**Public sector reform loan**

Report No: ; Type: Report/Evaluation Memorandum ; Country: Colombia; Region: Latin America And Caribbean; Sector: Public Sector Management Adjustment; Major Sector: Public Sector Management; ProjectID: P006879

Colombia: Public Sector Reform Loan (Loan 3278-CO)

The Implementation Completion Report (ICR) for the Colombia Public Sector Reform Loan (PSRL; Loan 3278-CO approved in FY91 and closed in FY95) was prepared by the Latin America and the Caribbean Regional Office. The Borrower's evaluations are included in appendices C (I) and C (ii).

The PSRL supported a reform program initiated by the Government of Colombia to (a) improve public sector productivity, through the establishment of a performance planning and evaluation system to modernize the management of autonomous public enterprises; (b) rationalize public interventions in the marketplace, through sale of public assets in non-strategic financial and industrial enterprises; and (c) improve efficiency in resource allocation and use in sectors traditionally dominated by the public sector, by initiating a process to replace public or quasi-public monopolies in the railways, ports, shipping, low income housing and agricultural marketing sectors by private providers. In addition, the program sought to introduce broader policy reforms such as using economic principles in setting prices for public services, bringing domestic prices of tradable goods in line with world prices, redirecting public investment programs to more productive expenditures on human resource development and infrastructure and serving the poor, and targeting public subsidies to the poorest group. The PSRL had two components: a quick disbursing balance of payments (BOP) supported the same program through a parallel US$305 million loan and the Japanese Grant Facility provided an additional US$1 million in technical assistance funds.

The project either met or exceeded (in ports, shipping and banking) its specific objectives. The broader policy objectives, such as price and subsidy reform and the rationalization of public investment program, were not clearly defined in the loan document and it appears that they were not pursued during project implementation.

The ICR rates the project out outcome as highly satisfactory, institutional development as substantial and project sustainability as likely. The Operations Evaluation Department (OED) agrees with these ratings with the exception of project outcome which OED rates as satisfactory. This is because in project implementation broader public sector reform objectives stated in the Letter of Development policy were overlooked. OED also rates the Bank's performance as satisfactory.

A major lesson from this operation is that the very strong commitment by the borrower to disengage the public sector from provision of goods and services which the private sector could provide more efficiently, contributed to the success of this project.

The ICR is of satisfactory quality. No audit is planned.