# Annex
of the Commission Implementing Decision on the Action Document for a Sector Reform Contract for Local Sustainable Development in Colombia

<table>
<thead>
<tr>
<th>1. Title/basic act/CRIS number</th>
<th>Sector Reform Contract for Local Sustainable Development in Colombia CRIS number: DCI-ALA/2015/38166 Financed under Development Cooperation Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Zone benefiting from the action/location</td>
<td>Colombia, with a focus on the Pacific and Caribbean coastal regions and the Amazon</td>
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<td>4. Sector of concentration</td>
<td>SECTOR 1 – Local economic development and institutional strengthening</td>
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<td>5. Amounts concerned</td>
<td>Total estimated cost: EUR 21.5 million Total amount of EU budget contribution EUR 20.8 million of which EUR 18 million for budget support and EUR 2.8 million for complementary support</td>
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<td>6. Aid modalities / Implementation modalities</td>
<td>Budget Support: Sector Reform Contract Project modality: Grant (direct award)</td>
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<td>7. DAC code(s)</td>
<td>43050 and 41030</td>
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<td>8. Markers (from CRIS DAC form)</td>
<td>General policy objective</td>
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<td>Participation development/good governance</td>
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<td>Aid to environment</td>
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<td>Gender equality (including Women In Development)</td>
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<td>Trade Development</td>
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<td>Reproductive, Maternal, New born and child health</td>
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<td></td>
<td>RIO Convention markers</td>
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<td>Biological diversity</td>
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<td>Combat desertification</td>
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<td></td>
<td>Climate change mitigation</td>
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<td>Climate change adaptation</td>
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**SUMMARY**

**General Objective:** Contribute to overcoming the social and economic disadvantage of the marginalised and conflict affected regions of Colombia, as a means for achieving lasting peace.

**Specific objective:** To support local sustainable development in conflict affected and environmentally sensitive areas through the responsible use of biodiversity and ecosystems goods and services.

Therefore the programme provides support to the implementation of the policy for “Green Growth” which focuses on reducing the development gap of these specific regions.

The main results concern an improved forest governance of the entities of the 'National System for the Environment' (SINA); better income generation opportunities for dispersed rural populations through “green businesses” and better livelihoods for ethnic minorities living in territories overlapping with protected areas, as well as stronger environmental local authorities to work in buffer zones of strategic protected areas.

1. **CONTEXT**

1.1. **Sector and Country context**

The Colombian economy has sustained a positive economic growth for the last 20 years (4.3% on average between 2001 and 2010 and 4.5% from 2011 onwards). It has consolidated its position as the third Latin American economy. Its growth is driven by the mining, construction, retail and financial sectors, while manufacturing and agriculture have been lagging behind. The country is an open economy with trade agreements with over 20 countries. The trade agreement with the European Union (Colombia’s second largest trade partner) entered into force in October 2013.

According to the 2014 UN Human Development Report, Colombia has a human development index of 0.711 (high), ranking the country 98th of 187 countries. In the last decade Colombia has reduced the poverty rate from 49.7% to 32.7%. Nevertheless there are still wide gaps between urban and rural areas (Cordoba has a poverty rate of 60% compared to Bogota with 11%) and between population groups, where indigenous minorities show with poverty rates above 64%. The inequality expressed by the Gini coefficient (0.539) is the highest of the region.

The unemployment rate stood at 9.14% in 2014, a decrease from 15.6% in 2002. Its fall was led by the retail and services sectors. However, the unemployment rate is almost double for women compared with men. The sewage coverage is 92% in urban zones and 15% in rural areas and 4% of the population has no access to sanitary services, particularly in rural areas. The concentration of land property is among the highest in the world. This situation has worsened in the 90ies by illegal armed groups dispossessing small farmers of their land and displacing a high number of people.

A peace process between the Government and the Revolutionary Armed Forces of Colombia (FARC) was initiated in August 2012, with a six point agenda: comprehensive agrarian policy; political participation; ending the conflict; solution to the issue of illicit drugs; victims’ rights; implementation, verification and validation. Until end 2014 agreement had been reached for the first three points,

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2. Government has created the National Agency to Overcome Extreme Poverty ANSPE to support the most vulnerable families of the country (350,000) [http://www.anspe.gov.co/es/anspe/objetivos-estrategicos](http://www.anspe.gov.co/es/anspe/objetivos-estrategicos)
with the delicate issues of transitional justice and disarmament and demobilisation being negotiated in the first half of 2015.

1.1.1. **Public Policy Assessment and EU Policy Framework**

a) **Description of the Sector Policy**: Colombia lacks effective state presence in various peripheral regions, in particular in the extensive forest areas, which has allowed for the emergence of serious problems in these environmentally sensitive areas such as the presence of illegal economies, including illicit crops, armed non-state actors, land dispossession, displaced peoples, social and environmental conflicts, etc. At the same time, the populations occupying these territories, in particular indigenous and Afro-Colombian communities, are among the poorest of the country.

The 1991 Constitution recognises this situation and establishes that the State has to promote the sustainable development of these areas and its populations, applying as a key instrument the environmental planning of the territory.

Law 99 of 1993 establishes the institutional set-up for the sector and tasks the thus created National Environmental System (SINA) with the formulation of a sector policy. This System is chaired by the Ministry of Environment and Sustainable Development (MADS) and is composed of 5 research institutes, 32 Regional Autonomous Corporations (CAR) and the National Natural Parks Agency (PNN)\(^3\). In conformity with the Law a comprehensive sector policy has been established, comprising several sub-sectorial policies and national programmes currently under implementation (Biodiversity, Coastal and marine management, Forest management, Climate change, Green markets, etc.).

The National Development Plan 2014-2018 (PND) focuses on the main objectives of peace building, eradication of extreme poverty and equity, and quality education. To achieve these objectives the plan foresees various strategies that are differentiated according to the biophysical and development characteristics of the country’s five sub-regions. Among these the strategy for “Green growth” (GG) includes enforceable environmental commitments from all the economic sectors. The commitments of the Environment and Sustainable Development Sector are detailed in its Strategic Plan and aims at advancing towards a sustainable growth with low carbon emissions; protecting and securing the sustainable use of the natural capital and to improve the environmental quality; and achieving a growth which is resilient to natural disasters and climate change risks.

The National Natural Parks Agency (PNN) and the Regional Autonomous Corporations (CAR) are responsible for the implementation of the sector policy at local level. PNN’s strategic plan follows a two-pronged approach: conservation and widening of the National System of Protected Areas and, particularly relevant for “peace building” activities, the “Parks with People” approach, which includes: i) reduction of the pressures and threats affecting protected areas, in particular those associated to land use, territorial occupation and land ownership conflicts; ii) the development of special strategies for territorial management by indigenous and afro-Colombian groups.

The CAR are competent for conservation of the natural heritage, the reduction of water shortages, rationalisation of the use of renewable resources, income and employment generation through sustainable use of biodiversity and sustainable production systems, reduction of the health effects

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\(^3\) PNN depends from the Ministry of Environment and Sustainable Development and has financial and administrative autonomy. Its mandate covers the administration of the National Natural Parks and the coordination of the national system of protected areas, in the context of the environmental planning of the territory.
associated to environmental problems and preparedness of populations at risk in natural phenomena.

The programme is in line with the EU policy framework constituted by the Trade Agreement’s Title IX "sustainable development and trade", the Agenda for Change focusing on poverty eradication, the EU Biodiversity for Life Initiative⁴ and FLEGT (Forest Law Enforcement Governance and Trade). It contributes to more social cohesion, regional convergence and governance.

**Performance Assessment Framework (PAF):** The sector policy is monitored through the SINERGIA system, a Key Performance Indicators system with several components, among which the Public Investment Projects Assessment System (SPI), Goals Information System (SISMEG) and United Public Investments and Finances System (SUIFP) that allows monthly monitoring of indicators, goals, and budget execution of national investment projects.

The MADS as the head of the environmental and sustainable development sector monitors the regional environmental authorities through the Planning and Managing Information System (SIGPA) and PNN has the Protected Areas Management Assessment system (AEMAPPS). The performance of the CAR is measured on the basis of “basic management indicators” (IMG).

The Comptroller General’s Office, in charge of monitoring and controlling public spending, has a dedicated office for the environment sector.

**Revision and Coordination Mechanisms:** The National Planning Council is the main forum to discuss the national budget. The National Environmental Council (CNA) ensures the inter-sectorial coordination in the field of natural resources management and environmental policies and programmes. The Territorial Planning Commission assesses the policies regarding the organisation of the country’s territory. Finally the Inter-sectorial Climate Change Commission and the "Permanent Forum of Indigenous Peoples" oversee all government and congress decisions that may affect them.

At regional level, Regional Competitiveness Commissions prioritise the departments’ economic sectors and the Municipal Rural Development Councils participate in the local development policies. At the sector level the Regional System of Protected Areas (SIRAP) and the Joined Commissions articulate the activities of the CAR and PNN and other local players concerning protected areas, watersheds and strategic ecosystems.

**Coherence of the policy with other government policies:** The agendas of other sectors (mining, transport, rural development) frequently collide with the environmental agenda. To ensure a coherent sustainable rural development, the PND 2014-2018 includes for the first time specific commitments related to “green growth” in all economic sectors, and in particular to those driving the country’s economic development.

Various other strategies and policies are aligned to the approach of local sustainable development, particularly in rural areas, in that they propose the generation of economic alternatives for ethnic groups and rural communities through access to land and sustainable use of natural resources. These include mainly the strategy to reduce extreme poverty, the rural development policy with territorial focus, the forest policies, and also the Victims Law and the Presidential Programmes addressing indigenous and afro-Colombian issues.

⁴ This flagship initiative of EuropeAid for the period 2014-2020 responds to global threats to biodiversity and addresses the need to enable sustainable development as part of the efforts to conserve ecosystems. [http://ec.europa.eu/europeaid/eu-biodiversity-life-b4life-flagship-initiative-brochure_en](http://ec.europa.eu/europeaid/eu-biodiversity-life-b4life-flagship-initiative-brochure_en)
b) **Policy Relevance:** The sustainable development policy supports also peace-building, improvement of livelihoods of vulnerable groups and ethnic minorities and adaptation and mitigation to climate change.

The priority areas for implementation of a possible peace agreement (infrastructure, agrarian development, coca crop substitution, access to land, etc.) have a clear environmental relevance. As such the sector policy already encompasses conflict resolution mechanisms associated with land use, occupancy and land ownership and addresses the issue of illegal economies. In that context it includes territorial planning processes in the post-conflict priority areas, strengthening of the environmental authorities, and promotion of legal productive alternatives and green growth in environmentally critical areas.

Its social economic relevance for the ethnic minorities results from the fact that more than one fourth of the total protected area overlaps with indigenous territories or with collective territories of the black communities.

This sector policy addresses also the vulnerability of local communities to climate change phenomena such as the increasing risk of drinking water shortage and the lack of basic sanitation.

c) **Policy Credibility:** While the sector has had a positive impact on the conservation and sustainable use of the country’s biodiversity\(^5\), it faces many challenges with regard to the management of the extensive forest reserves\(^6\), which accumulate at the same time the country’s structural problems: poverty, illegal armed groups, illegal economies (smuggling, mining, production and trafficking of drugs), inappropriate exploitation of natural resources, conflicts for land use, occupation and ownership of land and weak institutional presence.

The measurement of the extent to which the sustainable development goals are being achieved, is based on 36 indicators. According to SINERGIA the level of progress is high for 37% of these goals, medium for 46% and low for 19%. For local sustainable development the following results stand out: the protected areas are increasing and conflict resolution related to land tenure and the use of natural renewable resources inside the protected areas is advanced. Action plans for environmental management are coordinated with the ministries of Mining and Energy, Transport, Agriculture and Rural Development, Housing, and with local authorities. The use of mercury in traditional mining of gold is being reduced and the impacts of mining inside the SINAP are being mitigated.

d) **Policy Financing:** The Medium Term Expenditure Framework (MTEF) for the sector is defined by the Ministry of Finance (MHCP) taking into account the fiscal and macroeconomic context. The sector has a budgetary provision for a period of 4 years (2015-2018) of in total EUR 439.15 million. The MTEF for the period 2015-18 shows a strong fall between 2015 and 2016 (36%), with an increase of the annual allocations of 5% for 2016-2018.

All strategy components and all foreseen activities are duly budgeted. The 22 projects registered for 2015 and submitted to the national bank for investment projects (BPIN) show a flow of resources consistent with the budget allocations in the sector (2015-2018).

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\(^5\) Colombia reduced its annual deforestation index to 147,946 ha in 2011-2012. In 2005-2010 an average of 238,273 ha were lost per year (IDEAM, 2014).

\(^6\) Illegal logging is over 42% (Word Bank 2006)
Multi annual Investments Plan in Environment and Sustainable Development Sector

<table>
<thead>
<tr>
<th>Source</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>TOTAL PPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Budget</td>
<td>152.3</td>
<td>77.7</td>
<td>81.9</td>
<td>86.6</td>
<td>398.6</td>
</tr>
<tr>
<td>Transfers to local authorities (Sistema general de participaciones - SGP)</td>
<td>9.2</td>
<td>9.4</td>
<td>10.4</td>
<td>11.5</td>
<td>40.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>161.5</td>
<td>87.2</td>
<td>92.3</td>
<td>98.1</td>
<td>439.1</td>
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</tbody>
</table>

Values in Million Euros

From 1998, the SINA agencies show an important budget reduction (0.24% of the national budget) representing 0.06% of the gross domestic product (GDP), while the investment in public environment management is between 1% and 2% of GDP in OECD countries (1.6% in the EU). In 2012, SINA’s budget was 1/3 of that in 1998. In addition, there are also budgetary imbalances within the SINA. Many of the CAR responsible for managing the most environmentally sensitive regions and the System of Protected Areas have lower budgets than the CAR that are located in areas of higher economic growth.

In 2015, the sector budget (including operational and recurrent costs) reached EUR 260.7 million with a 23% deficit compared to budget forecast and request to the Finance Ministry. The most affected agencies were the CAR and PNN with budget cuts of 39% and 31% respectively.

The sector should increase its resources leveraging the budget from the regions and the municipalities\(^7\), natural resources licenses and other licensing modalities, as well as other new options that secure the payment for the services given by the ecosystems (Payments for environmental services).

Regarding budget execution, the agencies responsible for promoting local sustainable development should improve their performance. The CAR in 2014 only executed 53.5% of their allocation. PNN, the best performing agency, reached a budget execution of 93%.

**Institutional and Appropriation Capacity:** The MADS designs and monitors the sector policy. However, the SINA structure is decentralised and in particular the CAR have a strong autonomy. There is also a widened SINA in which territorial entities and civil society organisations participate.

Capacities in the sector vary. PNN has strong institutional capacity and recognition. Some CAR (particularly those with limited resources because located in forest lands) perform poorly and have to deal with management issues (effectiveness and efficiency).

To ensure economic development in line with the protection and sustainable use of natural resources, the country has so far obtained solid results:

- Creation of Environmental Units inside the ministries of Transport, Mining and Energy, Agriculture and Defence to integrate the environmental component in their sector policies.
- Signature of an inter-ministerial agenda with the Trade, Industry and Tourism and Defence Ministries and drafting of others with the Ministries of Agriculture and Mining and Energy.
- Stronger procedures and processes related to granting environmental licenses to secure that grantee projects avoid, minimise and compensate their potential environmental damage.

\(^7\) Compliance with the obligation to allocate at least 1% of the regular income of the territorial entities to investments in various conservation strategies of the water sources feeding the municipal aqueducts.
Despite these results, institutional challenges remain. There is a need for better coordination between MADS and CAR, and with local administrations, and stronger citizens’ participation schemes are required.

Analytical Base and Data Quality: The sector information is managed by the SIAC (Environmental Information System), with two components: i) the information system (SIA) covering the environmental pressures and the environment status and ii) the information system for environmental planning and management (SIPGA), assessing the responses to the respective policies. The SIPGA provides inputs for SINERGIA that assesses the progress towards the PND objectives.

However there is not a general model for the sector to produce or use information efficiently and the scale of the information systems should be improved to reach regional and local levels.

In addition the research institutions for the Amazon, the Pacific region and coastal and maritime areas (SINCHI, IIAP, INVEMAR) have regionalised information systems which feed into the SIAC. The challenge is to broaden these so as to cover also other regions and to make the system available for the local authorities.

Assessing the eligibility for a Sector Reform Contract on the basis of the above, the EU finds that:

a) The sector policy has a legal and institutional framework with a long tradition which is decentralised and participatory;
b) It is in line with the PND under the precept of green development, regional development;
c) MADS and PNN have strategic plans that are relevant for the building of a territorial stable and lasting peace in Colombia
d) It is coherent with the European foreign policy framework and the trade agreement.
e) It is credible because already being implemented and financed within a medium term fiscal framework. Although budget constraints and execution deficits exist, the sector has undertaken important efforts to leverage resources from different sources (sub-national levels and private sector). Also, it has obtained specific results that are coherent and complement other sector policies.
f) The policy has an assessment framework for its performance and has a monitoring and evaluation system at the national and regional levels, with a baseline. However quality of data can be improved.
g) There is a clear will for institutional strengthening within the sector and strategies and recommendations from the government to undertake the actions to improve the sector’s institutional capacity.

The EU concludes that the Local Sustainable Development sector policy is relevant and credible; it supports poverty reduction, sustainable and inclusive development and democratic governance.

1.1.2. Stakeholder analysis

Beside MADS, PNN and CAR, introduced above, the SINA also includes five research institutes and the National Agency for Environmental Licensing ANLA. The "extended" SINA involves organisations and entities with an environmental mission that can have an impact on governability, development and territorial planning, such as the ethnic and peasant communities, other ministries, the departments and municipalities, NGOs, grassroots organisations, private sector associations and universities. These players have an important role in local sustainable development policy as collaborators, investors or executors. Other public agencies play also a role, such as the National Police, the Comptroller General’s Office, the Attorney General, the Human Rights ombudsman and the citizens’ oversight groups. These agencies are in charge of control and oversight.
1.1.3. **Priority areas for support/problem analysis**

The priority zones for the implementation of peace building actions are of very high environmental relevancy. A UN analysis shows that more than 90% of the municipalities that may become a priority in a possible post-conflict era apply some regulatory instrument for the protection or use of natural resources. For some municipalities the entire territory falls under such a regulatory instrument. The biggest challenge for peace-building in the conflict affected municipalities is solving conflicts associated to land use, occupation and tenure and to have the poor communities living in those areas to be part of the legal economy based on sustainable use of natural resources. In this context, PNN has an effective presence in these areas which have the following particularities.

- The 58 Protected Areas cover 13% of the national territory (12 million ha).
- About 27% of the municipalities in National Parks have a poverty index of over 52% (national average: 38%).
- IDPs in the protected areas represent 39% of the total displaced population\(^8\).
- 60% of protected areas are under pressure for the use and ownership of land by at least 15,000 peasant families who illegally occupy and use land and natural resources. The protected areas lack legal instruments to address this issue, causing social exclusion and environmental harm.
- High presence of illegal crops (3,791 ha. /UNODC, 2014)
- High levels of deforestation (25,258 ha. per year).
- 45% of the Protected Areas are inhabited by indigenous and Afro-Colombian communities\(^9\), the poorest in the country with BNI indexes over 90% and 70% respectively.

In line with the above, regions such as the biogeographic Choco and the Amazon should be prioritised. Both regions are characterised by their important biodiversity, abundant water resources and they are home to ethnic groups representing a productive, environmental and social potential.

1.2. **Other areas of assessment**

1.2.1. **Fundamental values**

Colombia strongly adheres to the values of democracy, human rights and the rule of law.

The EU monitors, in the context of the risk management framework, the recommendations made by the Committee on Economic, Social and Cultural Rights:
- Adoption of effective measures to reduce the high unemployment rate in particular for youth, women and indigenous peoples and Afro-Colombians.
- Formulation of agricultural policies that prioritise food production by providing incentives to small producers.
- Restitution of land to dispossessed indigenous and Afro-Colombian and farmers’ communities and adoption of the necessary measures to achieve a true land reform.

In the framework of the sector’s policy dialogue the EU may monitor the following issues:
- Progress on institutional challenges as a follow-up to high rates of rural poverty and vulnerability in rural areas, targeting areas with the highest rates.

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8. Between 1998 and 2011 1,369,994 persons have been displaced from the 220 municipalities covered by the areas of PNN and in the same period 1,462,040 entered these municipalities (Paredes, 2012).

9. There is an overlap of 15 national parks with 46 indigenous territories, home to 21 indigenous peoples (93,602 persons); 12 national parks are bordering collective territories of afro-descendants.
• Coordination between policies and institutional coordination between the MADS and other sectors and subnational levels involved in local and regional sustainable development.
• The development, tracking and monitoring of specific policies and strategies aimed at creating employment opportunities for youth and women.
• The incorporation of environment and climate change as crosscutting issues and its assessment in the light of vulnerability of rural populations.

1.2.2. Macroeconomic policy

a) Main macroeconomic aggregates and assessment of macroeconomic policies.  
The Government of Colombia is strongly committed to the objectives of macroeconomic stability as demonstrated through sustainable growth: for the last quarter of 2014, the Colombian economy is expected to grow by 4.7%, the economy and household consumption have shown a positive trend, which has had its effects on the labour market. In 2014 unemployment stood at 9.14%, the lowest since the new measurement methodology, taking a remarkable improvement over the 9.6% in 2013. As a result, poverty and extreme poverty levels declined steadily in recent years (extreme poverty fell from 17.7% in 2002 to 8.4% in 2014).

b) Domestic revenue mobilisation: Government makes important efforts to increase the level of tax collection by the Tax and Customs department (DIAN) aiming at solvency of expenditure via revenue collections. Tax revenues have increased significantly in the last years, due to the implementation and adaptation of the tax reform of 2012. By 2014 tax collections rose to 14.7% compared to 14.3% in 2012 and 2013. The main reforms that have contributed to this development on public finance are the mini-tax reform, fiscal rule, the General System of Royalties and tax reform of 2012. For local development a strong effort is still required on this issue at both national and subnational level. Multilateral organisms and the Ministry of Finance prioritised this area in their analyses and actions in case of a post-conflict scenario.

c) Vulnerability to external shocks: Colombia has taken measures to strengthen its capacity to respond to external shocks, not only reducing the vulnerability to adverse international scenarios, but also improving the tools to cope with these. However, the global economic slowdown, especially in its main trading partners, will lead to falling trade levels and strong drops in the price of its main export products, as currently with oil prices. To address these shocks the country has currently international reserves of around 15% of GDP.

d) The relationship with the International Monetary Fund (IMF): According to the IMF, the Colombian economy shows strong resilience to the effects of the crisis in the developed world. The latest Article IV consultations (March 2015), concluded that economic growth continued strong in 2014 though due to the sharp fall in world oil prices growth is projected to slow to about 3% percent in 2015. In addition, the expected increase in U.S. interest rates would raise the cost of debt financing and the slowing down of emerging economies would lessen Colombia’s exports receipts. Nevertheless, as a result of the strengthening of the fiscal framework during the last few years, Colombia is in a strong fiscal position to navigate the oil price shock.

In the medium term, the challenges for Colombia to achieve sustainable development and social equity are: 1) maintaining a strong institutional and policy framework and prudent fiscal management, low debt and adequate financial regulation; 2) mobilising domestic resources for the sustainable functioning of the state; 3) strengthening productive activities like manufacturing, construction and agriculture, which largely depend on a quality transport infrastructure; 4) reverting the slowdown in key sectors as mining and energy, and reduce the impact of falling export prices; 5) and the protection of its exchange rate to reduce the impact on exports.
Under these terms, the government of Colombia has a relevant and credible macroeconomic policy aimed at stability and fully complies with the eligibility clause included in the framework of a SRC.

1.2.3. Public Financial Management (PFM)

   a) **Assessment of the existing PFM system:** The Ministry of Finance implemented a Strategic Plan 2011-2014 for the strengthening of PFM. The most relevant initiatives were: 1) Incorporation of fiscal sustainability as a constitutional principle; 2) Adoption of a fiscal rule establishing a downward trend for the structural fiscal deficit of central government; 3) Participating in design and implementation of a structural tax reform; 4) Design and implementation of Sovereign Funds for preventive saving; 5) Revision and drafting of the Organic Budget Law; 6) Submission of regulation of the law on royalties.

   This Plan covered, in a comprehensive manner, aspects of social responsibility, mandatory processes, and institutional development. In addition, the plan has led to establishing the Comprehensive Management Monitoring System (SMGI) allowing monthly monitoring of implementation.

   For the period 2015-2018 there is a new plan that offers continuity. The policy objectives have a midterm vision providing inputs for decision-making and accountability, as well as promoting transparency and information to citizens.

   b) **Assessment of the relevance and credibility of the PFM strategy:** The most relevant measures are these: (i) Reform of the tax law for strengthening tax collection, promoting formal employment and using taxes for redistributive purposes. (ii) Creation of sovereign wealth funds that contribute to stability and diversification of the economy. (iii) Promotion of regional convergence (more equal development throughout the country) by regulating royalty funds towards efficiency, transparent execution and guaranteeing savings originated from the mining boom resources. (iv) Promotion of macroeconomic stability and fiscal balance through the adoption of a fiscal rule to ensure savings and by integrating the principle of fiscal sustainability. (v) Modernisation of the financial system and capital markets for guaranteeing stability and security of the financial markets and for promoting a more democratic access to the system.

   The credibility of the reform process is given as a function of the progress until now. According to the last monitoring report from September 2014, of the 70 strategic indicators in the Plan, 52 have met 100% of the target set, 10 reached results between 90% and 100% and 8 indicators had a result below 90% of the expected goal. Taking into account, the abovementioned elements, the Government's strategy is considered sufficiently relevant and credible. The biggest medium-term challenges for PFM will be to improve execution while reducing diversion and to continue to develop more progressive tax collection at the national and subnational level.

   In conclusion, the EU recognises positive progress in PFM. Therefore, the EU confirms its assessment that Colombia maintains its eligibility for a SRC.

1.2.4. **Transparency and oversight of the budget**

   For the General Budget Law to enter into force, it has to be officially published by Congress and in the Official Journal. The budget can be consulted on the web pages of the national publication office and Ministry of Finance.

   Regarding the publicity of the budget, Article 6 of Decree 4730 of 2005 establishes that programming, adoption, modification, execution, monitoring and evaluation, as well as regular and
Colombia has a rating in the Open Budget Index (OBI) of 58%, which places the country 27th among 100 countries analysed and 3rd in South America, after Brazil (73%) and Chile (66%) and is among the strongest in South America in terms of oversight of the budget and commitment\(^\text{10}\). The most important commitment to budget transparency was the achievement of the economic transparency portal, which still lacks mass dissemination and awareness, although it was implemented according to plan. Thus, the country has proven ability of systematic and timely publication of information in each of the phases of the budget cycle.

Although Government provides the public with information on the national government’s budget and financial activities during the fiscal year, there are still weaknesses: i) Lack of midterm reports and visibility to audit information of the budget. (ii) Participatory and citizen budget iii) incompleteness of the proposed executive budget in terms of estimation of expenditure and revenue and its relations with other planned macroeconomic situations. These elements form the basis for a policy dialogue with the purpose of consolidating a transparent system of public finances.

Colombia is considered to **comply with the criterion of the entry point of budget transparency**; the 2015 budget was timely published, i.e. as soon as the legal basis had been adopted, and is also available on-line on different institutional web pages.

### 2. **Risks and Assumptions**

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<thead>
<tr>
<th>Risks</th>
<th>Risk level</th>
<th>Mitigating measures</th>
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</thead>
<tbody>
<tr>
<td>Peace process takes more time than expected</td>
<td>M</td>
<td>Policy and political dialogue with Government representatives at the highest level, including close coordination with EU Member States, international partners and other stakeholders.</td>
</tr>
<tr>
<td>Weak coordination among different beneficiaries.</td>
<td>L</td>
<td>Supporting sufficient fora and adequate coordination between the teams in charge of executing the proposed actions and the policy beneficiaries through policy and complementary measures dialogues; developing synergies for participation and transparency with the support of the EU and other donors.</td>
</tr>
<tr>
<td>There is an insufficient articulation between the national and regional policies.</td>
<td>M</td>
<td>Reviewing the planning and execution policies and instruments at the regional level to identify articulation gaps and to promote work teams that articulate the different management levels, and institutional strengthening at regional level.</td>
</tr>
<tr>
<td>The security situation is out of control.</td>
<td>M</td>
<td>To monitor the political and security context; to promote adaptation measures when required.</td>
</tr>
<tr>
<td>Short term issues at national level deplete resources to implement the policy</td>
<td>M</td>
<td>Perform an analysis of the policy funding and its sustainability within the dialogue on policies, institutional strengthening and PFM at the national and regional levels.</td>
</tr>
</tbody>
</table>

\(^{10}\) International Budget Partnership (IBP)
3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1. LESSONS LEARNT

- **Territorial planning**: A key element of the agrarian development policy is access to land through free distribution. However, biophysical aspects that limit its uses have to be considered to avoid distribution of land with low agricultural productivity.

- **Local development and sustainable production**: To benefit from the opportunities for peace-building rural development has to be defined as more than agriculture and include innovation in the use of biodiversity and its services. Key aspects of sustainable development are the rural-urban relations and the role of community organisations and of local authorities. Also the biophysical characteristics of the soil and its use have to be considered. In these areas, non-conventional models are required as are important efforts for market access.

- **The post agreement extractive activity**: An adequate management of the extractive mining and hydrocarbons alternatives minimizing negative environmental impacts with inclusive relations to distribute the benefits and to implement compensation measures, so local communities, conflict victims, former fighters can be hired, providing opportunities for wealth creation that can be channelled to deal with the challenges of local sustainable development.

- **Institutions and governance for a sustainable peace**: The implementation of the agreements implies the revision and the strengthening of the different levels of environmental institutions and governance at the national, regional and local levels. There are 16 CAR with jurisdiction over the 125 municipalities prioritised by the UN for the implementation of the peace agreement, 13 have the lowest investment and operational budgets. It is also necessary to assess their management capabilities and their institutional strengthening needs. At the municipal level, there is also serious institutional weakness and a concentration of activities in the urban areas. That fact can hinder the implementation of the Integral Rural Reform (RRI). To solve this issue it is recommended, among other, the strengthening of the local environmental agencies and to recognise grassroots and communal organisations including their structures. Sustainable peace would also require strengthening the local institutions in terms of attention to and rehabilitation for victims of the conflict. For example, restitution of land can only be achieved through an appropriate system of registration. Strengthening of environmental institutions should be accompanied by this.

- In areas severely affected by the conflict there is an important mistrust from communities to the State and its institutions. A first consideration should be to overcome this situation and to use the experience and the organisations who have been working hand in hand with these communities for years.
3.2. **Complementarity, Synergy and Donor Coordination**

Donor coordination for the sector is based on the National Cooperation Strategy which provides for different committees as coordination mechanisms. The sector donor group is led by the international cooperation office (APC), the international affairs office of the MADS and the German embassy as focal point for the donor community. Germany also brings in its technical cooperation office GIZ and its financial institution KfW through the support programmes for the sector, complementary to the present programme. In addition, the Embassy and the EU delegation will jointly monitor the implementation of the sector policy.

Other donors are the French Development Agency AfD (loans), Germany (support to PNN, MADS and MADR) and Finland. Other EU programmes from the bilateral Development Cooperation Instrument (DCI) allocation, such as New Peace Territories, SRC for rural development with territorial focus, SRC for local economic development and a sustainable trade programme offer important opportunities for synergies. Finally, regional or multi-country initiatives, (co-)funded by the Environment and Natural Resources Thematic Programmes of the DCI, are also highly relevant in terms of complementarity with regard to this action, such as the Biodiversity Finance Initiative (BIOFIN) implemented by the United Nations Development Programme (UNDP) and the Amazon Vision programme, implemented by the Food and Agriculture Organization of the United Nations (FAO).

3.3. **Cross-cutting Issues**

a) **Peace-building:** For sustainable peace, reforms are needed that directly affect environmental territorial planning and the creation of local development alternatives that allow the territory to become a source of well-being and prosperity, where human rights are respected and the inequity can be reduced.

b) **Vulnerable Groups and minorities:** The local sustainable development policy should target the protection and the improvement of the livelihoods of vulnerable groups and minorities. The rural peasant communities, indigenous peoples and afro-Colombian communities have a prominent position in the policy instruments of the MADS. Germany and Norway announced a pre-agreement with several countries, including Colombia, to work in the sustainable development of those particular communities and the mitigation and adaptation to climate change. All these issues are articulated to the Amazon 2020 Vision. The communities living in the forests have committed to halt the deforestation and in exchange they will receive an economic compensation.

c) **Climate Change Adaptation and mitigation:** Colombia is one of the countries that are most vulnerable to climate change effects and natural disasters, which has a direct impact on social and economic development. These affect the poorest population through water shortages, increase in diseases and lower agricultural productivity (peasant income) and the destruction of houses in urban areas.

d) **Gender:** Women play a fundamental role in the improvement of the rural livelihoods. Colombia counts with a comprehensive national policy on gender and a specific strategy of attention to rural women. Both these policies will be supported as a crosscutting issue for the entire EU cooperation strategy in the context of a separate decision on support measures, presently under development. For the monitoring of the policy, population related data will be gender sensitive and will be disaggregated by gender and age.
4. DESCRIPTION OF THE ACTION

4.1. OBJECTIVES/RESULTS

General Objective: To contribute to overcoming the social and economic disadvantage of the marginalised and conflict-affected regions of Colombia, as a means for achieving lasting peace.

Specific Objective: To support local sustainable development in conflict-affected and environmentally sensitive areas through the responsible use of biodiversity and ecosystems goods and services.

The programme also aims at: 1) a reduction of geographical and gender disparities in access and quality of public services; 2) the application of basic environmental standards in productive processes; 3) adaptation and mitigation of climate change vulnerability in sensitive ecosystems.

Expected results
1. Progress in policy coherence and the effective implementation of the "green growth policy", in particular the Local Sustainable Development strategy (GG/LSD).
2. Expansion of coverage and qualitative increase of sustainable development service delivery in prioritised territories, in particular:
   • Increasing forest governance of local environmental authorities for an improved access of local populations to alternative productive activities which are sustainable and compliant with current legal framework.
   • Improving income generation opportunities for vulnerable communities by promoting “green businesses”, in a context of sustainable use of biodiversity.
   • Improving livelihoods of ethnic minorities living in National Natural Parks through the implementation of specific management strategies of protected areas, and reaching agreements to solve conflicts related to the use of natural renewable resources.
3. Improvements in the quality of PFM, notably with respect to budget execution, public procurement and internal and external audit.
4. Strengthened technical and financial capacity of local environmental authorities to work in buffer zones of strategic Protected Areas in the Caribbean, Pacific and Amazon regions (complementary support).

4.2. MAIN ACTIVITIES

4.2.1. Budget support

- Transfer of EUR 18 million over the period 2016 – 2019;
- Continued policy dialogue with MADS and NPP with a particular focus on areas targeted in the "green growth"/Local Sustainable Development (GG/LSD) strategy objectives;
- A continued effort to strengthen government’s capacities in PFM;
- Continued dialogue between donors to coordinate and align development cooperation in view of reducing transaction costs and increasing effectiveness;
- Regular monitoring of budget support eligibility criteria:
  • Progress towards the objectives of the GG/LSD will be monitored through annual progress reports and other EU or development partners' reviews, supported by regular briefings and discussions in the biodiversity donor group and other forums with civil society participation;
  • Macro-economic developments will be assessed in the context of the IMF missions and other relevant assessments;
  • PFM eligibility will be verified on the basis of the reviews of the government’s PFM reform strategy and associated assessments or ad-hoc analysis from the IMF and other bodies, including sector specific analysis;
• For budget transparency public availability of appropriate documentation will be regularly verified.

4.2.2. Complementary support

Capacity development will be demand driven and coordinated with other donors and other EU programmes in Colombia. In particular, it will seek to reinforce the technical and financial capacity of local environmental authorities to work in buffer zones of strategic Protected Areas in the Caribbean, Pacific and Amazon regions (including "Sierra de La Macarena"). The main expected results of the complementary support are:

- Strengthen SINA agencies’ technical, operative and management capabilities with a focus on:
  - Territorial planning in priority areas for the post-conflict period
  - Regionalisation of environmental (GG/LSD) information systems
  - Improving follow-up and result-oriented monitoring systems
  - Inter-sectoral coordination capabilities in the area of local economic development
- Strengthen participative structures of local governance with a view to resolving conflicts arising from the possession and occupation of forest and fishing areas
- Improve productive and associative capacities of the local communities in the use of artisanal fisheries, timber and non-timber products

The “Supplementary Measures” included in the MIP 2014-2017 offer support for:

- Developing capacities for better formulation, financing and implementation of the sector policy at national and subnational levels
- Policy dialogue between all relevant sectors and macroeconomic policy stakeholders, promoting harmonisation in terms of national policies.
- Implementation of EU visibility strategy at national and subnational levels

4.2.3. Intervention logic

The programme aims at improving the conditions of regions which are essential for peace-building and is fully in line with the PND and the Strategic institutional Plans of MADS and PNN in particular the "green growth" policy.

Furthermore, the programme aims to generate specific inputs in relation to two preliminary agreements between the Colombian government and the FARC (land and rural development / illicit drugs and alternative development).

The regions which have been prioritised for peace-building in the possible post-conflict era have a very high environmental relevance, being areas in which there has historically been an absence of state presence. The lack of economic opportunities has caused poverty and allowed illegal armed groups to prey on such vulnerable people and involve them in illicit economies.

The programme focuses on priority areas in the context of rural land reform which are home to landless peasant communities. These have illicitly occupied large areas of forest land. Additionally, the Ministry of Agricultural and Rural Development, responsible for this land reform, faces many technical challenges with regard to the management of these forest reserves. Current traditional farming and agricultural practices in these areas (ca. 50% of the country’s continental territory) are not sustainable and thus alternative models respecting biodiversity will be explored.
To solve these problems environmental sustainability should be integrated in the planning and implementation of the expected territorial peace agreements. Flowing from such argument, this intervention must take into account four key areas (Results) that will be supported as follows:

- Increased Forest Governance of local environmental authorities
- Promote legal productive alternatives and green growth in sensitive environmental areas.
- Improve livelihoods of marginalised ethnic minorities living in National Natural Parks.
- Reinforce the technical and financial capacity of local environmental authorities to work in buffer zones of strategic Protected Areas in the Caribbean, Pacific and Amazon regions (complementary support).

5. IMPLEMENTATION

5.1 Financing agreement
In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, represented by the Ministry of Foreign Affairs, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period
The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the Financing Agreement.

Extensions of the implementation period may be agreed by the Commission’s authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation of the budget support component

* Rationale for the amounts allocated to budget support *

The MIP 2014-2017 for Colombia allocates EUR 53.6 million to the focal sector of Local Development. 38% thereof is to be delivered under the present budget support programme. This amount is based on a broad qualitative assessment of the following elements:

- Financing needs according to the GG / LSD policy;
- Government’s commitment to execute national budget resources (including EU budget support) in line with development strategy and objectives and to follow standard national budget procedures;
- Effectiveness, value for money and impact of the specific added value that budget support will bring in achieving the Green growth policy’s objectives;
- Policy’s implementation track record;
- Result orientation in the partner country's development strategy including a monitoring system.

The projected effect of the budget support is 4% with respect to 2015-2018 estimated sector budget of EUR 439.1 million; and 19% with respect to sector programme’s budget directly related to the GG / LSD strategy (EUR 106.84 million) and 26% of the NPP budget for the same period.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:
- Satisfactory progress in the implementation of the green growth and local sustainable development policy and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of strategic plan of the Ministry of Finance 2015-2018 to improve PFM systems;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions (indicators) for disbursement that may be used for variable tranches are the following:

<table>
<thead>
<tr>
<th>Increased forest governance of environmental authorities.</th>
<th>Indicator 1. # of benefit peasant families with the agreements of use, occupancy and tenure of the land and natural resources within SPNN protected areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved income generation opportunities for vulnerable communities by promoting “green businesses”</td>
<td>Indicator 2. Increase in the % of environmental authorities implementing “Forest Governance tools”</td>
</tr>
<tr>
<td>Improved livelihoods of ethnic minorities living in National Natural Parks and buffer areas.</td>
<td>Indicator 3. # of business promoted as 'green business'</td>
</tr>
<tr>
<td></td>
<td>Indicator 4. # of indigenous families benefiting from the implementation of sustainable economic initiatives under Special Management Regimes</td>
</tr>
<tr>
<td></td>
<td>Indicator 5. # of Afro Colombian families benefiting from the implementation of sustainable economic initiatives under agreements for the use and management of natural resources</td>
</tr>
</tbody>
</table>

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Ministry of Environment and Sustainable Development (MADS) may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorized by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Colombian Pesos (COP) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

The budget support amounts to 18 M€, and the complementary support to 2.8 M€. Variable tranches will be based on the performance of the sector policy and the targets achieved within the PAF.

<table>
<thead>
<tr>
<th></th>
<th>Year N+1</th>
<th>Year N+2</th>
<th>Year N+3</th>
<th>Year N+4</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Tranche</td>
<td>Q1</td>
<td>Q1</td>
<td>Q1</td>
<td>Q1</td>
<td>5</td>
<td>24.0%</td>
</tr>
<tr>
<td>Variable Tranches</td>
<td>3,5</td>
<td>4,5</td>
<td>5</td>
<td>13</td>
<td>20,8</td>
<td>62.5%</td>
</tr>
<tr>
<td>Complementary support</td>
<td>0,7</td>
<td>0,7</td>
<td>0,7</td>
<td>2,8</td>
<td>5,7</td>
<td>13.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,7</td>
<td>4,2</td>
<td>5,2</td>
<td>5,7</td>
<td>20,8</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
5.4. Implementation modalities for complementary support

5.4.1. Grant: direct award

“Capacity Development for Local Sustainable Development in marginalised zones in Colombia” (direct management).

a) Objectives of the grant, fields of intervention, priorities of the year and expected results

*General Objective:* Contribute to the peace-building process in Colombia through the improvement of living conditions of marginalised rural populations in environmentally sensitive areas.

*Specific Objective:* Strengthening of local capacities for the promotion of productive models in extended buffer zones which are environmentally sustainable, under priority protected areas of the Amazon, Chocó biogeographic region and the Caribbean and the Pacific coasts.

b) Justification of a direct grant

The grant will be awarded to a consortium of three research institutes: SINCHI, IIAP and INVEMAR. They have been entrusted by law with providing the MADS “technical and scientific support” in the fields relevant to this programme. Such competence is based upon Law 99 of 1993 which created these institutes with exclusive geographic and thematic responsibilities within the public National Environmental System (SINA) \(^{11}\) as follows:

- Article 18 of Law 99 of 1993 created the Institute for Marine and coastal research "Jose Benito Vives de Andreis" – Invemar
- Article 20 of Law 99 of 1993 created the Amazonian Institute for scientific research "Sinchi"
- Article 21 of Law 99 of 1993 created the Institute of environmental research of the Pacific "John von Neumann" – IIAP.

These institutes have exclusive public functions while operating under a mixed (private-public) regime with administrative autonomy. They are managed by a board chaired by the MADS.

Under the responsibility of the Commission’s authorising officer, the grant may be awarded without a call for proposals to the SINCHI Institute as leader of the consortium.

Under the responsibility of the Commission’s authorising officer, awarding a grant without a call for proposals is justified because the institutes, individually and jointly, have a “de jure monopoly” (in line with Article 190(1)(c) RAP) to provide scientific and technical support to the MADS on conservation and sustainable management of natural renewable resources in the Amazon, Chocó biogeographic region, and marine and coastal zones of the country. This monopoly has its basis in law and is exercised in practice on the Colombian territory.

Decree 1603 of 2004, regulating Law 99/93, establishes the functions of Sinchi and IIAP and entrusts them with the tasks of promoting, formulating and implementing projects of research and transfer of sustainable agricultural technology, thus contributing to the livelihoods of the population in the Amazon and Chocó regions respectively\(^{12}\). Decree 1276 of 1994 establishes the functions of Invemar in the same manner for marine and coastal zones\(^{13}\). They are the only institutions with a public mandate for these tasks.

The actions under complementary support are connected to this exclusive function. The mandates of these Institutes are fully in line with the three main results of the grant as described in section 4.2.2. and all of them have more than 20 years of specific thematic and geographic experience in these

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\(^{12}\) [http://www.sinchi.org.co/images/pdf/decreto%201603%20de%201994.pdf](http://www.sinchi.org.co/images/pdf/decreto%201603%20de%201994.pdf)

areas\textsuperscript{14}. They are the only public research institutes with permanent field presence in the selected areas and the required know-how. Their years of valid work have gained the trust of local communities and authorities and put them in the position of privileged interlocutors. These institutes are also renowned and respected within the SINA institutional network and in related institutional sectors (Ministries of Agriculture, Mining, Commerce, etc.). Only these institutes have the capacity to take forward the tasks envisaged by the grant for their unique capacity of integrating other public and community entities in the selected zones.

In addition, these research institutes have the exclusive management of the regionalised environmental information systems in the geographical areas of competences which are included in the SIAC (Environmental Information System led by MADS)\textsuperscript{15}. With the grant these institutes will generate the capacity to further decentralise such information systems and reach a subsidiary territorial level.

Finally, the three institutes have optimal administrative capabilities, and a strong expertise in programme and project management in the specific topics included in the grant\textsuperscript{16}. Furthermore, having a public budget, each institute counts with internal control offices which are also overseen by the Comptroller General’s Office.

c) Essential selection and award criteria
The essential selection criteria are financial and operational capacity of the applicant. The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

d) Maximum rate of co-financing
The maximum possible rate of co-financing for this grant is 80\% of the eligible costs of the action. The maximum possible rate of co-financing may be up to 100 \% in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the Commission in the award decision, in respect of the principles of equal treatment and sound financial management.

e) Indicative trimester to conclude the grant agreement
The grant agreement may be concluded indicatively in the first quarter of the first year after signature of the financing agreement.


\textsuperscript{15} Environmental information system for the Amazon (http://siatac.co/web/guest); Geographic information system of the biogeographic Chocó –IIAP- (http://iiap.org.co); Marine ecosystems information system (http://www.invemar.org.co/web/guest/descripcion-general-siam)

\textsuperscript{16} Investment budget 2013: Sinchi: 3,4 mio euro; IIAP: 1.67 mio euro; Invemar: 5.3 mio euro
5.5. Scope of geographical eligibility for procurement and grants
The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions:
The Commission’s authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6. Indicative budget

<table>
<thead>
<tr>
<th>Module</th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution, in currency identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Budget support – Sector Reform Contract</td>
<td>18,000,000</td>
<td></td>
</tr>
<tr>
<td>2. Complementary Support Direct grant to SINCHI and IIPA consortium</td>
<td>2,800,000</td>
<td>EUR 700,000</td>
</tr>
<tr>
<td>(direct management)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,800,000</strong></td>
<td><strong>EUR 700,000</strong></td>
</tr>
</tbody>
</table>

5.7. Performance monitoring and reporting
The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire implementation period.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

A specific amount for strengthening the Comptroller General’s Office will be earmarked in a separate measure. Additionally, several local and national citizen oversight mechanisms will be supported under the same separate measure in order to reinforce their oversight capacity of the sector public policy implementation.

5.8. Evaluation
Having regard to the importance of the action, a mid-term and a final evaluation will be carried out for this action via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to interventions required for a support to a possible post-conflict era. A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this action is considered an innovative action which can feed into the formulation of possible post-conflict support actions.
The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation will be performed, following OECD-DAC methodology, in relation to the impact of the programme. As sources of verification of the existing policy dialogue, meetings held with sector stakeholders will be documented and will serve to monitor the progress made in sectorial policy on different fronts. Missions or studies could be performed to verify the compliance with programmed targets concerning the measurement of policy performance.

Indicatively, a contract for evaluation services shall be concluded. The financing of the evaluation shall be covered by another measure constituting a financing decision.

5.9. Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded. The financing of the audit shall be covered by another measure constituting a financing decision.

5.10. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated under a separate financing agreement “Supplementary measures”.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
### APPENDIX - INDICATIVE LIST OF RESULT INDICATORS

<table>
<thead>
<tr>
<th>Intervention logic</th>
<th>Indicators</th>
<th>Baselines 2014</th>
<th>Targets 2019</th>
<th>Sources and means of verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall objective: Impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribute to overcoming the social and economic disadvantage of the marginalised and conflict affected regions of Colombia, as a means for achieving lasting peace.</td>
<td>“Protected Areas Governance index&quot; Increased.</td>
<td>74%</td>
<td>85%</td>
<td>PND</td>
</tr>
<tr>
<td>Socio-environmental conflicts in strategic areas decreased.</td>
<td>TBC</td>
<td>TBC</td>
<td>Report of Ombudsman office</td>
<td></td>
</tr>
<tr>
<td>Specific objective: Outcome</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To support local sustainable development in conflict affected and environmentally sensitive areas through the responsible use of biodiversity and ecosystems goods and services</td>
<td>Increase of sustainable production models in key sensitive socio-environmental areas like Choco corridor and Amazon region</td>
<td>TBC</td>
<td>TBC</td>
<td>TBC</td>
</tr>
<tr>
<td>% of peasant communities in Protected Areas that improves their life conditions</td>
<td>0.30%</td>
<td>10.40%</td>
<td>Reports of PNN</td>
<td></td>
</tr>
<tr>
<td>Indicators</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator 1. # of benefit peasant families with the agreements of use, occupancy and tenure of the land and natural resources within SPNN protected areas.</td>
<td>47</td>
<td>1,300</td>
<td>Reports of PNN</td>
<td></td>
</tr>
<tr>
<td>Indicator 2. Increased in the % of environmental authorities implementing “Forest Governance tool”.</td>
<td>27.5%</td>
<td>100%</td>
<td>Reports of MADS</td>
<td></td>
</tr>
<tr>
<td>Indicator 3. # of 'green businesses' promoted</td>
<td>70</td>
<td>653</td>
<td>Reports of MADS-Directorate of Ecosystems and forests</td>
<td></td>
</tr>
<tr>
<td>Indicator 4. # of indigenous families benefiting from the implementation of sustainable economic initiatives under Special Management Regimes</td>
<td>62</td>
<td>2,000</td>
<td>Reports of PNN</td>
<td></td>
</tr>
<tr>
<td>Indicator 5. # of Afro Colombian families benefiting from the implementation of sustainable economic initiatives under agreement for the use and management of natural resources.</td>
<td>48</td>
<td>1,200</td>
<td>Reports of PNN</td>
<td></td>
</tr>
</tbody>
</table>