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PANAMA

SOCIAL ENTREPRENEURSHIP PROGRAM

**ASOCIACIÓN PARA LA PROMOCIÓN DEL SANEAMIENTO
AMBIENTAL EN COMUNIDAD (APROSAC)**

(TC-98-11-54-9)

PROPOSAL FOR TECHNICAL-COOPERATION FUNDING

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EXECUTIVE SUMMARY

Executing agency: Asociación para la Promoción del Saneamiento Ambiental en Comunidad (APROSAC)

Financing:		US\$*	EUROS
	IDB: (Non-reimbursable technical cooperation)	US\$250,000	285,000
	Local counterpart contribution:	<u>US\$250,000</u>	<u>285,000</u>
	TOTAL:	US\$500,000	570,000

Resources drawn on the European Commission Special Fund for the Financing of Microenterprise (EM). For accounting purposes, the Bank will record commitments of the financing in Euros.

* Exchange rate: US\$1.00 = 1.14 Euros as of 28 February 2002

Terms:

Execution period:	30 months
Disbursement period	36 months

Problem to be addressed: Improper solid-waste management adversely affects development potential and the quality of life. In Panama, it is estimated that 30% to 50% of all urban waste is not collected.

Local governments with centralized solid-waste management are normally faced with such problems as: (i) poor management and operations systems; (ii) chronic budgetary deficits; (iii) insufficient equipment; (iv) shortages of staff and physical infrastructure; (v) inadequate information and training; and (vi) staff that is not motivated.

To address these serious environmental problems, APROSAC, a nonprofit Panamanian institution, has come up with a comprehensive solid-waste management program (PROMIDS) that it is now implementing. The program, which is based on cost recovery and civic participation, applies market economy principles to service delivery.

The market economy approach entails the privatization of road cleaning and waste collection and transport services or the awarding of concessions for these services to private microenterprises, particularly environmental management microenterprises (MEGAs).

Objectives: The general objective of the project is to develop a strategy to decentralize municipal solid-waste collection services and to improve health and environmental conditions in communities with these services.

The specific objectives are: (i) to implement a decentralization strategy for municipal solid-waste collection whereby concessions are granted to environmental management microenterprises; (ii) to strengthen the technical and financial capacity of MEGAs so that they can operate efficiently; (iii) to generate employment by creating economic opportunities in beneficiary communities; (iv) to reduce the volume of waste deposited in the streets of municipalities where the MEGAs operate; and (v) to promote environmental care and improve the public health conditions for residents of participating communities.

Description: To fulfill these objectives, the following components have been planned:

Municipal policy agreements (US\$30,000): Under this component financing will be provided for studies and activities to disseminate information on the regulatory and legal frameworks that would enable MEGAs to operate in the selected municipalities, thus making it possible to develop and formally establish a legislative framework. As part of this component, funding will be provided for workshops to disseminate and promote the initiative in participating municipalities and the relevant central government institutions.

Feasibility and design (US\$62,000): This component will finance the design of a provincial environmental technical unit and studies to assess the economic feasibility of determining the operating capacity of each municipality served by the project. The purpose of these studies will be to examine: (i) potential user demand for the service as well as its geographical context and scope; (ii) the most efficient and most suitable mechanisms for charging for MEGA services; (iii) technical studies on the construction of sanitary landfills; and (iv) diagnostic assessments to determine the final disposal of waste and incorporate sales of recyclable material as part of the recovery service operations.

Technical assistance for MEGAs (US\$65,000): Under this component, specific technical assistance will be funded to help the

MEGAs become operationally and financially self-sufficient. Also, worker training will be provided for MEGA employees in such areas as solid waste disposal methods, work-site safety, community work, landfill management, and management training.

Environmental education (US\$20,000): This component is designed to heighten awareness and disseminate environmental information in a campaign to be carried out by community groups in all municipalities with MEGAs. These activities will make it possible to spur changes in habits and attitudes to solid waste management.

Teaching materials and workshops (US\$20,000): As part of the project, workshops will be offered to community leaders to establish operating mechanisms for the microenterprises and to familiarize them with the project. This component will also fund the printing of teaching materials for training seminars, dissemination, and awareness building on solid-waste management.

Project coordination (US\$53,000): Under this heading, a project coordinator will be hired to monitor the activities that are carried out to fulfill the project objectives. The coordinator will perform these activities for the duration of the project, thus ensuring that the final project targets are fulfilled and that the model may be replicated in other municipalities across the country. This component also includes a midterm and a final project evaluation.

Beneficiaries: The direct beneficiaries will be the employees of the MEGAs that will be operating as a result of this project. As part of the selection process, 20 municipalities have already submitted letters of interest in being considered as beneficiary communities. The indirect beneficiaries will be the estimated 30,000 residents of the participating municipalities.

Expected outcomes: This project is expected to produce the following outcomes: (i) the establishment of an efficient and sustainable solid-waste disposal and collection system in at least 15 municipalities; (ii) the creation of at least 15 environmental management microenterprises; (iii) a 50% reduction in the volume of solid waste left lying in the streets of municipalities where MEGAs operate; (iv) the strengthening of four existing MEGAs; (v) the creation of 100 permanent jobs; and (vi) the development and adoption of a decentralized environmental management model in municipalities other than those served by the project.

Environmental and social review: The Committee on Environment and Social Impact (CESI) reviewed this operation on 17 September 1999 (meeting TRG 35/99) and made recommendations on the criteria used to select the program beneficiaries and on training topics. The CESI recommendations were

taken into account in designing this operation and will be incorporated into the terms of reference for the feasibility studies and the manuals that will be produced as part of the operation.

Risks:

The project entails three major risks. The first has to do with the willingness of users to pay for this service. To minimize this risk, a mechanism will be designed and implemented in consultation with the communities involved to provide information on the benefits of the MEGAs and the improved service that will be offered to the municipalities. At the same time, APROSAC has entered into talks with the municipalities and the Instituto de Acueductos y Alcantarillados [the water and sewer utility] and they have expressed interest in implementing a mechanism, whereby the garbage collection fees will be included in water service rates.

The second risk is the lack of a municipal legislative framework that regulates the operation of the MEGAs. Such a situation jeopardizes the continuity of the cooperative model since, without the legal status to operate as public utility companies, the MEGAs will have less capacity to negotiate service contracts with municipalities as a means of protecting themselves. In addition, without a municipal legislative framework to govern the operation of these microenterprises, the employment situation of their staff will be unstable. To minimize this risk, the project will channel resources towards establishing the organizational structure of the MEGAs. The legal instruments will be a prerequisite for formally establishing the operations of the new microenterprises that will be carried out under the project.

The third risk concerns uncertainty created by the present system of municipal concessions and the vulnerability of the MEGAs to a situation where the municipalities may decide that they can do without these services and offer them instead through a municipal sanitation department, which labor under evident shortcomings, high operating costs, and are unsustainable. To minimize this risk, as a condition precedent to the first disbursement, agreements must be signed with those municipalities expressing interest in the project.

**The Bank's
country
strategy:**

This project has been designed and will be implemented in accordance with Bank policies on modernization of the State (decentralization), community participation, and cooperation with civil society and nongovernmental organizations and the environmental policy guidelines that the Bank is promoting.

Special contractual clauses:

Once APROSAC has fulfilled the general conditions contained in the technical-cooperation agreement, the Bank will authorize disbursement of the financing for the municipal policy agreement component.

As a condition precedent to disbursement of the remainder of the Bank financing for the other components, APROSAC must demonstrate, to the Bank's satisfaction, that: (i) it has signed at least ten municipal agreements authorizing the mayors to enter into technical-assistance agreements with APROSAC; (ii) it has drafted and approved the terms of reference for the consultants required in connection with project execution, in accordance with the terms and conditions previously agreed on with the Bank; and (iii) it has drafted and approved a project execution plan containing a schedule of activities, the performance indicator targets, and a baseline for comparing changes in the beneficiary group's income, in accordance with the terms and conditions previously agreed on with the Bank.

APROSAC will submit annual progress reports to the Bank within 60 days after the close of the year under review, commencing in the year in which disbursements are first made. These reports will include: (i) an update of the project execution plan and the performance indicators; (ii) information on the technical assistance provided and its quantitative and qualitative outcomes; (iii) information on the beneficiaries that have received training and the areas in which training was given; (iv) a brief report on APROSAC's contribution in cash and in kind and the contribution of the beneficiaries to the entries budgeted; (v) progress made in project environmental impact; and (vi) a project execution plan for the following 12 months. The last of these reports, which will in effect be the final report, must sum up the achievements made and the extent to which the original objectives were met.

Evaluation:

To ensure that the program is properly executed and the proposed objectives accomplished, the Bank will use the nonreimbursable technical-cooperation funding to finance two impact assessments, the first when 50%, and the other when 90%, of the resources have been disbursed. The consultants performing the evaluations will be hired and supervised by the Bank.