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PANAMA

**MULTIPHASE PROGRAM FOR SUSTAINABLE DEVELOPMENT OF
BOCAS DEL TORO – PHASE II**

(PN-L1016)

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	THE MULTIPHASE PROGRAM FOR SUSTAINABLE DEVELOPMENT OF BOCAS DEL TORO.	1
A.	Background.....	1
B.	Evaluation of Phase I.....	1
C.	Country strategy in the sector	9
D.	Bank strategy with the country and sector	9
E.	Design of Phase II.....	10
II.	THE PROGRAM	11
A.	Objectives and description.....	11
B.	Project components:.....	11
C.	Cost and financing	16
III.	PROGRAM EXECUTION	17
A.	Institutional framework.....	17
B.	Program execution mechanism by component	20
C.	Execution period and disbursement schedule	22
D.	Program monitoring and evaluation	23
E.	Financial accounting management and audit	24
F.	Procurement of goods and services	24
IV.	FEASIBILITY AND RISKS	25
A.	Institutional feasibility	25
B.	Socioeconomic and financial feasibility.....	25
C.	Environmental and social feasibility	26
D.	Benefits and beneficiaries.....	27
E.	Risks.....	27

ANNEXES

Annex I Logical framework

APPENDICES

Proposed resolution

Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/countries/home.cfm?id_country=PN&Language=Spanish
Status of loans in execution and loans approved	http://portal.iadb.org/approvals/pdfs/PNen.pdf
Tentative lending program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=PN&L=EN
Information available in the INE/RND technical files	http://idbdocs.iadb.org/WSdocs/getDocument.aspx?DOCNUM=1199199
Annex II: Procurement plan	http://idbdocs.iadb.org/WSdocs/getDocument.aspx?DOCNUM=1228554
Annex III: Executive Summary – Phase I	http://idbdocs.iadb.org/WSdocs/getDocument.aspx?DOCNUM=1202078

ABBREVIATIONS

AMP	Autoridad Marítima de Panamá [Panama Maritime Authority]
ANAM	Autoridad Nacional del Ambiente [National Environment Authority]
ARAP	Autoridad de Recursos Acuáticos de Panamá [Panama Water Authority]
AWP	Annual work plan
BFC	Bocas Fruit Company
CONADES	Consejo Nacional para el Desarrollo Sostenible [National Council for Sustainable Development]
CSOs	Civil society organizations
EBO	Executing-Beneficiary Organization
ICAS	Institutional Capacity Assessment System
IDAAN	Instituto de Acueductos y Alcantarillados Nacionales [National Water and Sanitation Administration]
IDIAP	Instituto de Investigación Agropecuaria de Panamá [Panamanian Institute for Agricultural Research]
IMA	Instituto de Mercadeo Agropecuario [Agricultural Marketing Institute]
IPAT	Instituto Panameño de Turismo [Panamanian Tourism Institute]
IRR	Internal rate of return
MEF	Ministry of Economic Affairs and Finance
MIDA	Ministry of Agricultural Development
MINGO	Ministry of Government and Justice
MINSA	Ministry of Health
MP	Ministerio de la Presidencia [Ministry of the Presidency]
NGOs	Nongovernmental organizations
PAFIs	Planes de Acción de Fortalecimiento Institucional [Action Plans for Institutional Strengthening]
PAMs	Planes de Acción Municipal [Municipal Action Plans]
PCEU	Program Coordination and Execution Unit
PDMs	Planes de Desarrollo Municipal [Municipal Development Plans]
PEC	Project Evaluation Committee
PIMs	Planes de Inversión Municipal [Municipal Investment Plans]
PORs	Program Operating Regulations
POT	Plan de Ordenamiento Territorial [Land-Use Plan]

PROJECT SUMMARY

PANAMA MULTIPHASE PROGRAM FOR SUSTAINABLE DEVELOPMENT OF BOCAS DEL TORO – PHASE II (PN-L1016)

Financial Terms and Conditions ¹				
Borrower: Republic of Panama			Amortization period:	20 years
Executing agency: Ministry of the Presidency, through the Executive Secretary of the National Council for Sustainable Development (CONADES)			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount (in US\$ millions)	%	Interest rate:	Variable
IDB (Ordinary Capital)	29.0	84	Inspection and supervision fee:	N/A
Local	5.6	16	Credit fee:	0.25%
Total	34.6	100	Currency:	U.S. dollars from the Single Currency Facility
Project at a glance				
<p>Project objective:</p> <p>The objective of the program is to foster conditions for the sustainable development of the province of Bocas del Toro by supporting activities of economic, social and environmental benefit to improve the well-being of the region's population. The purpose of Phase II is to consolidate the capacities, instruments and models created in Phase I, internalizing acquired experience and expanding investment in productive sectors and basic services to meet the medium- and long-term targets of the Sustainable Development Strategy.</p> <p>Special contractual conditions:</p> <p>(i) conditions precedent to the first disbursement: evidence that the amended Operating Regulations for Phase II of the program are in force, in accordance with terms and conditions previously agreed upon with the Bank (paragraph 3.10); and (ii) conditions during execution: the signature of interagency agreements between the executing agency and each coexecuting agency will be a condition precedent to disbursement for the sector activities pertaining to each coexecuting agency (paragraph 3.7).</p> <p>Exceptions to Bank policies:</p> <p>None.</p>				
<p>Project consistent with country strategy: Yes [X] No []</p> <p>Project qualifies as: SEQ [X] PTI [] Sector [X] Geographic [] Headcount []</p> <p>Environmental and social review: The ESR reviewed the project report at its 2 November 2007 meeting, and had no comments.</p> <p>Procurement: The procurement of works, goods and services and the selection and contracting of consulting services will be consistent with the Bank policies and procedures established in documents GN-2349-7 and GN-2350-7.</p>				

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. THE MULTIPHASE PROGRAM FOR SUSTAINABLE DEVELOPMENT OF BOCAS DEL TORO

A. Background

- 1.1 On 4 December 2002 the Bank approved the first phase of the Multiphase Program for Sustainable Development of Bocas del Toro (loan 1439/OC-PN), in support of the Provincial Sustainable Development Strategy designed through a participatory planning process and a series of sector diagnostic assessments for the region.¹ The objective of the program was to support priority activities and investments that would yield economic, social and environmental benefits and thereby foster conditions for the region's sustainable development. It focused on three lines of action identified in the strategy: (i) development of local institutions; (ii) the sustainable management of natural resources, including productive diversification and the improvement of production systems; and (iii) improvements to infrastructure and basic services.
- 1.2 The program was designed in two phases, of three and five years respectively, and Bank financing in the amount of US\$46.9 million was proposed (US\$16.9 million for Phase I and US\$30 million for Phase II). Phase I sought to strengthen the management capacity of regional and local institutions and governments as well as local civil society organizations, and to design decentralized decision-making and management instruments for the sustainable management of natural resources. Phase II has been designed to consolidate and expand the capacities built up in Phase I, and to broaden investment in the productive diversification, basic services and infrastructure components.

B. Evaluation of Phase I

- 1.3 The contract for loan 1439/OC-PN came into effect on 29 April 2003, and was declared eligible for disbursement on 9 September 2003. The Ministry of Economy and Finance served as executing agency for 2003 and 2004. With the reactivation of the National Council for Sustainable Development (CONADES) in 2004, as the body responsible for coordinating provincial sustainable development programs, the government and the Bank agreed to transfer program execution responsibilities to that entity.
- 1.4 The Project Performance Monitoring Report of October 2007 showed that more than 59% of loan funds had been disbursed and an additional 39% committed (see Table of Costs and Disbursements). This first phase is expected to be fully executed before April 2008, the date currently scheduled for the last disbursement. In May 2007 the executing agency, with Bank support, conducted a midterm evaluation of Phase I of the program, using an international consulting firm.² That evaluation examined the components' progress against the indicators established in the

¹ For a summary of sector trends in the province, see Current Situation.

² Multiphase Program for Sustainable Development of Bocas del Toro: Interim Evaluation, OTSCORP. October 2007.

program's Logical Framework (for a complete list of outcomes see the indicators of outputs and levels of compliance), the effectiveness of the execution mechanism, fulfillment of the development objectives and the triggers for Phase II, as well as lessons learned. The findings of the evaluation are summarized below:

1. State of progress with the components

a. Component 1: Strengthening of management capacity

- 1.5 Activities under this component were divided among three subcomponents: (i) strengthening local governments and the provincial government (*Gobernación*); (ii) strengthening central government institutions operating in the province; and (iii) supporting the national and international agenda to analyze joint activities with the Government of Costa Rica in the Sixaola region.
- 1.6 Under the subcomponent for strengthening local governments and the provincial government, Municipal Action Plans (PAMs) were prepared for the municipios of Changuinola, Bocas del Toro and Chiriquí Grande, focused on seven lines of action: administration, planning, financial management, project startup and maintenance, civil defense, local economic development, and the municipal environmental agenda. The administrative and financial management of those municipios was strengthened through approval and application of internal rules of procedure for the municipal governments and councils and the local and communal boards, updating of their taxation systems and their business registries, and the establishment of a league of municipios for the potential delivery of public services at the regional level.
- 1.7 To improve management capacity and, in particular, to foster participation by the community and civil society, the program included an additional structure comprising the District Committees, a Provincial Committee, and a National Steering Committee. That structure helped to create opportunities and mechanisms for community participation and served as a channel for 68 small “demand-driven” projects. While the outcomes in terms of projects and community participation are positive, the midterm evaluation found the model unlikely to be sustainable, as it represented a structure parallel to the existing institutional framework.
- 1.8 The subcomponent for strengthening central government institutions operating in the province supported the strengthening of the Regional Directorates of the National Environment Authority (ANAM), the Panama Maritime Authority (AMP), the Ministry of Agricultural Development (MIDA) and the Panamanian Tourism Institute (IPAT), on the basis of institutional strengthening action plans (PAFIs). The midterm evaluation found that 84% of investments under this component involved construction, renovation, and equipment for sector institutions. In the case of ANAM, the program helped to improve management and organization, and to raise the profile of ANAM within the community. At the AMP, employee training supplemented activities under component II, such as boat registration, the promotion of maritime safety, and the handling of concessions, thereby contributing to their sustainability. On the other hand, with respect to MIDA, the evaluation

concluded that the investments did not promote a management model that would meet the particular needs of the sector in the province, and it is impossible at this point to tell whether the strengthening activities will improve the capacity of the regional directorate to deliver services. In the case of IPAT, preparation of the PAFI was postponed because of internal restructuring, and support was limited to a training program for merchants and operators, and the supply of equipment.

- 1.9 Under the subcomponent for supporting the national and international agenda, the drinking water service in Changuinola was transferred from the Bocas Fruit Company (BFC) to the National Water and Sanitation Administration (IDAAN), as part of the transition away from the banana production model that had dominated the region's economic and social domains. Despite IDAAN's institutional and financial weaknesses, there was no alternative institution available to ensure service viability and quality. The program also supported the work plan of the Executive Secretariat of the Panama-Costa Rica Binational Commission. CONADES negotiated the integration of the two countries' power systems and supported discussions and negotiations for construction of the bridge over the Sixaola River.

b. Component II: Sustainable management of natural resources and productive development

- 1.10 Activities under this component were divided into two subcomponents: (i) natural resources and local risk management; and (ii) productive diversification.
- 1.11 The subcomponent for natural resources and local risk management served to foster an early warning culture among local actors, from the affected community to the local authorities, and this was of direct benefit to 4,000 people. The greater effectiveness of the local risk management committees was evident during the floods of early 2005. Moreover, there was an evaluation of the environmental, economic, social, legal and financial feasibility of a pilot experiment in Payments for Environmental Services, for which two demonstration sites were selected, and negotiations are now under way with local actors for putting these mechanisms into operation.
- 1.12 The subcomponent on productive diversification supported pilot projects for: (i) improving the production and marketing of plantains as an alternative crop to bananas; (ii) upgrading livestock production resources; (iii) fostering sustainable forestry practices; (iv) tourism; and (v) artisanal fishing.
- 1.13 The pilot project for plantain production was one of the main achievements of Phase I. The program pursued three lines of activity: (i) strengthening of three associations of small and medium-sized producers and business development; (ii) integrated crop management, resulting in productivity gains from 8 tons to 16 tons on 118 one-hectare plots, and an increase in net incomes of US\$1,355 per hectare per year; and (iii) marketing of the crop, for which the program supported the refurbishing of a bulking center and helped the Plantain Growers' Associations of Bocas del Toro to negotiate a contract with a multinational firm for exporting the product. A cost recovery mechanism was also instituted, and this will expand the

number of beneficiaries belonging to the organizations. The program will continue to monitor the beneficiaries in order to analyze the project's sustainability and replicability. Although the program made a start at introducing organic farming practices, this activity is pending and the project's environmental impact has yet to be estimated.

- 1.14 The pilot project for modernizing herd management systems and animal nutrition in the livestock sector was intended to enhance efficiency on 16 cattle farms, through the provision of technical assistance and appropriate technologies dealing with nutrition, management, administration and health. Discussions with MIDA resulted in a reformulation of the project based on changes in its dimensions and scope of action, given the priority placed on eradicating bovine tuberculosis. It was decided to merge this project with an initiative proposed by the Panama Agricultural Research Institute (IDIAP) for consideration under Phase II.
- 1.15 The forestry subcomponent financed studies for the Forest Management and Lumbering Plan covering 13,800 hectares in the Chiriquí Grande-Almirante zone, which produced partial information on the existing forest ecosystem, the output potential and the land tenure structure of the communities within the project's area of influence. However, the midterm evaluation concluded that the main problems of institutional management in the forestry sector were not addressed.³ These observations notwithstanding, a regional producers' association (*Asociación para el Desarrollo Agroforestal Sostenible del Atlántico*—Atlantic region association for sustainable agroforestry development) was formalized and the respective regulations were issued. Its membership includes landowners, sawmill operators and individuals engaged in the purchase and sale of wood as a means of subsistence, all of whom are willing to implement the forest management plan on their properties.
- 1.16 The quality of tourism services improved by providing training to operators. In the artisanal fishery sector, marketing networks were strengthened through organizational and administrative support to two local artisanal fishing associations. Preparation of the Coastal Waters Management Plan has been commissioned and is expected to be completed in 2008.

c. Component III: Infrastructure

- 1.17 The following investments have been or are being implemented under this component:
 - a. **The Changuinola River bridge**, which represents 50% of the loan. The midterm evaluation found that physical execution was 30% complete, and the work is expected to be finished in March 2008. There were delays in execution and cost overruns resulting from design changes and heavy rains in 2005. The original design failed to take into account the very sharp dips at the

³ In particular, ANAM's failure to propose in-depth reforms in forest resource administration, including legislation governing community and individual permits.

entrance to the bridge, which would have made it impossible to place the girders; moreover, girders of the required length are not available in the domestic market, and the company therefore proposed a new design and a new structure. The national government will supplement funding with some US\$1.5 million to cover claims submitted by the construction company (paragraph 2.23). The final cost of the bridge is estimated at US\$9 million.

- b. **Integrated solid waste management project on Isla Colón and adjacent areas.** This component financed four activities: preparation of a proposal for solid waste management on the islands of Colón, Carenero and Bastimentos; the purchase of garbage collection equipment and vehicles; and technical studies for strengthening the municipio's capacity. The project faces a problem in locating the sanitary landfill, in a context where land prices are high and local government in the District of Bocas del Toro is in urgent need of strengthening.
- c. **Project for wastewater treatment in the Chiriquí Grande wetlands.** This is a pilot project designed to introduce this technology and determine whether it is appropriate for the region. To date, there has been progress with the characterization studies and the design of the system.
- d. **Demand-driven projects.** Projects proposed by civil society were channeled and prioritized through the committees created for the program that were parallel to the existing legal structure. More than 68 project ideas were submitted, of which only 30% were deemed eligible under the established criteria. The noteworthy projects selected include: (i) strengthening firefighting capacities in Almirante and Chiriquí Grande; (ii) health training for indigenous communities in Chiriquí Grande; (iii) a foot bridge on Tigre Island; (iv) repairs to the Isla Colón facultative lagoons; and (v) reconstruction of the retaining wall of the municipal cemetery on Isla Colón.

2. Effectiveness of the execution mechanism

- 1.18 The midterm evaluation found that the execution mechanism is in the process of being consolidated, in view of the complexity of the program and the significant institutional weakness of its main actors. The evaluation presented three areas where execution could be more effective:
- a. **Coordination with line agencies.** Difficulties emerged at the start of the program with the provincial coordination mechanisms called for in the design of the operation. The execution of some activities was delayed or did not meet all the intended objectives because of their inconsistency with the priorities of the sector agencies responsible and less than full participation of these agencies throughout the project cycle.
 - b. **Participation by civil society in local decision-making.** Several projects presented by the communities, groups of producers, and other civil society organizations through the district committees were not viable for technical,

land tenure, legal, or other reasons. In addition to creating expectations, this affected execution. While the process of identifying demand-driven projects offered a good opportunity for participation, the district committees did not help strengthen existing formal structures for participation in decision-making related to municipal planning and provincial public investments.

- c. **Effectiveness of the program's planning instruments.** The design included the PAM, the PAFI, and the Strategic Institutional Development Plan as instruments for transforming conceptual objectives into concrete actions for institutional strengthening. However, the effectiveness of these instruments varied significantly, in some cases because the sector agencies lacked the diagnostic assessments and tools for setting performance targets.
- 1.19 The midterm evaluation also identified the administration of goods and services as one aspect of execution that needed to be strengthened. The workload of the specialists in the Program Coordination and Execution Unit (PCEU) was estimated by examining the amounts of the contracts signed for program execution: 44 projects in a sample of 62 projects were for less than US\$30,000, and were related to the contracting of services, works and minor purchases. Contract administration absorbed much of the PCEU coordinators' time, leaving little available to coordinate with the coexecuting agencies and to publicize program objectives in the communities.

3. Fulfillment of development objectives

- 1.20 The midterm evaluation found that the operation has partially fulfilled its objectives. The impact indicator for component I (increasing municipal revenues by at least 20%) showed highly satisfactory results. The districts of Changuinola, Chiriquí Grande and Isla Bocas increased their revenues by 21%, 186% and 449%, respectively, between 2002 and 2006. Under component II, productive development, plantain productivity in the region increased by more than 100%, exceeding the established objective. Lastly, achievement of the objectives in the infrastructure and basic services component was limited. Some delays in the works, coupled with other difficulties in prioritizing activities on the part of the coexecuting agencies and beneficiaries, meant that several important objectives were not fully met, including completion of the Rio Changuinola bridge.

4. Compliance with the triggers for Phase II

- 1.21 According to Section 8.5 of Annex A of the contract for loan 1439/OC-PN, the launch of Phase II is conditional upon meeting 80% of the targets identified as "triggers," and disbursement of at least 75% of the loan proceeds. As will be seen below, the government has met 80% of the agreed targets:

Table I-1
Activation of Phase II Triggers

Indicators	Comments
Component I: Strengthening of management capacity	
1. District Committees (CDs) and Provincial Development Committee (CDP) created and functioning with their respective rules of procedure	Fulfilled. The CDs and the CDP were created in 2003 and their rules of procedure prepared in 2004. The committees are now functioning.
2. Participating municipios have implemented administrative and financial improvements plans, and regional offices of the line ministries have implemented action plans	Fulfilled. The PAMs were implemented and municipal management has improved (paragraph 1.6). The MIDA and IPAT institutional strengthening action plans were partially implemented.
3. Urban development plans have been prepared, with proposals for implementation	Partially fulfilled. A request for prequalification bids was issued for the formulation of environmental and urban development land-use plans for the municipios of Changuinola and Chiriquí Grande. The Bocas del Toro district plan is also in the 2007 AWP, but is being handled separately.
4. An agenda has been agreed for the transfer of basic services provided by the BFC	Fulfilled. Water service in Changuinola has been transferred from the BFC to IDAAN. The central government is examining alternatives for connections to the power grid.
Component II: Sustainable management of natural resources and economic development	
1. Fishing boats registry established.	Fulfilled. As of 2005, 93 outboard motor boats that carry tourists and freight were registered in Chiriquí Grande, Almirante and Isla Cayo de Agua. They are thought to represent only 20% of the total fleet, and many of them are not up to standard. The AMP will continue registration.
2. Coastal marine management plan initiated, a carrying capacity study completed, and tourism management plan prepared and adopted.	Partially fulfilled. The coastal marine management plan is being prepared. The carrying capacity studies are included in the land-use plans (POTs). The tourism management plan is included in the Sustainable Development Strategy now being updated.
3. Four pilot projects in agriculture, forestry and fishing adopted and implemented initially.	Fulfilled. The plantain pilot project is nearing completion, and projects are under way in forestry, livestock and fishing.
4. Mechanisms to pay for environmental services have been identified, with proposals for their implementation.	Fulfilled. The implementation and legalization phase for the proposed mechanisms is currently being prepared.
Component III: Basic services and transportation infrastructure	
1. Two sanitation pilot projects have been adopted and are under way.	Fulfilled. Initial implementation completed for: (i) pilot project for solid waste collection and disposal on Isla Colón, Carenero and Bastimentos (paragraph 1.17(c)); (ii) bidding process completed for wastewater treatment using wetlands in Chiriquí Grande.
2. Infrastructure preinvestment and investment projects have been prioritized, designed and launched by the local and regional planning system.	Fulfilled. Studies, design and construction have been tendered for improvement of the water supply systems in Chiriquí Grande, Punta Peña and Rambala and the water and sewage systems on Isla Colón.

5. Recommendations

- 1.22 Initiation of Phase II is recommended, in light of the following considerations: (i) 80% of the triggers established in operation 1439/OC-PN have been activated; (ii) while disbursements to date have fallen short of the agreed percentage, 59% of loan proceeds have been disbursed and an additional 39% committed; (iii) there has been significant progress in terms of the operation's outputs and development objectives; and (iv) program completion is expected by April 2008, the date currently scheduled for the last disbursement.

6. Lessons learned from Phase I

- 1.23 The midterm evaluation of operation 1439/OC-PN offers some important lessons, which have been taken into account in the design of Phase II. They are summarized below:
- a. **The sector activities included in sustainable development programs must be consistent with national policies and strategies for the sector.** Unless there is a close link between the investments planned at the subnational level and the sector strategy pursued by the national authorities, those investments may interfere with the sector strategic objectives. The Sustainable Development Strategy took into account the objectives of the government's policies and was formulated through a participatory process that included representatives of civil society, national and provincial institutions, and the business sector. It is important that the Phase II projects reflect the sector policies and standards of the coexecuting agencies.
 - b. **Sustainability is enhanced by involving sector agencies in project management under regional sustainable development programs.** The execution mechanism for those programs must provide for active participation by the national agencies directly responsible for the activities included in them. Their involvement should begin at the planning stage and continue through approval, tendering, technical supervision, evaluation, and operation and maintenance. This will guarantee an institutional commitment at the central level to ensure the sustainability of the investments. The execution mechanism for Phase II includes participation by national and local coexecuting agencies throughout the project cycle.
 - c. **Civil society participation in these programs must be channeled through legally established mechanisms.** The program's parallel execution structure, involving the district committees and the provincial development committee, did not produce the desired results because: (i) the effectiveness of the existing mechanism in the provincial political-administrative government was not properly assessed; (ii) it did not achieve the desired participation, and it did not meet the objective of involving the communities effectively as partners in decision-making; and (iii) it did not ensure long-term

sustainability. This parallel structure will be eliminated in Phase II, and civil society participation will be institutionalized and integrated into the country's existing institutional structure.

- d. **Regional investments in infrastructure and basic services under sustainable development programs must meet criteria of efficiency and feasibility and serve to support improved productivity and competitiveness, promote social equity, and mitigate any environmental impacts that these investments might have.** The works must be considered priorities on the basis of a sector strategy that includes validation by local communities, a focus on the poorest groups, and complementarity with other sectors. They must also meet specific criteria of technical, economic, environmental and financial feasibility. The projects must be coupled with institutional strengthening for the agencies that will administer the systems, to ensure that they are properly operated and maintained. In Phase II, investments in basic services and infrastructure will be subject to these criteria, and supported by institutional strengthening activities for the operation and maintenance of these works.

C. Country strategy in the sector

- 1.24 The Sustainable Development Strategy for Bocas del Toro reflects a policy of the Government of Panama to strengthen regional and local institutions over the short, medium and long runs, and to rationalize public investment and encourage private sector participation. Over the medium term, the success of this policy will depend on overcoming four major challenges: (i) accelerating sustainable growth through new productive alternatives; (ii) reducing poverty; (iii) protecting the area's natural wealth and cultural heritage; and (iv) improving efficiency in the production of public goods. To this end, the government is working with a territorial model developed with Bank support⁴ as its national sustainable development platform, combining regional objectives with the government's long-term goals and building a participatory "bottom-up" planning approach into interagency coordination schemes.

D. Bank strategy with the country and sector

- 1.25 This operation is consistent with the country strategy (document GN-2385-1), the central objective of which is to support sustainable economic growth and poverty reduction by: (i) boosting the economy's competitiveness; (ii) developing the country's human and productive capital; and (iii) strengthening governance and transparency. This operation also maintains complementarity and synergies with other Bank-financed programs, in particular those seeking to support decentralization, enhance the country's competitiveness, and promote the rural

⁴ Sustainable Development Programs for Chiriquí (1768/OC-PN), and Darién (1160/OC-PN).

tourism sector.⁵ While those programs seek to promote production initiatives, trade development, and strengthening of the sectors mentioned through structural changes and modernization of the central policy framework, the Bocas del Toro operation will ensure the sustainability of national economic development objectives in the territory by creating the conditions to strengthen and broaden the local competencies of municipal governments and other important actors.

E. Design of Phase II

- 1.26 Phase II of the program will build upon the activities begun in Phase I, with a specific focus on the institutional, financial and environmental sustainability of economic development processes in the province, in light of lessons learned from Phase I. Consistent with the requirements of multiphase programs, and to ensure continuity in execution, the scope of the program established in Phase I will be adjusted to place greater emphasis on production-oriented activities and basic services, and on consolidating provincial government capacity. In addition, existing opportunities will be seized to reinforce synergies between the executing agency and the participating national sector agencies, thereby contributing to the sustainability of the investments planned under the program.
- 1.27 Support under component I will focus on three strategic lines: strengthening civil society as an active participant in planning and identifying needs; strengthening municipal capacities for environmental management and planning; and consolidating provincial coordination processes. Complementarity will be sought, so that the newly strengthened provincial units will contribute to the sustainability of the production-oriented and water and sanitation sector investments.
- 1.28 Component II will provide further support for productive diversification and the agribusiness capacity of producers, following the integrated model introduced in Phase I, but placing greater emphasis on the economic viability of proposals. For natural resource management, ANAM policy guidelines will be implemented for developing new management models in natural areas (protected areas and watersheds).
- 1.29 A major challenge in Phase II of the program will be to meet the growing demand for basic services and infrastructure, while addressing the weaknesses of the institutions responsible for those services. The program will foster institutional reform or strengthening in the water and sanitation sector, where the administrative and operating capacity of the regional office of IDAAN and the rural water boards is limited. The program will ensure local community participation and complementarity with other sectors such as tourism. The program will address areas

⁵ Other Bank programs with an impact on the province include: National Land Administration Program (PRONAT) (loan 1427/OC-PN); Municipal Development and Decentralization Project (loan 1522/OC-PN); Program to Foster Competitiveness (loan 1410/OC-PN); Strengthening the Management Capacity of the Panama Maritime Authority for Integrated Coastal Management (loan 1724/OC-PN); Integration Corridor Improvement (Puebla-Panama Plan) (loan 1468/OC-PN); Modernization of Environmental Management for Competitiveness (PN-L1013).

with tourism potential as well as the poorest localities of the province that are not being served by other government programs.

II. THE PROGRAM

A. Objectives and description

- 2.1 Phase II of the program has the same goal as the first phase: to foster conditions for the sustainable development of the province of Bocas del Toro by supporting actions of economic, social and environmental benefit to improve the well-being of the region's population. The purpose of Phase II is to consolidate the capacities, instruments and models created in Phase I, internalizing acquired experience and expanding investment in productive sectors and basic services to meet the medium- and long-term targets of the Sustainable Development Strategy.
- 2.2 The specific objectives of Phase II are: (i) to strengthen local and provincial management capacities and institutionalize participation by civil society in making decisions for sustainable development; (ii) to promote effective models for managing natural resources and help diversify the productive sectors in line with the region's potential; and (iii) to improve access to public services and infrastructure and their quality, efficiency and sustainability. Annex I summarizes the indicators proposed for measuring achievement of these objectives during Phase II.

B. Project components:

- 2.3 The program will maintain its original three components: (i) strengthening of institutional management capacity; (ii) sustainable management of natural resources and productive development; and (iii) improvement of basic services and infrastructure.

1. Component I. Strengthening of institutional management capacity (US\$5.5 million)

- 2.4 The program will strengthen the legally established structure to consolidate channels of participation in program planning, management and evaluation, and will ensure that local and provincial institutions have the wherewithal to exercise coordinated leadership of the region's sustainable development process. The program will also seek to generate a critical mass within civil society with access to participation tools and with the capacity to present and carry out local development projects. Activities under this component will take place at two levels: local and provincial.
- 2.5 At the **local level**, the program will support activities of benefit to civil society and municipal governments. These include diagnostic assessments and selection of the civil society organizations to be benefited as well as organizational and project management assistance and training for the organizations with the highest potential for developing business management capacity. The component includes extension programs and technical assistance to strengthen the governance of micro, small and

- medium-sized enterprises and promote their productive and environmental activities in the province. An integral part of this loan operation is to engage and strengthen the rural water and sanitation boards in beneficiary communities.
- 2.6 For local governments—local and communal boards and municipal governments and councils—the program includes: (i) assistance, training and technical support for mayors and members of the three municipal councils on how to use the planning tools developed in Phase I (or now being formulated)—including the Municipal Development Plans (PDMs), the Municipal Investment Plans (PIMs), the Land-Use Plans (POTs)—and on their responsibilities—including the delivery of public services—in the context of decentralization; (ii) technical assistance to follow up on the municipal administrative and financial management strengthening activities, including an Integrated Management System for each municipality; (iii) design and construction of small priority works identified in the PDMs, PIMs and POTs approved by the municipal councils, where the individual value does not exceed US\$200,000; (iv) purchase and installation of basic communication equipment and tools, such as a municipal website for disseminating approved plans and regulations; and (v) a mechanism for establishing and operating a special decentralized environmental fund for the Municipality of Bocas del Toro, as an activity that will complement the Modernization of Environmental Management for Competitiveness Program (PN-L1013).
- 2.7 At the **provincial level**, the component will focus on strengthening intergovernmental coordination; promoting decentralization and deconcentration of responsibilities and the transfer of budget resources from the central to the local levels; and supporting processes and mechanisms to increase the province's financial and operational capacity and strengthen its capacity to implement national sector policies.
- 2.8 This component includes: (i) the design or update, as necessary, of the PAFIs for the program coexecuting agencies (MIDA/IDIAP, IDAAN, the Ministry of Health (MINSA), ANAM, the Panama Water Authority (ARAP), AMP, IPAT, the Ministry of Economic Affairs and Finance (MEF), and the Ministry of Government and Justice (MINGO)), stressing their functions under the Sustainable Development Strategy; (ii) strengthening of and advisory support for the MEF, as Technical Secretariat of the Technical Board, and MINGO, as the lead agency for matters related to local governments; (iii) preparation or update of diagnostic assessments of the Technical Board and the Provincial Council, focusing on their responsibilities under Panamanian legislation governing the public sector; (iv) the design and implementation of a system for formulating, monitoring and evaluating the Annual Work Plans (AWPs) and the provincial budget; and (v) preparation of manuals and operating regulations for the Technical Board's support unit. On the basis of these studies, technical assistance and training will be financed to support implementing the procedures, as well as manuals of functions and positions, and information technology systems for the regional offices of the coexecuting agencies, the Technical Board and the provincial government. Technical support

will be supplemented with (i) the purchase of basic computer and communications equipment, and (ii) improvements to physical facilities to ensure the operation of the services delivered. Lastly, as a crosscutting activity for all components, the program will include a local and provincial communications strategy.

2. Component II. Integrated management of natural resources and productive development (US\$8.4 million)

- 2.9 Activities under this component are divided into two subcomponents: (i) promoting production-oriented initiatives; and (ii) managing public goods.

a. Promotion of production-oriented initiatives

- 2.10 The subcomponent will operate as a fund (hereinafter “the Fund”) for cofinancing economically viable productive activities involving natural resources, agricultural diversification and ecotourism, in order to establish a solid economic base for the local population, improve their incomes, and at the same time support activities compatible with sustainable natural resource management. Component I includes funds for organizational activities and training for the Executing-Beneficiary Organizations (EBOs) through which projects will be executed. Together with the productive projects, financing will be provided for applied research activities directly related to the projects, to be contracted out to public agencies responsible for the productive sectors.
- 2.11 In the case of ecotourism projects, initially only projects in areas related to training small tourism operators and developing business plans will be considered. Once the results of the update of the Sustainable Development Strategy, which includes a provincial tourism development strategy, and other studies under way⁶ are in hand, investment projects consistent with the strategic guidelines of the sector and using the financing rules agreed upon in the context of these studies may be considered.
- 2.12 With program resources and through the Fund, up to US\$2,500 per beneficiary will be financed, an amount that may be increased to US\$3,000 if more than 90% of the beneficiaries are classified as poor. Farmers who own or work up to 50 hectares of pasture or cropland that do not involve the use of modern methods, artisanal fishermen, and fishing communities will be eligible to receive moneys from the Fund. The Fund will pay for: (i) up to 100% of inputs, materials, and tools used in the productive process; (ii) up to 100% of technical assistance; (iii) up to 70% of off-farm or association-related capital investments (and up to 100% when more than 90% of the beneficiaries are poor); (iv) up to 100% of small individual investments for small-scale agricultural processing; and (v) up to 100% of monitoring and final evaluation costs. It will not finance the costs of labor, land, working capital or farm machinery or equipment for mechanized harvesting or tilling. The projects will require beneficiaries to repay the funds to the EBOs,

⁶ Including technical cooperation operation PN-T1033, which the Bank financed to prepare the rural tourism development project (PN-L1006).

provided this does not bring the internal financial rate of return for the beneficiaries to less than their opportunity cost of capital.

b. Management of public goods

- 2.13 The subcomponent includes projects to demonstrate participatory models for managing public goods, with a view to conserving biodiversity and promoting its sustainable use, improving the management of water resources, and reducing vulnerability to natural disasters. Investments are divided into three categories: (i) conservation of protected areas; (ii) integrated watershed management; and (iii) local risk management.
- 2.14 **Protected areas.** The program will finance pilot projects in which local actors, such as government organizations and local environmental nongovernmental organizations (NGOs), will take responsibility for conservation of the protected area under comanagement agreements with ANAM. The following activities will be financed: (i) rapid ecological assessments, using a participatory methodology and applied research directly related to conservation of the protected area; (ii) technical assistance for preparing environmental management plans; (iii) equipment for ecological monitoring; and (iv) up to US\$100,000 in small works and improvements for developing the protected areas (control posts, paths, bird observation towers, wharves, among others). The San San Pond Sak wetland and the Palo Seco protected forest have been selected as pilot projects, on a preliminary basis.
- 2.15 To promote practical experiments in **integrated management of watersheds** critical to the region's development, the program will finance, under agreements with user groups: (i) baseline studies on the current and potential use of land, conflict of use, and water resources; (ii) studies and technical assistance for producing management plans for watersheds prioritized by ANAM; (iii) training for the establishment of local watershed committees; and (iv) watershed conservation and restoration activities. The watersheds selected on a preliminary basis are: Mimitimbi (the source for the Isla Colón water systems); the Uyama River (the most degraded watershed of the Palo Seco protected forest); and watersheds connected to rural water supply systems in poor, indigenous-majority communities given priority by MINSA, ANAM, and the beneficiary communities.
- 2.16 Building on experience in **local risk management** in the Changuinola River watershed, the subcomponent will provide funding in 12 communities (15,000 people) along the banks of the Sixaola River for (i) the design of an early warning system; (ii) the purchase and installation of rainfall measuring equipment; and (iii) training in system operation.

3. Component III. Basic services and infrastructure (US\$16.8 million)

- 2.17 This component will address the public service and infrastructure needs of the population in the province. Water, sewage and solid waste projects will expand

- access to services, improve their quality, enhance the efficiency of the agencies delivering them, and ensure the sustainability of services.
- 2.18 **Basic services.** The strategy gives priority to meeting the most urgent needs such as the shortfall in service coverage, poor water quality, supply interruptions, and problems related to pollution of bodies of water receiving sewage. To support strategy implementation a study will be performed in which, based on a sector diagnostic assessment included as part of the Sustainable Development Strategy, the province's most pressing needs that the program could address would be identified, bearing in mind its financial limitations and other government activities or plans, especially those targeted at rural communities (such as the program with the World Bank, PRODEC, FIS, and MINSA).
- 2.19 This study will cover both rural and urban (with more than 1,500 inhabitants) communities and will address the following aspects, among others: (i) a sector diagnostic assessment of the current status of basic services in the province, and establishment of investment priorities; (ii) plans for strengthening the regional office of IDAAN, the participating rural water management boards, and (as appropriate) the regional office of MINSA, which normally provides assistance for the rural water systems; (iii) studies of operation and maintenance mechanisms; and (iv) technical, socioeconomic and environmental feasibility studies of projects identified as priorities. The investment projects in the communities considered priorities will be prepared in sufficient detail so that tenders for the works can be called together with those for the final designs. Phase I funds are being used for studies in four of these localities (Chiriquí Grande, Isla Colón, Rambala and Punta Peña).
- 2.20 The study mentioned above will develop specific proposals for institutional strengthening to ensure that facilities and equipment financed by the program are properly operated and maintained (preventive and routine maintenance). Those proposals will cover the IDAAN regional office, which is now responsible for operating the urban systems as well as the water management boards in rural communities. The program will in this way support institutional strengthening measures to ensure that this aspect receives proper attention.
- 2.21 Depending on the outcome from the sector study, strengthening measures may include such actions as developing the most effective form of organization, updating the users registry, updating the networks cadastre, modernizing accounting systems, developing a rate schedule for the rural water systems, improving metering and billing procedures, improving collection, procuring and installing master and household meters, creating leakage control programs, formulating staff training plans, and conducting user education and communication programs. In the case of IDAAN, the study will propose specific measures for improving the financial and business situation of the regional office in the province or alternative service operators.

- 2.22 The component will finance: (i) projects resulting from contracts tendered by the executing agency with resources from Phase I, provided the studies demonstrate the economic, environmental and institutional feasibility of proposed interventions; and (ii) projects identified as priorities by the sector study mentioned above and that come out of the planning processes that are feasible from the technical, economic, financial and environmental viewpoints. Consideration will also be given to including cost-effective solid waste management systems, especially projects for recycling and final disposal in municipal or intermunicipal sanitary landfills.
- 2.23 Other infrastructure. The component will also finance, from the local counterpart contribution, any cost increases associated with design changes for the Changuinola River bridge (see paragraph 1.17a). The new design contains a structural solution that is adapted to the conditions of the river (where water levels can rise sharply and wash away much of the riverbed) and that will have a minimal impact on the course of the stream.

C. Cost and financing

- 2.24 The total project cost is US\$34.6 million. The Bank will finance US\$29 million from the Ordinary Capital resources, while the national government will make the local counterpart contribution of US\$5.6 million. The distribution by investment category and source of financing is detailed in the following table.

Table II-1
Cost Table and Financing Structure (US\$ millions)

Investment category	IDB	Local	Total	%
I. Administration and supervision	1.6	1.1	2.7	8.0
1. Program Coordination and Execution Unit (PCEU)	1.3	0.6	1.9	5.0
2. Audits and evaluation	0.3	0	0.3	1.0
3. Funds administration	0	0.5	0.5	1.0
II. Direct costs	26.9	3.8	30.7	89.0
1. Strengthening of management capacity	5.1	0.4	5.5	16.0
2. Sustainable management of natural resources and productive development	7.0	1.4	8.4	24.0
3. Basic services and infrastructure	14.8	2.0	16.8	49.0
III. Unallocated	0.5	0.6	1.1	3.0
1. Contingencies	0.5	0.6	1.1	3.0
IV. Financial costs	0	0.1	0.1	0.0
1. Credit fee	0	0.1	0.1	0.0
2. Inspection and supervision	0	0	0	0.0
Total program	29.0	5.6	34.6	100
Percentage	84.0	16.0	100.0	

- 2.25 The Program Administration and Supervision category (US\$2.7 million) covers the following costs: (i) the PCEU, with staff, equipment and resources to operate for the five years of Phase II (US\$1.9 million); (ii) audit and evaluation activities (US\$0.3 million); and (iii) costs related to the administration of funds by a management entity (US\$0.5 million).

III. PROGRAM EXECUTION

A. Institutional framework

1. The borrower and the executing agency

- 3.1 The **borrower** will be the Republic of Panama and the **executing agency** will be the (“Ministry of the Presidency” (MP), through the Executive Secretariat of the National Council for Sustainable Development (CONADES) and its Program Coordination and Execution Unit (PCEU), with the sector ministries and institutions participating as coexecuting agencies for the program.

2. Program administration

- 3.2 As the executing agency, the MP, through the CONADES Executive Secretariat and its PCEU, will be responsible for coordination, general administration, financial and accounting management, and program monitoring and evaluation. The coexecuting agencies will support the executing agency in the preparation of bidding documents, technical supervision, reporting, and operation and maintenance of the investments under their responsibility. Subnational councils will guarantee social participation in the planning process and will harmonize activities at the provincial and municipal levels.

a. CONADES

- 3.3 CONADES has the installed capacity at the central level to provide administrative, financial and technical support and to monitor and evaluate all programs under its responsibility. This entity is currently implementing other sustainable development programs financed by the Bank, and has ample experience in administering programs of this kind.
- 3.4 The principal functions of CONADES under the Bocas del Toro program are: (i) to coordinate among the different central government sectors and agencies involved so as to ensure that program targets are met based on the areas of responsibility identified by each sector; (ii) to oversee compliance with the contractual clauses established in the loan contract and the agreements signed with the coexecuting and beneficiary agencies; (iii) to provide technical support for the local governments, Technical Board and communities in formulating and monitoring eligible projects; and (iv) to encourage the dissemination of experience and lessons learned about sustainable development programs. In addition, CONADES will supervise the goods and services procurement processes as well as payments under program contracts, once the relevant coexecuting entity has signed off; it will approve the budget included in the AWP; it will prepare the consolidated monitoring reports

(including the consolidated Annual Work Plan) and the evaluation reports required for submission to the Bank and will make them available to the public; and it will ensure the program's accounting and financial management (paragraphs 3.25 and 3.26).

- 3.5 CONADES will perform its tasks through its Executive Secretariat, which has a team at the central level comprising professional planning, monitoring and evaluation, finance and administration, and legal staff. It will be supported by a Program Coordination and Execution Unit for the Bocas del Toro Program, located in the province (PCEU), which will report directly to the Secretary. The PCEU comprises an executive director, two professional staff who will coordinate the three components of the program, and technical and administrative support staff. During Phase II, the PCEU will be strengthened in the following areas, with support from the program: (i) planning; (ii) procurement and contracting; (iii) productive sectors; and (iv) water and sanitation.

b. Coexecuting agencies

- 3.6 The National Environment Authority (ANAM), the Panama Water Authority (ARAP), the Panamanian Tourism Institute (IPAT), the Ministry of Agricultural Development (MIDA), the Panamanian Institute of Agricultural Research (IDIAP), the Agricultural Marketing Institute (IMA), the National Water and Sanitation Administration (IDAAN), the Ministry of Health (MINSa), the Ministry of Economic Affairs and Finance (MEF), the Ministry of Government and Justice (MINGO), and the local governments of the region will serve as coexecuting agencies for the program. Table III-1 shows the area of responsibility of each of these agencies. Their tasks will be to: (i) devise, review and clear, together with the PCEU, the terms of reference, before publication, and to participate in the bid evaluation commissions; (ii) perform technical and environmental supervision of the investments, as well as periodic inspections of works and monitoring of their operation and maintenance in accordance with generally accepted technical standards; (iii) prepare the monitoring reports for activities under their responsibility; and (iv) where projects financed by the program involve user fees, ensure that they produce at least sufficient revenue to cover operating costs, including those related to administration, operation, maintenance and (to the extent possible) depreciation. They will also be expected to participate as members of the Technical Board, in preparing and building consensus around the AWP, jointly with the PCEU.

Table III-1
Role of the coexecuting agencies

Ministry/Agency	Areas of responsibility under the Program/Subcomponents
ANAM	Natural resource management (Subcomponent II)
IPAT	Sustainable tourism (Subcomponent II a)
MIDA/IDIAP/IMA	Productive diversification (Subcomponent II a)

Ministry/Agency	Areas of responsibility under the Program/Subcomponents
ARAP	Management of coastal marine resources (Subcomponent II a)
IDAAN	Water and sanitation services (Isla Colón, Carenero, Guabito and Almirante) (Component III).
MINSA	Water and sanitation services (rural systems) (Comp. III)
MEF	Guidance to institutions on formulating and monitoring investment budgets and including program supports (Comp. I, II and III)
MINGO	Implementation of PDMs and PIMs (Comp. I)
Local governments	Implementation of the POT, PDM, PIM (Comp. I)

- 3.7 The responsibilities of each coexecuting agency vis-à-vis the executing agency for execution of the activities in its jurisdiction will be formalized in a bilateral agreement. A work plan and budget will be prepared for putting these interagency agreements into effect jointly with participants. Signature of the agreements between the executing agency and each coexecuting entity will be a condition precedent to disbursement of the resources related to the sector activities of each coexecuting agency.
- 3.8 The coexecuting agencies will implement their activities through their provincial offices. Before activities begin, each agency will assign at least one professional to serve as technical liaison.

c. Provincial Council, Technical Board and Municipal Councils

- 3.9 In order to consolidate participatory planning in the interagency coordination schemes, CONADES will rely on existing entities of the Panamanian public administration, which will also receive attention under the institutional strengthening component of the program. Those entities include:
- The Provincial Council**, comprising representatives of the *corregimientos* [administrative subdivisions of the districts], the mayors and the provincial government, will promote, coordinate and harmonize official activities at the provincial level, and will see to the promotion, coordination and consensus-based approval of the program AWP.
 - The Provincial Technical Board**, comprising technical directors from the sector institutions or agencies, will be responsible for: (i) ensuring that investment initiatives are consistent with sector regulations and specifications; (ii) consolidating and coordinating the program AWP, based on the projects given priority; (iii) overseeing the monitoring and execution of the AWP; and (iv) reviewing the program's annual reports and financial statements and submitting them to the Provincial Council.
 - The municipal councils**, comprising all the representatives of *corregimientos*, will be responsible for: (i) keeping the community fully informed and consulted, through the communal and local boards; (ii) presenting priority projects to the PCEU for consideration in preparing the AWP; and

(iii) participating, together with the mayor, in monitoring the projects in their district.

- d. **Communal and local boards**, comprised of all the representatives of the *corregimientos* and members of the community, will be responsible for prioritizing the projects submitted by the communities to the PCEU.

B. Program execution mechanism by component

- 3.10 Program administration will continue to be governed by the Program Operating Regulations (PORs), which include rules and procedures for executing the components and the program. The PORs were revised and updated to incorporate lessons learned from Phase I. The annexes to the PORs include guidelines for commissioning technical assistance studies and infrastructure works, and drafts of the interagency agreements and models of the specific project agreements. The PORs also detail execution mechanisms by component, as summarized in the following sections. As a condition precedent to the first disbursement of the loan, MP/CONADES will submit evidence that the amended PORs are in force for Phase II of the program, in accordance with terms and conditions previously agreed upon with the Bank.

1. Component I. Strengthening of institutional management capacity

- 3.11 The PCEU will hire consulting firms or NGOs with experience in the region to carry out the activities of this component at both the local and provincial levels.
- 3.12 For the small works identified in the Sustainable Development Strategy, and the approved PDMs, PIMs and POTs, the municipios concerned will prepare and present the project profiles to the PCEU for analysis. The PCEU will evaluate the projects on the basis of the following criteria: (i) they must be included in the plans approved by the municipal or provincial council; (ii) they must bear directly on the specific objectives of the program and must be eligible according to the categories defined in the PORs (urban development and improvement of public spaces, delivery of public services, environmental management); (iii) they must be feasible from the technical, financial, institutional and environmental viewpoint; and (iv) they must include a municipal contribution of at least 10%.

2. Component II. Integrated management of natural resources and productive development

a. Promotion of production-oriented activities

- 3.13 Execution of this component will be guided by the Fund's operating regulations, which will be part of the PORs. Those regulations were prepared jointly with the executing agency in light of the outcomes from Phase I and the Bank's experience with similar projects. The main actors involved in the projects are: (i) project evaluation committee (PEC); (ii) the PCEU; (iii) the Executing-Beneficiary Organizations (EBOs); and a project advisor (PA).

- 3.14 The PEC will have five members, two from the executing unit and three from the related sector agencies. Its primary function will be to approve the initial applications submitted by the EBOs, to recommend preparing project profiles and feasibility studies, and to recommend to the Technical Board that it finance the projects when they meet the basic conditions. The PCEU will handle all promotion, management and supervision activities of the project cycle. For complex projects, the PCEU may hire a technical specialist to evaluate specific aspects, using Fund resources.
- 3.15 The EBOs are organizations of producers and/or fishermen who will be the final beneficiaries of the projects, and will act as executing agencies for the projects. These organizations will have to be tasked with executing some of the production, processing or marketing activities for the goods covered by the project. They will present the projects and execute them once they are approved, to which end they will sign an agreement with the PCEU. When an EBO has demonstrable experience in the financial management of support and bank credit, the program may provide support in cash.
- 3.16 The PA is an expert from the coexecuting agency, an advisor or a firm with specialized technical knowledge in the productive activities supported by the project, and in the processing and marketing of products. The PAs will be contracted by the project or by the EBOs. They will have specific terms of reference for each project, and a part of their remuneration will be based on results.
- 3.17 The subprojects will be handled in four stages: (i) identification; (ii) profile; (iii) feasibility; and (iv) execution. They will be identified by the government sector agencies, the local governments, the EBOs, or by means of planning studies being conducted,⁷ and the EBOs will present them to the PCEU. The initial presentation will be done in the form of a short outline that must be approved by the PEC. Preparation of project profiles may be financed by the Fund, using specialized firms or consultants hired by the PCEU, once the PEC has approved the project outline. The standard contents of the profiles are included in the PORs. The PEC will be responsible for approving the profiles and verifying that the project meets the program's eligibility criteria. The maximum amount that will be financed for preparing the profile will be US\$7,500. The feasibility study for the projects may be financed by the program, and will be commissioned by the PCEU once the respective profile has been approved and the Bank's no objection secured. The cost of a feasibility study to be financed by the program must not exceed 7.5% of the project investment, up to a ceiling of US\$25,000 per study. The study must demonstrate the technical, environmental, economic and financial feasibility of the project and its sustainability after program support is removed. The project will be

⁷ The Bank is financing technical cooperation operation PN-T1034, the objectives of which are: (i) to identify and develop opportunities for promoting the export of nontraditional products from Bocas del Toro; and (ii) to strengthen the capacity of producers' organizations to penetrate international markets.

approved by the PEC if the study shows that it meets all the program eligibility criteria and is consistent with the policies of the respective sector authorities.

b. Management of public goods

- 3.18 Activities under this subcomponent will be carried out under the corresponding agreement and work plan to be signed between CONADES and ANAM. The four stages described above will apply to the processing of these projects (see paragraph 3.17). Projects identified in the approved management plans will be submitted to the PCEU by local environmental groups and grassroots organizations, and will be selected in accordance with eligibility criteria set out in the PORs for Phase II of the program. For projects involving comanagement of protected areas and integrated watershed management, ANAM will sign specific project agreements with the NGOs and grassroots organizations. These agreements will establish responsibilities for project execution and monitoring, including operation and maintenance of works financed by the program. Specialized firms or agencies will also be contracted for participatory rapid ecological assessments, biological research on vulnerable species, the preparation of management plans, and early warning systems for natural hazards.

3. Component III. Basic services and infrastructure

- 3.19 Activities under this component will be implemented in two sequential stages. During the first stage, the strategic sectors study referred to above will be carried out (see paragraphs 2.18 to 2.21). The projects resulting from the contracts already awarded by CONADES would also be financed (see paragraph 2.19). The latter will be eligible for financing if the studies under way demonstrate the technical, economic, environmental and institutional viability of the proposed interventions.
- 3.20 The second stage will involve institutional strengthening activities and the contracting of works for viable projects that are considered priorities according to the recommendations from the sector study and the planning instruments. Projects in localities for which IDAAN is responsible will be reviewed and approved by that body, according to the guidelines set out in the respective interagency agreement (see paragraph 3.7). For rural communities, the regional office of MINSA may provide technical and administrative assistance during program execution, according to the recommendations of the sector study. Otherwise, the program may hire specialized consulting firms to provide this support to the Administrative Boards or other bodies for the projects financed by the program.

C. Execution period and disbursement schedule

- 3.21 Given the nature of the works to be executed and the installed capacity in MP/CONADES for executing the planned works and activities, an execution period of five years is planned. Loan proceeds will be disbursed as stipulated in the respective contract. The tentative schedule of disbursements is presented in Table III-2:

Table III-2
Project disbursement schedule (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Bank	7.0	9.0	7.0	4.0	2.0	29.0
Government	1.0	1.6	1.0	1.0	1.0	5.6
Total	8.0	10.6	8.0	5.0	3.0	34.6
Percentage	23%	31%	23%	14%	9%	100%

D. Program monitoring and evaluation

- 3.22 MP/CONADES will monitor and evaluate the program and prepare the respective reports for examination in the monitoring meetings. CONADES has an Evaluation, Monitoring and Information System at the central level to prepare these reports for all the projects it administers. The system contains three subsystems: (i) one for monitoring projects and their activities under the program; (ii) one for evaluation and control; and (iii) one for dissemination and information.
- 3.23 The executing agency will prepare and send to the Bank within 60 days after 30 June and 31 December of each year a semiannual progress report on activities by project and component according to the AWP, their financial execution, and an update of the procurement plan. CONADES will also submit annual progress reports to the Bank. These reports will focus on the indicators of outputs and outcomes set out in the logical framework (Annex I). They will include the results from environmental monitoring of the works, and will examine any problems encountered and the corrective measures adopted. They will also include the AWP for the following calendar year, with adjustments to disbursements and an updated procurement plan. Any adjustments to the program flowing from these reports must be agreed upon by the Bank. Once the Bank has accepted them, the annual reports will be made available to the public on the CONADES website.
- 3.24 As part of the program evaluation, CONADES will prepare and send to the Bank an independent midterm evaluation report, 90 days after 50% of the loan has been disbursed, and a final evaluation report, when 90% is disbursed. The objective of the evaluations will be to measure the program's outcomes and impact, using the indicators identified in the logical framework (Annex I). The evaluations will place special emphasis on measuring the effectiveness and efficiency of the planning instruments (POTs, PDMs, Coastal Waters Management Plan), improvement in the services provided by the institutions that have been strengthened, the number of beneficiaries of productive activities (producers and organizations), and the financial sustainability of interventions. These evaluations will be performed by consulting firms to be contracted by CONADES and financed from the loan. Once accepted by the Bank, both evaluation reports will be made publicly available at the CONADES website.

E. Financial accounting management and audit

- 3.25 CONADES will manage the financial and accounting aspects of the program, to which end it will: (i) keep specific and separate accounting and budget records for funds from the loan and the counterpart contribution; (ii) have in place adequate internal control structures; (iii) have a detailed accounting and reporting system for the administration, recording and payment of contracts for works, goods and consulting services; (iv) present the consolidated financial statements for the program in a timely manner and make available to the Bank and the external auditors all accounting information and other documents required by the Bank; (v) maintain records of disbursement requests; and (vi) maintain an effective filing system for documentation supporting eligible expenditures for inspection by the Bank and the external auditors.
- 3.26 A revolving fund will be created, limited to 5% of the Bank loan. CONADES will present the program's annual financial statements to the Bank within 120 days of the close of each fiscal year. CONADES will also submit a final report within 120 days after the last program disbursement. These financial statements will be audited by an independent external firm of auditors acceptable to the Bank, on the basis of terms of reference previously approved by the Bank (document AF-400), and using standard Bank procedures for the selection of external audit services (document AF-200).

F. Procurement of goods and services

- 3.27 The procurement of works, goods and services, and the selection and contracting and consultants will be consistent with Bank procurement policies and procedures established in documents GN-2349-7 and GN 2350-7. Table III-3 summarizes the procurement procedures to be followed.

Table III-3
Procurement thresholds (US\$)

	ICB	NCB	Shopping
Works	≥3,000,000	250,000-3,000,000	<250,000
Goods	≥250,000	50,000-250,000	<50,000
Consulting services	≥200,000		

- 3.28 Tendering evaluation committees will be established to evaluate the technical bids. Those committees will comprise representatives of CONADES and at least two representatives of the executing agency responsible for the activity, as established in the interagency agreements. Consistent with Bank policies, the borrower has agreed with the Bank on a procurement plan for the first 18 months (see technical files). The borrower will update the procurement plan annually as part of the year-end monitoring report, as required when substantial changes are made. Any revision to the plan must be approved by the Bank. The current version of the procurement plan must be available at all times.

IV. FEASIBILITY AND RISKS

A. Institutional feasibility

- 4.1 Two aspects of the program's institutional feasibility were examined: (i) the capacity of CONADES to serve as executing agency; and (ii) the contribution of the institutional strengthening activities to the program's sustainability.
- 4.2 **Capacity of CONADES as executing agency.** Using the Institutional Capacity Assessment System (ICAS), the Bank analyzed CONADES to evaluate its installed capacities for executing sustainable development programs. The analysis indicated satisfactory capacity development, with a rating of 85%, which represents a low level of risk. The results of the ICAS analysis and the improvement plans are in the program files.
- 4.3 **Sustainability.** The program retains a significant focus on activities for institutional strengthening and sustainability, and in this new phase it introduces tools to facilitate improved functioning and coordination of the sector agencies participating in the program. In the first place, interagency agreements and contracts will be signed containing clearly defined obligations, targets and success indicators. Second, the program will support legally established structures and give them a broader role. Lastly, a balanced communication strategy will be promoted to encourage stakeholders in the province to take ownership of the program in the future.

B. Socioeconomic and financial feasibility

- 4.4 The economic and financial feasibility of the investments to be made in component II-Productive Investments and in component III is assured by the eligibility conditions for projects to be financed under each component, which have been agreed upon with the executing agency for inclusion in the PORs.
- 4.5 The productive projects under component II will be analyzed to verify their economic and financial viability, initially at the profile level and subsequently through a feasibility study with greater information and detail. The analysis will be done at market prices, from the viewpoint of (i) beneficiary producers and fishermen; (ii) the EBOs; and (iii) the project as a whole, identifying clearly in the flow of funds the transfers by the project and the repayments that the beneficiaries will make to the EBOs. The analysis will include an estimate of costs and revenues in two cases— with and without the projects—and will calculate the cost-benefit ratio and the internal rate of return. If in any phase the project would produce negative cash flows for the beneficiaries or the executing agency, the respective financing costs will have to be included. In terms of profile and feasibility, the projects will have to show: (i) an economic internal rate of return (IRR) of at least 12%; (ii) an IRR for beneficiaries greater than their opportunity cost of capital; and (iii) evidence that the project will be technically and financially sustainable after program support disappears.

- 4.6 For projects under component III, a financial and economic analysis will be conducted in accordance with the guidelines included in the PORs. The financial analysis will be done from the viewpoint of the service operator, and the economic analysis from the viewpoint of the economy as a whole. The financial analysis must show an improvement in the financial conditions of the firm (i.e. increased net revenue flows in the with-project case), and the economic analysis must show an IRR above 12%. The rate to be used in the with-project case, which will affect both the economic and the financial analysis, must be determined by a financial sustainability analysis of the firm, estimating at least the average long-term cost of each service. If that rate does not cover long-term average costs (of investment, operation and maintenance) a sustainability analysis using that value will be required.

C. Environmental and social feasibility

- 4.7 The program's environmental and social feasibility is assured by the following lines of action, which are fully integrated into its design and regulations:
- 4.8 The decentralized decision-making and management tools supported in Phase I, such as the local environmental units, the natural resource management plans, and the land-use plans, will ensure that environmental factors are integrated in the expansion of agricultural activities, and in the managed exploitation of forestry and fishing resources, as well as in the development agendas of local governments and sector agencies. The program will not finance major infrastructure works that would require people to be relocated or that would have an adverse impact on fragile natural areas. However, there are some potential direct and indirect environmental impacts from the use of agricultural chemicals in productive projects and from wastewater treatment systems. To identify and mitigate the environmental impacts, CONADES will evaluate those projects at the profile stage to ensure that, as stipulated in the PORs, they comply with the Bank's environmental policy directives and with the country's environmental regulations. The PCEU will apply this eligibility test before including the project in the respective AWP.
- 4.9 **Social and community participation.** The program stresses the concept of community participation as a basic aspect of identifying priorities in the process of formulating management and development plans, as well as the AWP. The execution model is designed to ensure that solutions respond to the specific characteristics of communities and vulnerable groups. To this end, the program has a decision-making process that encourages bottom-up consultation and participation, and that gives special consideration to involving women and other excluded groups. Specifically, for production-oriented projects benefiting indigenous communities, in line with the Operational Policy for Indigenous Peoples, emphasis will be placed on adapting the projects to the social and cultural characteristics of those communities.
- 4.10 Consistent with the criteria established in the Bank's Environment and Safeguards Policy, and recognizing that the program is not expected to produce any adverse

social or environmental impacts, this operation is classified as category C. All projects financed by the program will be subject to a prior environmental and social analysis that will include the following: (i) environmental and social viability; (ii) evidence that the project has the resources to implement mitigation measures for potential environmental impacts; and (iii) consistency with the strategic and planning instruments developed by the program.

D. Benefits and beneficiaries

- 4.11 Over the next five years, the program will produce the following public and private benefits: (i) improvement in decentralized management and governance; (ii) institutionalized participation by civil society in decision-making; (iii) new jobs and better opportunities to earn incomes and to access markets; (iv) enhanced entrepreneurial capacity and private initiative in the province; (v) improvements in public well-being and health resulting from enhanced coverage and quality of basic services; (vi) preservation of critical environments in the province; (vii) reduced vulnerability of the population to damage caused by flooding; and (viii) local management of the cultural and ethnic treasures of the region's residents.

E. Risks

- 4.12 **Institutional coordination and ownership on the part of sector agencies and local governments.** Sustainable development programs are complex undertakings that involve many sectors and actors. Experience under Phase I shows that ensuring effective participation by the coexecuting agencies is a significant challenge, one that is dependent on factors beyond the program's control, such as centralized decision-making structures. These circumstances could prevent the sector agencies from feeling ownership over initiatives in their field of action. This risk will be mitigated through: (i) the signing of agreements between MP/CONADES and the coexecuting agencies, setting out explicit execution responsibilities against performance targets that can be monitored; and (ii) strengthening of the Technical Board and the Provincial Council and their effective participation in coordinating the program.
- 4.13 **Execution capacity.** The expanded scope of the program and the diversification of activities could exceed the execution capacity of the existing structure, resulting in delays in key aspects such as the preparation of terms of reference, contracting and supervision. To minimize this risk, the program calls for strengthening the key bodies involved in its execution, including CONADES and its PCEU, IDAAN, and the local governments. In addition, as a result of experience from Phase I, bidding documents have already been prepared for activities to be contracted during the first year of execution, in order to ensure timely startup of Phase II and continuity with Phase I.

MULTIPHASE PROGRAM FOR SUSTAINABLE DEVELOPMENT OF BOCAS DEL TORO- PHASE II (PN-L1016)
LOGICAL FRAMEWORK

Program	Indicators	Means of Verification	Assumptions
Goal			
To help foster conditions for the sustainable development of the region by supporting activities of economic, social and environmental benefit to improve the well-being of the population.	<ul style="list-style-type: none"> - By 2015 extreme poverty in the province has declined by five percentage points (baseline: 2007 census: 70%) - 30% increase in the province's productive sector's exports (baseline 2005: 352,000 metric tons) - At least 80% of the provincial population has water services (baseline coverage 2003: Bocas del Toro 47.5%; Changuinola 74.7%, Chiriquí Grande 80.2%) 	<ul style="list-style-type: none"> - MEF Poverty and Inequality Report - Comptroller's reports - MINSA reports - IDAAN reports 	
Purpose			
To consolidate the capacities, instruments and models created in Phase I, to internalize acquired experience, and to expand investment in productive sectors and basic services to meet the medium- and long-term targets of the Province's Sustainable Development Strategy.	Strengthening of management capacity: <ul style="list-style-type: none"> - By the end of the program the provincial budget performance for the regional offices of beneficiary institutions is at least 10 percentage points higher (baseline: 2006: budget performance of 63%) - By the end of the program, the revenues of participating municipalities are 10% higher. (baseline 2006: Municipio of Bocas del Toro US\$1,033,000; Municipio of Changuinola US\$1,300,000; Municipio of Chiriquí Grande US\$475,880) 	<ul style="list-style-type: none"> - Municipal budgets - Provincial budget - MEF budget performance report 	<ul style="list-style-type: none"> - Decentralization of municipal management - Deconcentration to the public institutions represented in the province - Coordination is achieved between the municipal, regional and national levels

Program	Indicators	Means of Verification	Assumptions
	Sustainable management of natural resources and productive development: <ul style="list-style-type: none"> - By the end of the program, at least 50 production-oriented projects are still operating (baseline 2006: 0) - By the end of the program, 80% of producers receiving production-oriented support have increased their farming productivity by 20% under each heading (the baseline for each program-financed project will be defined at the time of its approval) 	<ul style="list-style-type: none"> - Organizations' financial statements 	<ul style="list-style-type: none"> - Organizations adopt cost recovery mechanisms
	Basic services and infrastructure: At the end of the program: <ul style="list-style-type: none"> - 20% reduction in gastrointestinal and contagious diseases among the beneficiary population. (baseline 2006 : 13 deaths from digestive diseases and 35 from diarrhea) - Improved values for turbidity below 2 units and for free residual chlorine above 0.25mg/l in the water distribution network (baseline 2006: to be established in year 1) - 10% increase in water service coverage in the province (Baseline 2006: 9,000 dwellings) 	<ul style="list-style-type: none"> - MINSA reports - IDAAN reports - Comptroller's reports 	<ul style="list-style-type: none"> - Communities pay for public services - Public investments are maintained

Program	Indicators	Means of Verification	Assumptions
Component I: Strengthening of management capacity			
Objective: To strengthen provincial and local management capacity and institutionalize civil society participation in decision-making			
Subcomponent 1: Strengthening of local management capacity			
Specific objectives: <ul style="list-style-type: none"> - institutionalize civil society participation in decision-making processes. - Strengthen the planning and management capacity of local governments. 	<ul style="list-style-type: none"> - By the end of year 2, 15 CSOs have legal status, by-laws and work plans - By the end of the program, at least nine of the 15 communal and local boards surveyed have civil society participation, as recorded in the minutes of their meetings - By the end of the program, at least 10 organizations have received business management training and have a business plan or plan of action - By the end of the program, at least five community organizations (including the water boards) have been strengthened to ensure service delivery - After year 2 of Phase II, three PDMs have been approved by the municipal councils of three municipios. - By the end of year 2, the municipios have three POTs approved by the municipal councils and the Technical Board - By the end of the program an environmental unit is up and running in Bocas del Toro - By the end of year 2, the environmental management fund has been created for the Municipio of Bocas del Toro 	<ul style="list-style-type: none"> - Municipal agreements published in the Official Gazette - PCEU progress report - Minutes of the communal board meetings - Technical training reports - Municipal acts of incorporation published in the Official Gazette - ANAM resolution approving the Environmental Management Fund for the Municipio of Bocas del Toro - Business plan or action plan 	<ul style="list-style-type: none"> - Civil society participates in the communal boards - The municipal council approves the management tools (POTs, PDMs) - The municipality incorporates funds for the POT in its budget (PIM) - ANAM transfers environmental management responsibilities to the Municipio of Bocas del Toro

Program	Indicators	Means of Verification	Assumptions
Subcomponent 2: Strengthening provincial planning and management capacity and performance.			
Specific objectives: <ul style="list-style-type: none"> - Institutional strengthening for implementing the Provincial Sustainable Development Strategy. - Support for linking provincial coordination structures. - Strengthening the Technical Board and Provincial Council. 	<ul style="list-style-type: none"> - By the end of year 2, at least eight beneficiary institutions have created or adjusted their PAFI, including performance indicators, with clear responsibilities defined by binding agreements or contracts - At the end of year 2, the province has a Sustainable Development Strategy and a Coastal Marine Management Plan approved by the Technical Board and the Provincial Council - At the end of the program, at least 17 <i>corregimiento</i> representatives have been trained as members of the Provincial Council - At the end of the program the Technical Board has a system in operation for monitoring and evaluating the annual work plans and the provincial budget - Approval of the by-laws of the Technical Board 	<ul style="list-style-type: none"> - PAFIs - Annual budget of the institutions - Minutes of the Technical Board and the Provincial Council 	<ul style="list-style-type: none"> - Adoption of the interagency agreement (or addendum) between CONADES and the coexecuting entity, through a work plan and annual budget - Beneficiary institutions budget for program-related annual operating and maintenance expenses - Sustainable Development Strategy and other management tools are adopted - The priority projects generated by the management tools are included in the provincial investment plans
Component II: Sustainable management of natural resources and productive development			
Objective: To achieve sustainable management of natural resources and further diversify production through mechanisms for promotion, technical assistance, marketing and investment in sectors of high economic, social and environmental benefit			
Subcomponent 1: To promote the integrated management and conservation of natural resources in critical areas to ensure the proper use of public goods			
Specific objectives: <ul style="list-style-type: none"> - Mitigate and prevent natural disasters. - Conserve natural areas and ensure land-use planning. 	<ul style="list-style-type: none"> - By year 2, early warning system installed and serving 12 communities at risk of flooding from the Sixaola River - By year 3, at least four environmental management plans for critical areas have been approved by ANAM - By year 2, three communities have identified comanagement pilot projects for two protected areas 	<ul style="list-style-type: none"> - Reports of the newly created risk committees - Resolution issued by ANAM - Technical reports 	<ul style="list-style-type: none"> - Adoption of the Sixaola early warning system by the communities - ANAM issues comanagement regulations

Program	Indicators	Means of Verification	Assumptions
Subcomponent 2: To support diversification and competitiveness of products and services, to reduce dependency on one-crop farming.			
Specific objectives: <ul style="list-style-type: none"> - Support diversification and competitiveness of agricultural products. - Encourage the management and development of renewable natural and coastal marine resources. - Promote the diversification and Competitiveness of sustainable tourism. 	<ul style="list-style-type: none"> - 1,300 beneficiary farmers/fishermen have financially sustainable projects and improve their competitiveness (each project financed by the program will have a baseline defined at the time of its approval) - At the end of the program, at least 70% of the new plantain farms have increased their yields by 50% using technologies developed under the program - By year 2, ARAP has approved the Coastal Marine Management Plan - By year 4, at least five priority projects under the Coastal Marine Management Plan are being implemented - At least six fishing communities have been trained in techniques for harvesting and recruitment of marine species - By year 4, at least five priority projects under the provincial tourism strategy are being implemented 	<ul style="list-style-type: none"> - Resolution issued by ARAP - Reports of the project advisors contracted by the PCEU 	<ul style="list-style-type: none"> - Local and institutional authorities adopt the management plans - Beneficiary producers adopt the technology - Basic services can meet tourism demand

Program	Indicators	Means of Verification	Assumptions
Component III: Basic services and infrastructure			
Objective: To improve the coverage of basic services in the province			
Subcomponent 1: Water and sanitation			
Specific objectives: <ul style="list-style-type: none"> - To improve and expand the coverage of water supply services. - To improve and expand sewage and wastewater treatment services. 	<ul style="list-style-type: none"> - At the end of the program, there are at least 500 new water connections. (Baseline 2006: existing connections Isla Colón 1,129; Punta Peña 226; Rambala 18; Chiriquí Grande 337; Bastimentos 240; Carenero 124; Punta Robalo 220; Guabito 1,910; Almirante 1,222; and Miramar 110) - At the end of the program at least 700 dwellings have 24-hour-a-day water service (baseline: 2007: 4 hours a day Punta Peña, Chiriquí Grande and Rambla) - At least 500 new wastewater treatment connections by the end of the program. (Baseline: 2007: Isla Colón 500; Bastimento 0; Carenero 0; and Almirante 0 connections) - At the end of the program, at least 80 dwellings have been brought into the system for treating sewage in artificial wetlands - At the end of year 1, a sustainable financing strategy is in place for cover the water and sewage activities financed by the program - By year 3, the program is supporting implementation of the financial sustainability plan 	<ul style="list-style-type: none"> - Report from IDAAN or MINSA, on the number of meters installed under contract - Report from IDAAN or MINSA, on dwellings connected to the sewage or wastewater system - Financial sustainability plan 	<ul style="list-style-type: none"> - The Water Boards or other adopted mechanism are operational - IDAAN incorporates a mechanism for operation and maintenance of the facilities - IDAAN adopts the financial sustainability strategy

Program	Indicators	Means of Verification	Assumptions
Subcomponent 2: Solid waste			
Specific objectives: <ul style="list-style-type: none"> - To introduce an integrated solid waste management system. 	<ul style="list-style-type: none"> - By the end of the year 3, two municipios have integrated solid waste management plans – Chiriquí Grande, Chinguinosa and Almirante (collection and transport; final disposal, recycling, environmental education/communication, training, execution mechanism, and a financial sustainability strategy and plan) - By the end of the program, the integrated solid waste management plan is being implemented (recycling and final disposal) in the municipio de Bocas del Toro (Isla Colón and adjacent areas) - By the end of the program at least one beneficiary municipio has implemented an integrated solid waste management plan 	<ul style="list-style-type: none"> - Integrated management plans 	<ul style="list-style-type: none"> - The integrated solid waste management system is included in the municipal investment plan

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/07

Panama. Loan ____/OC-PN to the Republic of Panama.
Multiphase Program for Sustainable Development of Bocas del Toro, Phase II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing for the execution of the multiphase program for sustainable development of Bocas del Toro, Phase II. Such financing will be for the amount of up to US\$29,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

LEG/SGO/CID/IDBDOCS#1196315
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