energy-efficient technology projects presented by creditworthy Colombian companies through first-tier credit institutions.
 - c. **Third, the operation will be accompanied by incentive mechanisms created under technical cooperation projects [ATN/TC-18231-CO](#) and [ATN/TC-18232-CO](#)**, which were recently approved and complementary to the proposed loan. The technical cooperation projects will include reward mechanisms for the financial terms of subloans secured by SMEs, develop tools to ensure energy savings,⁴⁶ and provide partial guarantees for investments in energy efficiency, etc. (paragraph 1.19). These activities are expected to help SMEs better manage the risks of investments in energy efficiency financed under the proposed program.

⁴⁴ Eslava, et al. (2012a). Second-tier government banks and firm performance: micro-evidence from Colombia; and Eslava, et al. (2012b). Restricciones de crédito y desempeño empresarial: evidencia de un programa de crédito público en Colombia [Credit restrictions and business development: Evidence from a public credit program in Colombia].

⁴⁵ The [Green Protocol](#) is an initiative led by ASOBANCARIA, with support from the national government.

⁴⁶ The experience of the Energy Savings Insurance Program ([ATN/CF-15453-RG](#)) that benefits Bancóldex will be drawn on for this activity.

- d. **Fourth, the proposed operation is based on evidence of the effectiveness of Bancóldex interventions** in medium- and long-term financing for SMEs to acquire fixed assets, and for investments in energy efficient equipment.⁴⁷ In addition, international evidence on investments in energy efficiency by SMEs supports the applicability of the program.⁴⁸
- 1.17 **Sector experience and lessons learned.**⁴⁹ With funds administered by the CTF, Bancóldex developed pilot programs for financing energy efficiency in hotels and clinics ([2983/TC-CO](#) for US\$10 million; 2013) and for financing renewable energy in areas not connected to the grid ([3661/TC-CO](#) for US\$9.265 million; 2016). The most important lessons learned from these programs include: (i) a pilot project in a single economic sector can limit the scope of a program and therefore the intervention should be flexible enough to include all sectors; (ii) the size of the subloans approved for the final beneficiary should also include the costs of installing and starting up the equipment; (iii) the credit institutions and Bancóldex itself must have knowledgeable staff that can explain the financial and nonfinancial benefits of subloans of this kind; and (iv) close support for Bancóldex with technical assistance resources is important for creating and offering market incentives. The execution of [2983/TC-CO](#) was strengthened through technical cooperation funding, in particular for the Energy Savings Insurance Program ([ATN/CF-15453-RG](#)), which helped to build capacity in Bancóldex, and implementation of a plan to ensure energy savings to support the energy efficiency loans.
- 1.18 **Complementarity with other IDB Group interventions.** The proposed operation will complement operation [4939/OC-CO](#), which is the first program under CCLIP CO-O0004, since Component 2 will facilitate SME investments in energy efficiency projects. Bancóldex will blend the Ordinary Capital funds from that component with the CFT funds administered by the IDB under the proposed program to increase the supply of financing under better interest rates and terms than are offered by the market (paragraph 1.23). Operation 4939/OC-CO has performed satisfactorily, as described in paragraph 4.2.c, for reasons including the fact that the disbursement in the first six months of execution was 30% higher than the originally proposed target for the first year. The program will also complement operation [3661/TC-CO](#) executed by Bancóldex to finance renewable energy projects in parts of Colombia not connected to the grid, which helps to strengthen Bancóldex's position as a supplier of green financing in the country. Operation 3661/TC-CO is 99% executed as of the third quarter of 2020. Both 4939/OC-CO and 3661/TC-CO are loans that demonstrate Bancóldex's experience executing IDB programs (paragraph 3.1).
- 1.19 **Technical cooperation.** As mentioned above (paragraph 1.16.c), the program will be supported by a technical cooperation operation during execution. The technical cooperation operation has resources distributed under operations [ATN/TC-18231-CO](#) and [ATN/TC-18232-CO](#), which will be used to: (i) identify and monitor a portfolio of energy efficiency projects; (ii) implement reward mechanisms to improve the financial terms of the subloans to SMEs; (iii) design and implement

⁴⁷ Eslava, et al. (2012a) and Eslava, et al. (2012b), op cit.

⁴⁸ International Energy Agency (IEA) (2015), op cit.

⁴⁹ Section IV of the Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-7) contains regional lessons learned by the Bank in this sector.

financial incentives, such as energy savings insurance and partial loan guarantees; (iv) create a toolbox for structuring the projects of SMEs interested in investing in energy efficiency; and (v) conduct studies and research for dialogue with and awareness raising among groups interested in the energy efficiency market in Colombia, etc. This technical cooperation operation will also set aside funds to strengthen Bancóldex's environmental and social management system (paragraph 3.2).

1.20 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenge of Productivity and Innovation since it will facilitate access to financing for the country's SMEs. It is also consistent with the crosscutting theme of Climate Change, since 100% of the operation's funds will be invested in activities to mitigate climate change, according to the [Joint methodology of the Multilateral Development Banks for estimating climate finance](#). These resources will contribute to the IDB Group's target of increasing financing for climate change-related projects to 30% of all approvals by the end of 2020. The program is also aligned with the crosscutting theme of Gender Equality and Diversity, since it will contribute to increased participation by SMEs headed by women in Bancóldex's energy efficiency portfolio (paragraph 1.21). The program will contribute to the Corporate Results Framework (CRF) 2020-2023 (document GN-2727-12) through the indicators: (i) MSMEs financed; (ii) emissions avoided (annual tons of CO₂ equivalent); and (iii) women beneficiaries of economic empowerment initiatives. The program is also consistent with the Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-7), under the pillar of improving the efficiency and scope of banking credit intermediation to the productive sector. Along this same line, the program is consistent with the Climate Change Sector Framework Document (document GN-2835-8). It is aligned with the Country Strategy with Colombia 2019-2022 (document GN-2972) since it contributes to the objective of promoting innovation and business and agricultural development and the crosscutting theme of climate change. Lastly, the operation is included in the Update of Annex III of the 2020 Operational Program Report (document GN-2991-3).

1.21 **Additional gender considerations.** The program includes specific actions and measures to address the problem of the gaps encountered by female entrepreneurs (paragraph 1.11).

a. **Data collection and monitoring.** Bancóldex is receiving support through operations [ATN/OC-17727-CO](#) and [ATN/OC-17811-RG](#) to review the definitions of female entrepreneurs used institutionally in order to improve the measurement of financing gaps by gender. This pioneering work began in 2020 and will continue during execution of the proposed program. It includes recommendations for the collection of complementary data and strategies to monitor the identified gaps.

b. **Pipeline identification and incentives.** Activities will be undertaken in operations [ATN/TC-18231-CO](#) and [ATN/TC-18232-CO](#) (paragraph 1.19) to: (i) identify a pipeline of energy efficiency projects for women's SMEs that can be financed by credit institutions that have financing quotas with Bancóldex; and (ii) pilot a reward mechanism for improving the interest rates on subloans to women's SMEs that comply with eligibility criteria

defined by Bancóldex and approved by the Bank. The methodology for applying this mechanism will be spelled out in a special annex to the program's [Credit Regulations](#).⁵⁰ The proactive identification of a pipeline of projects for women's SMEs that can be financed by the credit institutions, as well as the special interest rate for this segment, are actions intended to increase participation by women's SMEs in Bancóldex's energy efficiency portfolio from 9% to at least 17% (pro-gender indicator in Annex II – Results Matrix).

B. Objectives, components, and cost

- 1.22 **Objectives.** The general objective of the second program under the CCLIP is to help improve the productivity of SMEs through financing channeled by Bancóldex. The specific objective is to promote a reduction in GHG emissions by scaling up financing for SME investments in energy efficiency projects.
- 1.23 **Sole component: Energy efficiency (US\$16 million).** The program will be developed through a single component for medium- and long-term financing that will apply the second-tier rediscount mechanism to channel US\$16 million to Bancóldex's first-tier client credit institutions which, in turn, will finance energy efficiency projects presented by eligible SMEs. The subprojects to be financed will comply with the minimum conditions established in the program's [Credit Regulations](#), which include a definition of SMEs,⁵¹ the types of energy efficiency projects to be financed,⁵² the caps on the size of subloans and portfolio concentration,⁵³ guidelines for validating and reporting energy savings, guidelines for increasing participation by women's SMEs in the disbursements of Bancóldex's energy efficiency portfolio (paragraph 1.21), and the provisions established in the socioenvironmental management plan. This component is fully complementary to Component 2 of 4939/OC-CO, the first program under CCLIP CO-O0004, since it pursues the same objective of scaling up the financing market for energy efficiency in Colombia's SME segment. The proposed program's concessional resources will be blended with those of Component 2 of 4939/OC-CO so that Bancóldex can offer more competitive loans to the credit institutions.
- 1.24 **Eligible beneficiaries.** The beneficiaries will be SMEs from all sectors of the economy that require access to medium- and long-term credit for energy efficiency investments. Preliminary estimates place the number of program beneficiaries at 197 SMEs.
- 1.25 **Eligible credit institutions.** Credit institutions with credit quotas in Bancóldex, based on the eligibility evaluation system established in the institution's credit policies approved by its Board of Directors, will be eligible to receive program funds. In addition to considering solvency criteria for the credit institutions,

⁵⁰ The methodology appears as Annex 5 of the program's [Credit Regulations](#).

⁵¹ The definition of SMEs will follow current local legislation and rules. At the time the program was prepared, they were set out in [Decree 957 of 5 June 2019](#).

⁵² Projects for investments in air conditioning, electric motors, LED lighting, refrigeration, furnaces, boilers, solar panels, etc., will be considered.

⁵³ The maximum has been established preliminarily as US\$1.5 million.

Bancóldex's eligibility evaluation system also evaluates the performance of their assets, liquidity, management, and governance, etc.⁵⁴

C. Key results indicators

- 1.26 **Expected results.** The program's impact will be the rate of growth in sales per employee of the SMEs benefiting from subloans under the program. The outcomes will be: (i) total tons of CO₂ avoided thanks to the investments financed by the program; (ii) total energy savings through the investments financed by the program; (iii) total amount provided under Bancóldex's relevant loan portfolio for SME energy efficiency projects; (iv) average term of Bancóldex's relevant loan portfolio for SME energy efficiency projects; (v) ratio of the default rate in the SME portfolio of participating credit institutions to the default rate of business loans in the financial system; and (vi) participation by SMEs headed by women in Bancóldex's portfolio of energy efficiency loans to SMEs (see Annex II).
- 1.27 **Economic analysis.** The [project economic analysis](#) estimates the program's benefits through projected flows of energy savings obtained as a result of the investments financed and the estimated economic value of CO₂ emissions avoided thanks to them. Subtracting the costs associated with those investments and discounting future flows at a rate of 12%, the result is a net present value (NPV) of US\$2.03 million and an internal rate of return (IRR) of 16%. A sensitivity analysis was also performed which shows that the program is robust in scenarios with extreme changes in key parameters, such as efficiency, investment costs, carbon pricing, etc.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Origin of the funds.** The second operation proposed under CCLIP CO-O0004 will consist of a global credit loan to Bancóldex for up to US\$8 million from the CTF resources administered by the IDB, with a counterpart of US\$8 million from Bancóldex.
- 2.2 **Disbursement plan.** Preliminary estimates indicate that the program will be disbursed in four years as of the effective date of the loan contract. At the end of the disbursement period, the funds provided by the IDB will be in a 1:1 ratio with the Bancóldex counterpart.⁵⁵

Table 1. Program cost and preliminary disbursement estimate (US\$ millions and %)

	Year 1	Year 2	Year 3	Year 4	Total
Sole component: Energy efficiency	2	3	5	6	16
CTF resources administered by the IDB	2	2	2	2	8
Bancóldex counterpart	0	1	3	4	8
Cumulative US\$	2	5	10	16	
Cumulative %	13%	31%	63%	100%	

⁵⁴ If needed, the [Credit Regulations](#) will include supplementary information on program eligibility criteria.

⁵⁵ The preliminary disbursement schedule was defined in coordination with Bancóldex on the basis of technical criteria such as annual growth targets, operating capacity, and market potential. Sensitivity in the financial market to the impact of COVID-19 was also taken into account.

B. Environmental and social risks

- 2.3 Under the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), Directive B.13, this operation cannot be classified on an ex ante basis because it is a financial intermediation program. Due environmental and social diligence was performed in accordance with Directive B.13, analyzing the potential socioenvironmental risks and impacts of the eligible subloans and Bancóldex's capacity as executing agency to manage them. The results of the due diligence determined that the program poses a moderate financial intermediation risk, considering the magnitude of the potential socioenvironmental risks and impact of the investment projects for energy efficiency in companies that are mainly SMEs. No projects that fall into Categories A or B under the IDB's classification will be eligible for program financing. The program will use an environmental and social management system similar in design to the ones used in previous programs with Bancóldex. The socioenvironmental requirements set out in this document will be included in the program's [Credit Regulations](#). For more details, see the [Environmental and Social Management Report](#) (ESMR).

C. Other key issues and risks

- 2.4 **Economic and financial.** There are two risks in this category: (i) a moderately high risk that demand for investments in energy efficiency projects will be slack in the context of a post COVID-19 recovery, in which SMEs will not prioritize investments in fixed assets over their working capital requirements. One mitigating action will be to use the funds from ATN/TC-18231-CO and ATN/TC-18232-CO (paragraph 1.19), which will support program execution, to create incentives that can spur company demand by enumerating the economic benefits of adopting energy-efficient equipment and by the certainty of obtaining energy savings that can be monetized to cover the loan for those investments. These technical cooperation projects also include the development of tools that will help the SMEs manage and mitigate the risks of adopting new equipment. (ii) A moderately high risk that the lack of expertise in the credit institutions in the areas of energy efficiency financing and evaluation of projects presented by SMEs will slow program execution. One mitigating action will be Bancóldex's dedicated and dynamic work with the credit institutions to transfer the knowledge of this line of business it has garnered through earlier experiences. Technical cooperation projects ATN/TC-18231-CO and ATN/TC-18232-CO also include activities to build capacity in this regard in the credit institutions (paragraph 1.19).
- 2.5 **Program sustainability.** This program represents a scaling up of 2983/TC-CO (paragraph 1.17) and Component 2 of 4939/OC-CO (paragraph 1.18), which demonstrates that Bancóldex can undertake initiatives with a vision of long-term sustainability and complementarity.⁵⁶ Specifically, Bancóldex will apply two strategies to ensure sustainability: (i) Bancóldex will offer a rediscounted line to enable the credit institutions to offer SMEs attractive subloans in terms of interest rates and repayment periods, but with a sufficient margin to cover costs and generate profits. The funds recovered will be used for additional energy efficiency subloans to SMEs after the program ends. (ii) Bancóldex will interact intensively with the credit institutions so they can gain experience in financing projects of this kind

⁵⁶ Mention can also be made of program 3661/TC-CO in execution, whose purpose is to consolidate its regular supply of financing for renewable energy projects.

and in managing the inherent risks better, which in the medium- and long-terms will influence their awareness and appetite for remaining in this market.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower, executing agency, and guarantor.** Bancóldex will be the borrower and executing agency of the loan, with a sovereign guarantee from the Republic of Colombia. Bancóldex is a public-private corporation organized as a bank credit institution, with links to the Ministry of Trade, Industry, and Tourism and subject to inspection and supervision by the Financial Superintendency of Colombia. Its purpose is to finance, principally but not exclusively, activities related to exports and national industry, acting in that field from the first and second-tiers as a discount or rediscount bank, rather than a direct intermediary. Bancóldex has had experience in executing programs with IDB funds since 2008, through four programs under the CCLIP CO-X1007 (2080/OC-CO for US\$100 million, 2193/OC-CO for US\$200 million, 2949/OC-CO for US\$200 million, and 4439/OC-CO for US\$90.7 million), in addition to 2983/TC-CO for US\$10 million and 3003/TC-CO for US\$40 million which are now closed, and 3661/TC-CO for US\$9.265 million which is in the final disbursement phase. At the end of 2019, the IDB approved CCLIP CO-O0004 for US\$600 million with a first program, 4939/OC-CO, for US\$60 million which is mid-way through execution.
- 3.2 **Execution and administration.** Bancóldex's Vice Presidency for Finance will be responsible for program execution and administration, supported by the Sustainable Development and MSMEs Department and the Vice Presidencies for Commerce and Risk. Bancóldex will be responsible for all execution and administration costs. The results of the Institutional Capacity Assessment Platform (ICAP) applied in the first half of 2020 confirmed that Bancóldex maintains high execution and administration capacity, and therefore the fiduciary risks for this program are low. Opportunities for improvement were identified in the Environmental and Social Management module, specifically adjustments in Bancóldex's Environmental and Social Management System to align it with more up-to-date guidelines for international good practices. Bancóldex already has a detailed diagnostic assessment and a roadmap for strengthening the system, which will be supported through the activities of operations ATN/TC-18231-CO and ATN/TC-18232-CO (paragraph 1.19; and see the [ESMR](#)).
- 3.3 **Credit regulations.** The program's [Credit Regulations](#) will establish the terms and conditions for execution including the specific features of the subloans eligible for financing, treatment depending on the size of the subloans, socioenvironmental monitoring, limits on the use of resources, and other conditions such as environmental and social management requirements, fiduciary obligations, and monitoring and evaluation requirements. No changes may be made to the Credit Regulations without written consent from the IDB.
- 3.4 **Special contractual conditions precedent to the first disbursement of the loan.** Approval of the program's [Credit Regulations](#) by Bancóldex, with the Bank's prior no objection, which will include information on criteria and procedures for the selection of subborrowers. This condition is justified since the Credit Regulations will include detailed guidelines to be adopted in the sole

component of the program and the socioenvironmental conditions as established in Annex B of the [ESMR](#).

- 3.5 **Exceptions to Bank policies.** Approval of a partial waiver of the Bank's Policy on Guarantees Required from the Borrower (Operational Policy OP-303) is sought from the Board of Executive Directors so that the Republic of Colombia guarantees only the loan repayment obligations, including interest and fees. This request is consistent with the provisions of Decree 2681 and Article 40 of Law 80 of the Republic of Colombia and has as precedents the same waiver in loan 4939/OC-CO, the first operation under CCLIP CO-O0004, and the operations approved under CCLIP CO-X1007 (paragraph 3.1).
- 3.6 **Procurement and contracting.** Since this program will operate on demand, with a sole component to finance subloans by credit institutions, there will be no need for the procurement of works, goods, or consulting or nonconsulting services for its execution. Therefore, the proposal does not include an execution plan or a procurement plan.
- 3.7 **Disbursements.** The IDB will disburse program resources to Bancóldex under the reimbursement modality.⁵⁷ The disbursements will reimburse Bancóldex for its onlending to credit institutions that have credit quotas with Bancóldex and have presented contracts for subloans in compliance with the eligibility requirements established in the program's Credit Regulations. Disbursements will be verified on an ex post basis, subject to on-site review of the subloans made.
- 3.8 **Financial statements and audits.** The program's financial statements will be audited in accordance with the procedure agreed upon in advance with the Bank, and the cost thereof will be covered by the executing agency. Within 120 days following the close of each of the project's fiscal years during the original disbursement period, or any extensions thereof, the executing agency will submit the program's audited financial statements duly certified by an independent audit firm acceptable to the Bank.

B. Summary of arrangements for monitoring results

- 3.9 **Monitoring.** This program will follow the Bank's general procedures for monitoring and evaluating investment operations, based on the indicators in the Results Matrix agreed upon by the executing agency and the Bank, and the [Monitoring and evaluation plan](#). The program will be monitored through periodic progress monitoring reports (PMRs) prepared by the executing agency. The program monitoring costs will be covered by the executing agency with its own resources. The Bank will conduct periodic visits to support and monitor program execution.
- 3.10 **Evaluation.** The executing agency will prepare a final report to be submitted within 120 days after the last disbursement. The evaluation will assess the success in achieving the program's objectives and results based on the Results Matrix. This will provide information to enable the IDB to produce a Project Completion Report (PCR) based on its policies. The proposed evaluation method will be based on an ex post cost-benefit analysis of the program. As explained in the [Monitoring and evaluation plan](#), this methodology will make it possible to analyze the value of energy savings and the reduction in CO₂ emissions.

⁵⁷ However, all disbursement modalities in the Financial Management Guidelines (document OP-273-12) or in current IDB policies will be available to Bancóldex provided the IDB approves their use.

- 3.11 **Information.** Bancóldex will compile and keep all the information, indicators, and parameters required to prepare the PCR and any ex post evaluation that the Bank wishes to perform.

IV. ELIGIBILITY CRITERIA

- 4.1 **General eligibility criteria.** The second program under the MM-I CCLIP complies with the general criteria established in policy document GN-2246-13, Annex III, paragraph 3.5 (i), (ii), (iii) and (iv), given that:
- a. Bancóldex had its institutional capacity evaluated in the first half of 2020 using the ICAP methodology, with high scores on average, satisfactory attainment of its development objectives, and low risk levels (paragraph 3.2).
 - b. The proposed program contributes to the multisector objective of CCLIP CO-O0004 since it will promote productivity in Colombian businesses through financing channeled by Bancóldex (paragraph 1.1). This second program under the CCLIP focuses on the SME segment and on financing investments in energy efficiency projects with clear potential for saving energy costs by optimizing resources, generating profits, and higher productivity (paragraphs 1.7, 1.8, and 1.9).
 - c. The proposed program and its sole component will provide solutions for creating business productivity in climate change management, specifically energy efficiency financing as defined in CCLIP CO-O0004 (paragraph 1.1).
 - d. The area for improvement identified through the ICAP methodology and its mitigating activities have been defined (paragraph 3.2).
- 4.2 **Specific eligibility criteria for the second program.** The second program under the MM-I CCLIP complies with the specific criteria established in policy document GN-2246-13, Annex III, paragraph 3.5 (v), given that:
- a. The capacity assessment was performed in accordance with the simplified ICAP evaluation method (paragraph 3.2).
 - b. The Institutional Capacity Assessment System applied between April and May 2019 to 4939/OC-CO, the first program under CCLIP CO-O0004, confirmed that Bancóldex had sufficient capacity for financial management and administration of IDB resources, and therefore, the fiduciary risk was classified as low, and no areas for improvement or possible risks were identified.
 - c. According to the first PMR for the first half of 2020, execution of 4939/OC-CO is satisfactory. The Bank and Bancóldex signed the loan contract in June 2020 and a first disbursement for US\$25.9 million was made to Bancóldex in August 2020. Disbursement of the program during the first six-months of execution was 30% higher than the original target for the entire year. This level of performance in the complicated context imposed by the COVID-19 crisis demonstrates Bancóldex's strong execution and the high probability that loan 4939/OC-CO will achieve the development objectives, even before the end of the four years of disbursement originally estimated.
 - d. Bancóldex is ready for a second program under CCLIP CO-O0004 given that: (i) execution of the first program is satisfactory; (ii) Bancóldex justified US\$946,000 in energy efficiency subloans as part of the first disbursement of

4939/OC-CO; (iii) program 4939/OC-CO and the proposed program are fully complementary since they both promote the scaling up of financing for energy efficiency in SMEs; and (iv) this second program under the CCLIP has concessional funds approved by the CTF, which will allow for blended finance with funds from loan 4939/OC-CO to simultaneously attain the development objectives of both programs (paragraph 1.18).

Development Effectiveness Matrix		
Summary		CO-L1255
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Micro / small / medium enterprises financed (#) -Women beneficiaries of economic empowerment initiatives (#) -Emissions avoided (annual tons CO2 equivalent)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	Spur innovation and development in business and agriculture
Country Program Results Matrix	GN-2991-3	The intervention is included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution		8.1
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		1.6
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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	Yes	The activities of ATN/TC-18231-CO and ATN/TC-18232-CO, operations of a Technical Cooperation approved in September 2020, will contribute to the execution of the program, through: (i) identifying and monitoring a portfolio of energy efficiency projects; (ii) designing and implementing financial incentives such as energy savings insurance and partial credit guarantees; (iii) generating a toolbox for structuring projects for SMEs interested in investing in energy efficiency; and (iv) carrying out studies and research for dialogue and awareness among stakeholders in the energy efficiency market in Colombia, among others.

Evaluability Note: In the last two decades, Colombia has become a middle-income economy, but the pandemic caused by COVID-19 has already resulted in an economic contraction of - 7.4% of GDP during the first semester of 2020. In this context of uncertainty, the country seeks to support economic reactivation and is committed to do so in a sustainable manner. The small and medium enterprises (SMEs) in Colombia were lagging in their productivity even before the pandemic, with a level of productivity of around ~ 47% that of larger companies. Preliminary data shows that 96% of Colombian companies already face diminished sales. This program seeks to support SMEs during their economic recovery sustainably by promoting investment in energy efficiency projects. SMEs consume around 53% of the total energy consumed by companies in Colombia. National estimates show that if SMEs used more efficient equipment there could be a potential of energy saved of up to 11,543 TJ per year. Investment in clean technology tends to have long pay-back periods and thus requires longer-term financing that is available to SMEs with 81% of credit being extended at a term of at most 18 months. Moreover, 46.3% of SMEs are still limited to investing only with their own capital. To relax these barriers to SME's access-to-credit this second program under the CCLIP has a general objective of contributing to SME productivity via financing channeled through Bancolombia. The specific objective is to reduce Green House Gas Emissions (GHG) through catalyzing financing for SME investment in energy efficiency projects.

The program seeks to promote energy savings for SMEs by financing the adoption of clean technologies in more efficient motors, air conditioning, refrigeration, boilers and others. Estimated untapped demand is considerable and the program is being implemented jointly with a technical cooperation that will generate incentive mechanisms to promote demand. At the specific objective level, the savings in greenhouse gas emissions thanks to the program will be estimated; as well as the size of the relevant portfolio financed showcasing the project's countercyclical role, among others. The increase in the share of loans to women-owned SMEs in the relevant portfolio will also be measured. In this line the program promotes activities to increase their share having identified higher rejection rates in loans to women-led-SMEs due in part to more onerous terms such as higher collateral requirements. In the long term, an increase in the sales of beneficiary companies is expected. The cost benefit analysis shows the operation is efficient with an ERR of 16% and the analysis considers the benefit derived from energy saved and the reduction in greenhouse gas emissions. At closure a before-and-after evaluation methodology will be employed as well as an ex-post cost benefit analysis given that the energy consumption savings will be verified at the beneficiary level.

RESULTS MATRIX

Project objective:	The general objective of the second program under the CLIP is to help improve the productivity of small and medium-sized enterprises (SMEs) through financing channeled by Bancóldex. The specific objective is to promote a reduction in greenhouse gas (GHEG) emissions by scaling up financing for SME investments in energy efficiency projects.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Year objective expected to be attained	Target	Means of verification	Comments
General development objective: To help improve the productivity of small and medium-sized enterprises (SMEs) through financing channeled by Bancóldex						
Rate of growth in sales per employee of SMEs benefitting from subloans under the program	%	0	2030	4	Bancóldex management information system (SIG)-	It is expected that energy savings stemming from the investments financed by the program will, in the medium and long terms, lead to improvements in their average output. The target is based on earlier evaluations of similar Bancóldex programs. However, since this is a medium to long-term effect, it is not expected to materialized during the life of the project.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline	End of project (2024)	Means of verification	Comments
Specific development objective 1: To promote a reduction in greenhouse gas (GHG) emissions by scaling up financing for SME investments in energy efficiency projects					
Total tons of CO ₂ avoided as a result of the investments financed by the program.	Thousands of tons of CO ₂ emitted	0	6	SIG-Bancóldex	This indicator measures the sum of all CO ₂ emissions avoided associated with all the energy efficiency investments financed by the program. The target is the expected cumulative value of emissions avoided in all the years of execution for the beneficiaries monitored. Given the special requirements for monitoring this indicator, only projects that benefit directly from the program will be measured. It is expected that, owing to the COVID-19 context, demand in the initial years will center on solar and lighting technologies. Investments will be made in the other technologies in the remainder of the execution period. The measurements will be based on supervisory visits to the beneficiaries of the first two years of execution. This will allow time for the results of the investments to materialize.

Indicator	Unit of measure	Baseline	End of project (2024)	Means of verification	Comments
Total energy savings achieved by the investments financed by the program.	GWh	0	39.7	SIG-Bancóldex	This indicator measures the sum of energy savings associated with all the energy efficiency investments financed by the program. The target is the expected cumulative value of savings in all the years of execution for the beneficiaries monitored. Given the special requirements for monitoring this indicator, only projects that benefit directly from the program will be monitored. The measurements will be based on supervisory visits to the beneficiaries of the first two years of execution (see comments on the previous indicator).
Total amount granted from Bancóldex's relevant portfolio of loans for energy efficiency projects for SMEs.	Billions of Colombian pesos (Col\$)	243.9	243.9	SIG-Bancóldex	This indicator measures the value of the portfolio of energy efficiency projects for SMEs financed by Bancóldex with or without program funds. The baseline takes the value of the portfolio at the end of 2019 (Col\$243 billion). According to Bancóldex projections, in the absence of the program, this portfolio would shrink by about 25% by the target year (to Col\$181.6) as a consequence of the COVID-19 crisis and its impact on credit supply and demand in the financial sector and SMEs. The program's funds (equivalent to Col\$62.3 billion) would help to maintain the portfolio at its initial level rather than shrinking as a result of COVID-19, which will impact the decisions of SMEs related to long-term investments in fixed assets.
Average term of Bancóldex's relevant portfolio of loans for energy efficiency projects for SMEs.	Months	30	30	SIG-Bancóldex	This indicator measures the average term of Bancóldex's portfolio of energy efficiency loans for SMEs. Since the context in which the program will be implemented is skewed by a preference for short-term financing, it is expected that the program will help to maintain the term identified in the baseline.
Ratio of the default rate in the SME portfolio of the participating credit institutions to the default rate for business loans in the financial system.	Index	0.75	0.75	SIG-Bancóldex	The index measures the ratio between: (i) the default rate in the SME portfolio of the credit institutions participating in the program; and (ii) the default rate for business loans in the financial system (which is the best comparative portfolio that could be found, given the absence of a classification based on SMEs in Colombia's financial sector). It is expected that the index will not deteriorate, but will hold steady during program execution.
Participation of SMEs headed by women in Bancóldex's portfolio of energy efficiency loans to SMEs.	Billions of Colombian pesos	21.9	41.4	SIG-Bancóldex	Pro-gender indicator. The indicator measures participation by SMEs headed by women in the Bancóldex portfolio of energy efficiency loans to SMEs. It is estimated that approximately Col\$21.9 billion in this portfolio will go to women's SMEs (9% of Col\$243.9 billion). It is expected that program funds will lead to an increase in participation by women to the point where it is at least 17% of the baseline value of Bancóldex's relevant portfolio (17% of Col\$243.9 billion=Col\$41.4 million). The baseline value and the growth target will be confirmed with data available at the end of 2020, since Bancóldex is continuing the task of classifying credits by gender and projecting growth.

OUTPUTS

Indicator	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Sole component: Energy efficiency									
Program funds allocated to finance energy efficiency projects by SMEs.	US\$ millions	0	2	3	5	6	16	SIG-Bancóldex	This indicator measures the annual allocation of funds to finance energy efficiency projects. The end of project value is cumulative.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Colombia
Project number:	CO-L1255
Name:	Energy Efficiency and Business Financing Program (CO-L1255). Second Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) for Productive Business Financing (CO-O0004)
Executing agency and borrower:	Banco de Comercio Exterior de Colombia S.A. (Bancóldex)
Prepared by:	Mylenna Cárdenas García, Fiduciary Specialist in Financial Management, and Eugenio Hillman, Lead Fiduciary Specialist in Procurement (VPC/FMP).

I. EXECUTIVE SUMMARY

- 1.1 Bancóldex is a second-tier financial institution with legal standing, administrative autonomy, and its own funds. It is supervised by the Financial Superintendency and attached to the Ministry of Trade, Industry, and Tourism. Bancóldex has experience in the execution of IDB-financed programs and has demonstrated its capacity as an executing agency since 2008 through the following programs: loan 2080/OC-CO for US\$100 million, loan 2193/OC-CO for US\$200 million, loan 2949/OC-CO for US\$200 million, and loan 4439/OC-CO for US\$90.7 million, financed under the Conditional Credit Line for Investment Projects (CCLIP), approved in 2008 in the amount of US\$650 million (CO-X1007). This is in addition to the following operations: 2983/TC-CO for US\$10 million and 3003/TC-CO for US\$40 million, which are now closed, and operation 3661/TC-CO in the amount of US\$9.265 million, which is in the final stage of disbursement. At the end of 2019, the IDB approved a new CCLIP for US\$600 million, whose first program, 4939/OC-CO for US\$60 million is mid-way through execution. Bancóldex continues to have sufficient capacity to carry out financial management and resource administration activities for this operation. The fiduciary risk for the project is low.
- 1.2 Bancóldex is not part of the National General Budget, as it is a public-private national corporation. As a result, it is not obligated to keep its accounting records and carry out its budgetary control in the Public Financial Management System (SGFP). Bancóldex uses a reliable integrated system that runs on the AS/400 platform, with integrated accounting, treasury, portfolio, and budget modules.
- 1.3 The proposed program is the second operation under CCLIP CO-O0004, for a total of US\$16 million, of which US\$8 million will be financed with resources from the Clean Technology Fund (CTF) and US\$8 million with a local contribution. The program does not include financing from other multilateral institutions. The disbursement period will be four years.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 Bancóldex uses a reliable integrated accounting system that runs on AS/400, in which the accounting, treasury, portfolio, and budget applications are online, and receives information from the investment (Alfyn), T24, cash (Pagaduría), SISA, treasury (COBIS), PBO (balance transfer), and payroll (SRH) applications. This system is used to maintain, manage, and monitor independent accounts that make it possible to record program resources, facilitating their control and identification.
- 2.2 Bancóldex policies, procedures, and processes are well defined and published on the intranet so that they can be consulted by all employees. These procedures are part of the Bancóldex value chain comprising all the processes and subprocesses executed by the institution. This was identified during the supervision of loans that are being executed. Bancóldex also currently has ISO-9001 quality management system certification. One strength is that Bancóldex has qualified staff, functional information systems, and clear, defined procedures for carrying out all of the programmed activities. It also has technical staff with solid experience, tenure, and seniority in each area of the institution, enabling it to ensure the quality of its fiduciary and administrative processes, as well as accountability and efficiency in the performance of its duties.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 Bancóldex has experience in executing programs with resources financed by the IDB and has demonstrated its capacity as an executing agency through seven programs financed under the CCLIP approved in 2008 in the amount of US\$650 million (CO-X1007), and one operation under the CCLIP approved in 2019 for US\$600 million (CO-O0004). The institutional capacity assessment completed in June 2020 through the Institutional Capacity Assessment Platform (ICAP) tool confirmed that the institution continues to have sufficient capacity to carry out financial management and resource administration activities for this operation. The fiduciary risk is therefore low.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 **Financial management**
 - a. The IDB will disburse project resources under the reimbursement modality.¹
 - b. The exchange rate for reimbursement requests will be the rate in effect on the effective date of payment in Colombian pesos.
 - c. Audited annual financial statements will be required for the project and for the borrower.
 - d. The fiscal year of the project runs from 1 January to 31 December of each year.

¹ However, all disbursement modalities in the Financial Management Guidelines (document OP-273-12) or in current IDB policies will be available to Bancóldex provided the IDB approves their use.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 A global credit structure was adopted for procurement under this operation. In this context, credit resources would be disbursed according to the rules set out in the [Credit Regulations](#), consisting of subloans provided by private-sector first-tier credit institutions. Subborrowers will engage in procurement processes using private-sector practices. Bancóldex will not engage in procurement processes using the Bank's loan proceeds.
- 5.2 **Procurement execution.** Pursuant to paragraph 3.13 of the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) of May 2019, where procurement in loans to financial intermediaries involves funds re-lent to beneficiaries under another loan in order to finance subprojects, current private-sector procurement practices for goods and services acceptable to the Bank may be used. The principles of quality, economy, efficiency, competition, and transparency will be observed in such procurement procedures.
- 5.3 **Main procurement items.** No procurement is envisaged by Bancóldex, which operates as a second-tier bank in all cases.
- 5.4 **Procurement supervision.** Given the nature of this operation, the Bank will not be conducting procurement reviews.
- 5.5 **Records and files.** Documentation for subloans financed by the operation will be kept by first-tier credit institutions, which analyze and approve the loan applications. These institutions therefore assume all of the credit risk and will be solely responsible for monitoring the portfolio.

The area of Bancóldex in charge of maintaining project records and files will be the International Bank Office of the Vice Presidency for Finance and Administration. Official disbursement request forms listing the subloans subject to reimbursement of expenses will be used in the preparation and filing of reports for this program.

VI. FINANCIAL MANAGEMENT

- 6.1 **Programming and budget.** Bancóldex is a public-private national corporation and is therefore not part of the National General Budget, that is, it does not use funds from the government treasury to cover its expenditures. Rather, its expenditures are paid with funds derived from its own operations as a credit institution, which is why it is not obligated to carry out its budgetary control in Colombia's Public Financial Management System. The institution's budget is structured in accordance with the Strategic Action Plan, which enables a course of action to be established for business fronts for the year planned and the subsequent determination of allocations for each line (credit disbursement needs). These allocations include bonds, term deposit certificates, bonds for specific purposes, savings accounts (product launched in March 2019), and operating expenses, which are covered with internal funds, resources collected from interest payments, and principal paid by first-tier financial entities, to which loans are granted using the rediscount credit method. It is important to point out that Bancóldex has clear policies for budget preparation and monitoring that are defined in the budget

planning and management processes established in the entity's value chain and approved by senior management. Budgets are prepared using actual Bancóldex positions as of October of the immediately preceding year, and the last two months are projected jointly with the commercial department for each line; these are approved by the Board of Directors for each fiscal period. To monitor budget management, there are tools available to make business projections (COGNOS PLANNING) and to facilitate expenditure tracking (COGNOS FINANCE) and monitoring of the various credit lines and other business units (data warehouse). Budget execution is monitored by the Bancóldex executive committees and the Board of Directors, which meets monthly.

- 6.2 **Accounting and information systems.** The Bancóldex policies on accounting and financial statement preparation are in line with the Accounting and Financial Reporting Standards accepted in Colombia, which are based on the International Financial Reporting Standards. Its regulatory framework contains the Basic Accounting and Financial Circular (External Circular 100 of 1993) and the Basic Legal Circular (External Circular 029 of 2014) of the Financial Superintendency of Colombia. The accrual method of accounting in the Bancóldex multiuser accounting module will be used for the project. Transactions and their balances will be administered using the T24 core banking software solution, the standard software for managing credit transactions. The transactions related to the project will be clearly identified in the Bancóldex database and will be modified through an automatic data entry system on the Oracle Forms platform, in which automatic controls and validations agreed with the IDB will be implemented in order to select and manage the status of associated transactions. All of these tools are covered in Bancóldex operational and database management plans. Bancóldex will control this amount in Delfos (institutional information system). There is a report allowing for automatic control of transactions that support each of the disbursements received from the IDB. In light of the foregoing, control is understood to be separated from the Bancóldex portfolio accounting or transactional system. The core information for the presentation of project financial statements is extracted from the AS/400 application, but the statements are generated in Excel manually.
- 6.3 **Disbursements and cash flow.** The resources intended for the sole program component will be disbursed by the IDB to Bancóldex through the reimbursement modality.² Disbursements will be made to reimburse Bancóldex for transfers to credit institutions that have loan quotas with Bancóldex and that submitted onlending contracts in accordance with the eligibility conditions set out in the program Credit Regulations.³
- 6.4 **Internal control and internal audit.** Bancóldex has an implemented, operational Standard Internal Control Model, MECI 1000:2014, for Colombian government entities based on the COSO global standard, which is aligned and coordinated with the internal control system framework established by the Financial Superintendency of Colombia for its supervised entities. The internal control system also comprises applicable quality and risk management policies and

² However, all current IDB disbursement modalities will be available to Bancóldex provided the IDB approves their use.

³ Credit institutions include banks, financial corporations, finance companies, financial cooperatives, as well as financial NGOs, savings and/or credit unions, alternative financing platforms, accelerators, or incubators, with specialized financing units, and others that comply with the formal accreditation processes of Bancóldex.

systems subject to the supervision and control of the aforementioned control entity. Therefore, Bancóldex has methodologies and manuals for the administration of mandatory risks supervised by the Financial Superintendency of Colombia. These systems include the Credit Risk Management System (SARC), Market Risk Management System (SARM), Liquidity Risk Management System (SARL), Operational Risk Management System (SARO), and System for the Management of the Risk of Fraud, Money Laundering, and Financing of Terrorism (SARLAFT). It also has an Environmental and Social Risk Management System which describes policies, tools, and procedures for identifying and evaluating environmental and social risks in credit operations. As part of its high-level controls, Bancóldex has in place a Code of Ethics, a Code of Good Corporate Governance, a Code of Institutional Conduct. It also has an Audit Committee established pursuant to its regulations made up of three members of the Board of Directors, an established Control Policy based on principles of self-regulation, self-management, self-control, and continuous improvement, and a Quality and Operations Manual.

- 6.5 Bancóldex conducts an annual independent normative evaluation of its Internal Control System under the MECI: 2014 Model administered by the Civil Service Department. Efforts to strengthen Bancóldex include the commitment to the continuous improvement of internal control, which is reflective of the responsibility for strategic plans and guidelines on internal control proposed by the National Government where their components, control environment, risk assessment, control activities, information, communication, and monitoring are evaluated, supplemented by risk management systems implemented at the request of the Financial Superintendency. Areas with opportunities for improvement are part of time-bound action plans, monitored by the Office of the Comptroller, Audit Committee, and External Audit Office. An annual evaluation of the Internal Accounting Control System is also carried out pursuant to the methodology of the Colombian National Accounting Office, whose assessed normative elements correspond to the existence and effectiveness of controls applicable to accounting policies, accounting process stages, accountability and reporting to interested parties, and accounting risk management. Under this methodology, the resulting independent rating for the Bancóldex Internal Control System, 2017 version, is 1.34 out of 3.0,⁴ in accordance with the Internal Control Quality and Efficiency Evaluation Matrix included in the Audit Guide of the Comptroller General of the Republic. The controls evaluated and those for which improvement opportunities were identified are part of the defined action plans, monitored by the Internal Control Office, Audit Committee, and External Audit Office. Management of the institution is aligned with periodic monitoring through established plans, targets, budgets, and projects and is consistent with the government environment and policies, in addition to providing reliability in resource management and the achievement of objectives and targets set by Bancóldex Corporate Governance.

⁴ In accordance with the Internal Control Quality and Efficiency Evaluation Matrix in the Audit Guide of the Comptroller General of the Republic, in the following ranges:

- From 1 to <1.5 = "efficient."
- From ≥ 1.5 to <2 = "with deficiencies."
- From ≥ 2 to 3 = "inefficient."

- 6.6 Every year, the Bancóldex Board of Directors, through its Audit Committee, presents the Internal Control System Evaluation Management Report to the General Shareholders' Meeting, fulfilling the legal requirement established by the Financial Superintendency of Colombia in Part I, Title I, Chapter IV "Internal Control," of the Basic Legal Circular (External Circular 029 of 2014). The institution has "Guidelines on Credit and Technical Assistance Programs with Multilateral and Cooperation Agencies," which describe the general activities carried out as part of credit and technical assistance programs signed by Bancóldex with multilateral and cooperation agencies as a funding and/or financing strategy, in accordance with the institution's strategic framework, offered through the rediscount credit line to first-tier financial institutions and the customer segments served.
- 6.7 Bancóldex has an Internal Comptroller's Office that performs the independent functions of an internal control office, reporting functionally to the Audit Committee and the Board of Directors and administratively to the Office of the President of Bancóldex. The Comptroller's Office also carries out the independent assessment of Bancóldex, fulfilling the audit function. It currently holds a quality certification from The Institute of Internal Auditors, meaning that it applies the IIA Global® standards in carrying out its assurance or consultation work. It also has an Audit Charter, an Audit Manual, and a Risk-Based Annual Audit Plan, instruments approved by the Audit Committee and the Bancóldex Board of Directors.
- 6.8 **External control and reports.** Resource execution and the eligibility of program expenditures will be audited annually by an independent audit firm hired by Bancóldex and acceptable to the Bank. The program auditor may be the same firm performing the statutory audit function and auditing Bancóldex financial statements and other ongoing projects, which would optimize costs and provide a comprehensive view of control over the executing agency and program administration. The auditor will submit a report on the eligibility of project expenditures, will verify the existence of promissory notes endorsed to Bancóldex and whether resources are being channeled through private-sector first-tier credit institutions to the final beneficiaries in accordance with the conditions stipulated in the program Credit Regulations, and will conduct inspection visits of both private-sector first-tier credit institutions and final beneficiaries. Audit services will be financed with Bancóldex resources. Audited financial statements for the project will be sent to the IDB within 120 days after the closing of the project's fiscal year, throughout the original disbursement period or its extensions, in accordance with the terms of reference and procedures previously agreed with the Bank.
- 6.9 The IDB will request audited financial statements from the borrower as well as additional financial information relating thereto during the project execution period, until all project resources have been disbursed. These will be sent to the IDB within 120 days after the closing of the Bancóldex fiscal year, beginning with the year in which project execution is initiated and throughout the original disbursement period and its extensions.
- 6.10 **Financial supervision plan.** The financial specialist will, at a minimum, conduct an on-site review every year and desk reviews of the audited annual and final financial statements. The auditor will verify the existence of promissory notes endorsed to Bancóldex and whether resources are being channeled through private-sector first-tier credit institutions to the final beneficiaries in accordance with the conditions stipulated in the program Credit Regulations, and will conduct

inspection visits of both first-tier credit institutions and final beneficiaries. The fiduciary supervision visits regarding financial management will include the verification of financial and accounting arrangements for project administration and for monitoring the implementation of any recommendations that the independent auditor of this project may issue.

- 6.11 **Execution mechanism.** The borrower and executing agency will be Bancóldex, which will be legally liable to the IDB for debt repayment, with a national government guarantee, and will carry out the program's technical and financial activities. The IDB loan proceeds will be transferred by Bancóldex to first-tier credit institutions through the usual rediscount mechanism used by Bancóldex or another mechanism agreed with the IDB, at a market rate that reflects its funding costs plus a margin to cover its operating costs. Bancóldex will be responsible for identifying and selecting eligible first-tier credit institutions for participation in the project, in accordance with the Credit Regulations and its own policies and processes. The first-tier credit institutions will freely set the subloan amounts, the disbursement characteristics, the interest rates and fees, the repayment terms and frequency, and the grace periods on the basis of a credit analysis for the subloans and the project lifespan. Financial management responsibilities will be entrusted to Bancóldex, as will the assessment of financial risks and monitoring in connection with the loans and amounts granted to the first-tier credit institutions.

PROGRAM FOR BUSINESS FINANCING AND ENERGY EFFICIENCY

Co-L1255

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the referenced operation¹ will be financed through:

Funding Source	Fund Code	Currency	Amount Up to
Clean Technology Fund	CTF	USD	8,000,000

Certified by:

DocuSigned by:

Sergio Zur

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Maria Fernanda García

Chief

Grants and Co-Financing Management Unit

ORP/GCM

Date

¹ In case of Project Specific Grants (PSG) or Financial Intermediary Fund (FIF), the availability of resources is contingent upon the signature of the agreement between the Donor and the Bank and the receipt of the resources.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Colombia. Loan ____/TC-CO to Banco de Comercio Exterior de Colombia S.A. (Bancóldex)
Energy Efficiency and Business Financing Program. Second Individual Operation
under the Conditional Credit Line for Investment Projects (CCLIP) CO-O0004

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, in its capacity as Implementing Entity for the Clean Technology Fund, to enter into such contract or contracts as may be necessary with the Banco de Comercio Exterior de Colombia S.A. (Bancóldex), as borrower, and with the Republic of Colombia, as guarantor, for the purpose of granting the former a financing to cooperate in the execution of the Energy Efficiency and Business Financing Program, which constitutes the second individual operation under the Conditional Credit Line for Investment Projects (CCLIP) CO-O0004 approved on 11 December 2019 by Resolution DE-141/19. Such financing will be for the amount of up to US\$8,000,000 from the resources of the Clean Technology Fund, administered by the Bank, 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 ____ 2020)