

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PANAMA**

**MULTIPHASE PROGRAM FOR THE SUSTAINABLE DEVELOPMENT  
OF COLÓN PROVINCE – PHASE I**

**(PN-L1012)**

**LOAN PROPOSAL**

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#### Electronic Links and References

**Required:**

Annual work plan: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1334946>  
Monitoring and evaluation mechanism: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1352127>  
Environmental and social strategy for the program: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1220590>  
Environmental classification and safeguards: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1380081>  
Procurement plan: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1377553>

**Optional:**

Program Operating Regulations: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1336741>  
Budget by phases (phase I, phase II, first 18 mos.): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217972>  
Institutional capacity assessment (ICAS): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217980>  
Description of baseline scenario by subregion: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217984>  
Provincial sustainable development strategy: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218069>  
Priority watersheds in the general indicative plan for environmental land-use management:  
<http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218082>  
Indicative plan for functional land use management: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217995>  
Public awareness strategy: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217998>  
Execution mechanism: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1348137>  
Map of Colón province: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218135>  
Corregimientos by poverty rates: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218184>  
Socioenvironmental and institutional analysis: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218089>  
Employment analysis: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218002>

## Analysis of tourism circuits

- Part 1: Description of the Portobelo-Santa Isabel circuit: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217983>
- Part 2: Feasibility of the Portobelo-Santa Isabel circuit: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217986>
- Part 3: Description of the San Lorenzo-Achiote-Escobal circuit: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217988>
- Part 4: Feasibility of the San Lorenzo-Achiote-Escobal circuit: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217989>

## Analysis of sustainable production

- Part 1: General description: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217993>
  - Part 2: Noni project (General prefeasibility description): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217994>
  - Part 3: Noni project (Feasibility a): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217996>
  - Part 4: Noni project (Feasibility b): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1217999>
  - Part 5: Noni project (Feasibility c): <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218001>
- Coastal-marine analysis: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218096>  
Analysis of lessons learned: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1218103>  
Economic feasibility: <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1219321>

## ABBREVIATIONS

ANAM	Autoridad Nacional del Ambiente [National Environmental Authority]
ARAP	Autoridad de Recursos Acuáticos de Panamá [Panamanian Aquatic Resources Authority]
ATP	Autoridad de Turismo de Panamá [Panamanian Tourism Authority]
CESI	Committee on Environment and Social Impact
CONADES	Consejo Nacional de Desarrollo Sostenible [National Council on Sustainable Development]
ESG	Environmental Safeguards Unit
ICAS	Institutional Capacity Assessment System
IDAAN	Instituto de Acueductos y Alcantarillado Nacional [National Water and Sewerage Institute]
INAC	Instituto Nacional de Cultura [National Cultural Institute]
INADEH	Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano [National Institute for Professional and Vocational Training for Human Development]
MEF	Ministry of Economy and Finance
MIDA	Ministry of Agricultural Development
MINGO	Ministry of the Interior and Justice
MINSA	Ministry of Health
MITRADEL	Ministry of Labor and Employment
MP	Ministry of the Presidency
PECU	Program execution and coordination unit

## PROJECT SUMMARY

### PANAMA

## MULTIPHASE PROGRAM FOR THE SUSTAINABLE DEVELOPMENT OF COLÓN PROVINCE – PHASE I (PN-L1012)

Financial Terms and Conditions						
<b>Borrower:</b> Republic of Panama  <b>Executing agency:</b> Ministry of the Presidency (MP), through the Executive Secretariat of the Consejo Nacional para el Desarrollo Sostenible [National Council on Sustainable Development] (CONADES)					<b>Amortization period:</b>	20 years
					<b>Grace period:</b>	4 years
					<b>Disbursement period:</b>	4 years
		Amount (US\$ million)				
Source	Phase I	%	Phase II	%	<b>Interest rate:</b>	Variable
IDB (Ordinary Capital)	20.0	87	20.0	87	<b>Inspection and supervision fee:</b>	*
Local	3.0	13	3.0	13	<b>Credit fee:</b>	*
Other/Cofinancing						
<b>Total</b>	<b>23.0</b>	<b>100</b>	<b>23.0</b>	<b>100</b>	<b>Currency:</b>	U.S. dollars from the Single Currency Facility
Project at a glance						
<b>Project objective:</b> To help create and strengthen institutional and land use management conditions that lead to economically, socially, and environmentally sustainable development in the province of Colón. The <b>specific objectives</b> are to: (i) strengthen regional and local mechanisms for governance and deconcentrated and decentralized management; and (ii) promote investments for sustainably managing natural resources, reducing contamination, securing access to sources of safe drinking water, and developing the province's cultural and historic assets.						
<b>Special contractual conditions:</b> <b>Conditions precedent to the first disbursement:</b> (i) entry into force of program Operating Regulations (paragraph 3.10); and (ii) creation of the program execution and coordination unit (PECU-Colón) and appointment of the executive director and at least two of the sector specialists (paragraph 3.5). <b>Conditions precedent to the disbursement of resources to each coexecuting agency:</b> copy of the signed coordination and cooperation agreement with the respective participating coexecuting agency (paragraph 3.7). <b>Execution conditions:</b> (i) reimbursement and retroactive recognition of eligible expenses (paragraph 3.16); (ii) presentation of the annual work plan (paragraph 3.4); and (iii) completion of program evaluations (paragraph 3.21).						
<b>Exceptions to Bank policies:</b> None.						
<b>Project consistent with country strategy:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <b>Project qualifies as:</b> SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input type="checkbox"/> Geographic <input checked="" type="checkbox"/> Headcount <input type="checkbox"/> <b>Procurement:</b> Good, services, and consulting services will be procured in accordance with the Bank policies set forth in documents GN-2349-7 and GN-2350-7, respectively (paragraph 3.17). <b>Verified by ESG on:</b> 23 March 2007 (meeting 11-03) by the CESI and 29 February 2008 by the ESG.						

\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee 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. DESCRIPTION AND MONITORING OF OUTCOMES

### A. Background, problems, and rationale

- 1.1 **A coastal geography.** The province of Colón has an area of 4,868.4 km<sup>2</sup> and is bordered on the north by the Caribbean Sea, on the south by the provinces of Panamá and Coclé, on the west by the province of Veraguas, and on the east by the Kuna-Yala autonomous territory. It has a long coastline that can be divided into three geographical sections: (i) *the district of Colón*, which is traversed by the Panama Canal, the main highway, and the interoceanic railway; (ii) *the upper coast*, to the east, which consists of the districts of Portobelo and Santa Isabel; and (iii) *the lower coast*, to the west, which consists of the districts of Chagres and Donoso. Together, the province's five districts have 40 corregimientos [administrative subdivisions] and are home to 235,000 people, 86% of whom live in the district of Colón and 40% of whom are rural dwellers living in more than 700 communities.
- 1.2 **A dynamic economic enclave model.** Colón province generates 15% of the country's gross domestic product with just 7.1% of the country's population. Wholesale and retail commerce is the largest sector (49%), followed by transportation, storage, and communications (23.1%). These figures reflect the business generated by economic enclaves located in Colón district (Colón Free Trade Zone,<sup>1</sup> ports, Panama Canal, cruise-ship tourism). The tertiary sector employs 90% of the economically active population, the secondary sector employs 3%, and the primary sector employs just 1%. A number of megaprojects are planned or under construction, including the expansion of the Panama Canal, the construction of a bridge over Gatún Lake; the Panama City-Colón highway, a fuel storage complex, and the expansion of the Colón Free Trade Zone, which will further invigorate the economy and increase demand for skilled labor.
- 1.3 **A land of contrasts in inequality and poverty.** Relatively speaking, Colón's socioeconomic indicators would seem to be positive. Based on the 2005 Poverty Map, its annual average per-capita income is higher than the national average. The province ranks fifth in the country in terms of development (with a Human Development Index<sup>2</sup> score of 0.659). The literacy rate of people between the ages of 15 and 24 is greater than 99%. Furthermore, 89.4% of Colón residents have electricity in their homes, 95% have access to a source of safe drinking water, and 71% receive some type of sanitation services. Public investment in the province totaled about US\$80 million in 2006, with resources unevenly distributed among the province's three subregions (see Table I.1).

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<sup>1</sup> 400-hectare special regime for free trade that provides tax and customs benefits and exemptions and is home to approximately 1,600 companies engaged in entrepôt trade with countries in Latin America and the Caribbean. It is the second largest free trade zone in the world after Hong Kong and receives an estimated 250,000 visits per year from tourists and businessmen.

<sup>2</sup> The scale is from 0 to 1, with 1 being the highest score. Scores are calculated based on income, health, and education indicators.

- 1.4 However, the province has one of the highest rates of inequality in the country (Gini coefficient of 40.6, the third highest in the country), and 42.7% of its residents are poor. The unemployment rate among the estimated 93,600 people who make up the economically active population is 14.2%. The unemployment rate among urban dwellers between the ages of 15 and 24 is the highest in the country at an average 47.9%. Sixteen of the province's 40 corregimientos are classified as high- and severe-poverty corregimientos and nine are classified as medium-poverty corregimientos. Some 77% of poor people live in the district of Colón, and two thirds of them live in eight of the district's fourteen corregimientos.
- 1.5 **A weak institutional framework for local management.** All diagnostic assessments point to weak regional management, planning, and governance as the main obstacle to sustainable development in the province. The five districts, including their municipal councils, community boards, and local boards, have weak institutional frameworks and rely on direct transfers from the central government to operate. Operating and personnel expenses account for over 50% of the budget, leaving few resources for priority investments. There has been little deconcentration of the central government, decentralization processes are in the early stages, and development efforts are quite scattered and uncoordinated. The provincial offices of the line ministries lack administrative and programmatic autonomy and receive policy guidelines from the central government through national projects.
- 1.6 As a way to channel more investment into the region, in 2005 the government established the New Colón Program, establishing a trust fund under the authority of the Ministry of Economy and Finance (MEF) and the Ministry of the Presidency (MP). The trust fund is funded with revenue from the expansion of ports on the Atlantic Ocean and the surpluses generated by the Free Trade Zone. The New Colón Program promotes public investment in the province's social and productive sectors, so significant financial resources generated in the region are plowed back into provincial development.<sup>3</sup> This initiative reflects the priority placed by the government on investing in the province. However, local management mechanisms must be created and strengthened to ensure that the resources are properly administered.
- 1.7 **Rapid environmental deterioration.** Colón province has significant natural resources but is subject to an accelerating process of water pollution, degradation of ecosystems and historic assets, and solid-waste contamination. From 1992 to 2003, the net deforestation rate was approximately 30 km<sup>2</sup> per year. The province has important national parks—Chagres (1,200 km<sup>2</sup>), Portobelo (390 km<sup>2</sup>), and San Lorenzo (96 km<sup>2</sup>), all part of the Mesoamerican Biological Corridor—and other areas managed under special regimes such as the Canal watershed and the reverted areas adjacent to the Canal. The Portobelo and San Lorenzo parks are distinguished

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<sup>3</sup> As of mid-2007, the trust fund had US\$36 million to finance initiatives for: (i) urban housing renewal; (ii) rehabilitation of road infrastructure; (iii) school facilities; (iv) job creation through diversification of productive opportunities; (v) public safety; (vi) community projects; and (vii) institution-strengthening.

by their historic and cultural assets, including forts and monuments collectively designated as a World Heritage Site. The province also has approximately 48 km<sup>2</sup> of coral reefs. This wealth of natural and cultural resources is threatened by uncontrolled growth, including port construction, unplanned urban development, and environmentally unsustainable farming practices. Factors contributing to environmental degradation include extensive ranching, agrochemical pollution, sedimentation due to land-use changes, discharge of untreated sewage, and improper management and disposal of solid waste. Colón province is also vulnerable to natural disasters. From 1990 to 2004, there were 33 floods and 23 landslides. In 2006, the province's coastal areas experienced severe flooding, with damage estimated at more than US\$170,000.

1.8 **Key indicators.** Table I.1 presents a number of indicators for the province's five districts, which reveal wide gaps in social and environmental development.

**Table I.1. – Key indicators by subregion**

Indicators	Total	District of Colón	Upper coast		Lower coast	
Socioeconomic indicators		Colón	Portobelo	Santa Isabel	Chagres	Donoso
Total poverty (%)	42.7	36.0	49.0	54.0	77.0	71.0
Extreme poverty (%)	10.3	11.0	21.0	25.0	53.0	42.0
Population with income below the price of the basic shopping basket (%)	23.9	18.6	29.5	49.8	77.2	60.2
Provincial population below poverty line (%)	100.0	77.0	5.0	2.2	8.5	7.3
Corregimientos with poverty rates equal to or greater than 50%; (*) Colón: corregimientos where two-thirds of the district's poor population lives	25 of 40	8 of 14 <sup>(*)</sup>	3 of 5	5 of 8	6 of 6	6 of 7
Inequality in distribution of consumption (Gini coefficient)	40.6	40.2	41.4	42.8	45.3	43.9
Satisfaction of basic needs in housing, health, and education (maximum value = 100.0)		95.2	86.0	80.0	58.1	69.8
Without safe drinking water (%)	8.0	4.1	15.9	19.2	46.5	39.4
Without basic sanitation services (%)	4.8	2.5	13.5	36.7	25.2	11.6
Per-capita public investment (US\$)	338	345	295	1,663	49	21
<b>Environmental indicators</b>						
Annual average change in forest cover (%) 1992-2000	-1.05	+1.07	+0.97	-0.07	-1.76	-11.1
Protected areas (ha)	96,323	37,592	25,851	27,638	5,197	-



Indicators	Total	District of Colón	Upper coast		Lower coast	
Housing with waste collection services (%)	54	52.2	1.5	0.18	1.4	0.1
<b>Governance indicators</b>						
Public investment in 2006 (US\$; %)	79,593,200 (100)	69,792,900 (88)	2,850,800 (4)	6,245,100 (8)	505,200 (<1)	199,200 (<<1)
Municipal action plan implemented with the respective annual work plan		1	1			
Locally collected revenue as a percentage of total revenue (%)		44	21	20	6	26.5
<b>Critical factors</b>						

Source: Baseline indicators from the Provincial Sustainable Development Strategy (2007), based on information available from the primary sources.

- 1.9 **Sustainable development strategy for the province.** To establish a comprehensive strategy for the development of Colón province, the central government, together with public and private agencies at the provincial level, has drafted a provincial sustainable development strategy. This strategy identifies economic and social investment priorities, as well as environmental conservation and management measures. Public and private economic investment needs are being vigorously addressed by various financing sources, including the New Colón Program. However, institutional, social, and environmental investment needs are going unmet. The proposed program will address these types of investment needs, in order to promote development that is more sustainable and equitable.

## B. Objectives, components, and costs

- 1.10 The goal of the program is to contribute to economically, socially, and environmentally sustainable development in the province of Colón. Its purpose is to boost the province's competitiveness based on the effective management of its natural resources. Specifically, it will: (i) strengthen regional and local mechanisms for governance and deconcentrated and decentralized management; and (ii) promote investments for sustainably managing natural resources, reducing contamination, securing access to sources of safe drinking water, and developing the province's cultural and historic assets.
- 1.11 **Component 1: Strengthening of the province's management and governance capacity (US\$5.2 million).** This component will strengthen the deliberative, participation, coordination, strategic, and decision-making capacities of key agencies in Colón province. Specifically, it will support the functions of the provincial council, the provincial government, the provincial technical board, and the regional offices of the sector ministries, which are part of the provincial technical board. Financing will be provided in accordance with specific strengthening plans in line with the provincial mandates of each institution. Eligible activities include technical assistance for the development and implementation of

management tools, rules and regulations, sector plans, information systems, and coordination mechanisms. The primary governmental agencies that will benefit from this component will be: the Ministry of Economy and Finance (MEF), the National Environmental Authority (ANAM), the Ministry of Agricultural Development (MIDA), the Panamanian Tourism Authority (APT), the National Cultural Institute (INAC), the Panamanian Aquatic Resources Authority (ARAP), the Ministry of Health (MINSa), the National Water and Sewerage Institute (IDAA), the Ministry of Labor and Employment (MITRADEL), and the Ministry of the Interior and Justice (MINGO).

- 1.12 Financing will also be provided for activities to enhance the management capacity of the province's five district governments based on municipal action plans<sup>4</sup> (urban development, planning and project development, administrative and financial strengthening plans). Eligible activities will include initiatives to strengthen the participation and performance of the municipal councils, community boards, and local boards. Under ANAM leadership, support will also be provided for a pilot project to further decentralize the management of natural resources to the municipal level.
- 1.13 In addition, specific support activities by civil society and private organizations will be eligible. This includes support for planning and the associative management of microenterprises for the delivery of microregional public services, shared management of parks, protected areas, areas administered under special regimes, and heritage and cultural sites. The program will also support priority actions by the government to link segments of poor unemployed and underemployed residents of Colón province with public and private investment initiatives, to create job matching opportunities. Such actions will be pursued in the framework of work underway at the National Institute for Professional and Vocational Training for Human Development (INADEH) and MITRADEL.
- 1.14 **Component 2: Investments and technical assistance in key sectors for sustainable development (US\$15 million).** This component will channel investment resources and technical assistance targeting some strategic areas of the provincial sustainable development strategy, supplementing other sources of financing. Access to program resources for beneficiaries and bidders will be governed by the Operating Regulations, the characteristics and conditions of which are described below.
- 1.15 **Subcomponent 2.1. Sustainable production and management of natural resources (US\$5.7 million).** This subcomponent will provide financing for projects and initiatives that reduce the degradation of and pressure on Colón province's natural resources and fragile ecosystems. The priorities and sectoral approach of this component will be set and coordinated by ANAM, MIDA, and ARAP. Eligible

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<sup>4</sup> Complementary activities to strengthen basic and environmental services will be pursued in Portobelo and Colón, as these districts already developed municipal action plans under the Bank's program for municipal development and decentralization support (1522/OC-PN).

projects will include those that: (i) promote environmentally and economically sustainable farming and ranching practices, especially those that alleviate pressure on the land and reduce agrochemical pollution; (ii) generate public goods that protect the environment, such as projects for the conservation and management of coastal-marine and terrestrial ecosystems; (iii) support the establishment of green areas and urban environmental improvements; (iv) strengthen natural disaster prevention and risk management systems; and (v) implement, *inter alia*, management plans, information systems, early warning systems, and monitoring mechanisms.

1.16 **Subcomponent 2.2. Water, sanitation, and solid waste management (US\$4.7 million).** This subcomponent will provide financing for priority investments in water and sanitation systems in rural areas, as well as in wastewater treatment systems in small cities (Portobelo), sanitation, and comprehensive solid waste management. In all cases, these investments will be accompanied by technical assistance to guarantee the quality of the feasibility studies and final designs, as well as the sustainability of institutional and administrative management in the delivery of services.

1.17 **Subcomponent 2.3. Tourism management in the province (US\$4.6 million).** This subcomponent will provide financing for technical assistance and preparatory investments and activities consistent with the priorities set by INAC and the ATP. Support will be provided for preparatory and enabling activities for three tourism circuits: (i) Portobelo-Santa Isabel; (ii) San Lorenzo-Achiote-Escobal; and (iii) Gatún Lake. Program activities will focus on restoring and developing heritage and historic assets along these tourism circuits.

1.18 **Program administration and coordination.** Financing will be provided for the program execution and coordination unit (PECU-Colón), whose functions and composition will be described in a later section. Financing will also be available for: (i) the evaluation, monitoring, and information system; (ii) the implementation of a public awareness strategy; (iii) the accounting and financial functions of the PECU-Colón; and (iv) the strengthening of the coordination and liaising functions of the National Council on Sustainable Development (CONADES) and the coexecuting agencies at the central level.

## **C. Cost and financing**

1.19 Phase I will have a total cost of US\$23 million (Table I.2). The Bank will contribute US\$20 million in resources from the Ordinary Capital under the Single Currency Facility for a four-year execution period beginning on the effective date of the loan contract.

**Table I.2 Phase I costs – by financing source**  
(US\$ millions)

Cost category	IDB	Local	TOTAL	%
<b>Component 1: Strengthening of the province's management and governance capacity</b>	4.1	1.1	5.2	23%
<b>Component 2: Investments and technical assistance in key sectors</b>	14.2	0.8	15.0	65%
• Sustainable production and management of natural resources	5.4	0.3	5.7	25%
• Rural water, sanitation, and solid waste management systems	4.4	0.3	4.7	20%
• Tourism management in the province.	4.4	0.2	4.6	20%
<b>Administration, coordination, and supervision</b>	1.2	0.9	2.1	9%
<b>Unallocated</b>	0.5	0	0.5	2%
<b>Financial costs</b>	0	0.2	0.2	1%
<b>TOTAL</b>	<b>20.0</b>	<b>3.0</b>	<b>23.0</b>	<b>100%</b>

**D. Key indicators from the results matrix**

- 1.20 Program components and activities will be monitored based on indicators that will steer the program towards its objectives. These indicators have been incorporated into the results matrix and will be part of the evaluation, monitoring, and information system (Annex I). The output and outcome indicators for the program were selected based on the following criteria: (i) their corresponding baseline indicators have been established; (ii) they are based on information that is regularly updated by the coexecuting institutions; and (iii) they do not entail considerable expense to the program.
- 1.21 The purpose of the key indicators will be to verify and measure the following: (i) improvements in local management and governance indicators; (ii) increase in the effectiveness of civil society participation in decision-making processes; (iii) adoption of environmentally sustainable technologies in agricultural areas; (iv) increase in income-generating opportunities and market access for program beneficiaries; (v) increase in rural coverage of water and sanitation services; (vi) reduction in the contamination of selected bodies of water and urban areas; (vii) decrease in the population's vulnerability to damage caused by flooding; and (viii) restoration and effective protection of the region's most important cultural and historic assets. Annex I also presents the primary indicators that will serve as triggers for Phase II.

## II. FINANCING STRUCTURE AND RISKS

### A. Financing instruments

- 2.1 **Multiphase investment loans.** Because the processes pursued under this program are long in scope and must be implemented sequentially, this operation has been conceptualized as a multiphase program consisting of two four-year phases. Phase I will launch efforts to strengthen the institutional framework and empower stakeholders at the local levels to manage investments. Phase II will consolidate these processes and amplify the scale of investments in production and physical infrastructure. The triggers for phase II are presented in Annex I.

### B. Environmental and social risks

- 2.2 The projects supported under this program will be subject to Panama's environmental laws and regulations. Additionally, project compliance with the requirements set forth in the Bank's environment and safeguards compliance policy will be verified. These compliance requirements have been incorporated into the eligibility criteria projects must meet in accordance with the program Operating Regulations. The program execution and coordination unit (PECU-Colón) will have an environmental specialist who will ensure that program investments comply with the established requirements and regulations. The indicative plan for functional land-use management will be an important environmental management tool. Implementation of the plan will be evaluated in the framework of the program's results matrix. The program has a low environmental risk and has been classified as a category "B" operation in accordance with the Bank's environment and safeguards compliance policy (document GN-2208-18). The CESI's minutes and the program's environmental and social strategy are attached as Annex II.

### C. Fiduciary risks

- 2.3 The operation's fiduciary risk has been assessed as limited. The PECU/CONADES has executed four operations with the Bank over the past eight years. During program preparation, an institutional capacity assessment produced an overall score of 85%, which indicates a low institutional risk. The results matrix generated by the Institutional Capacity Assessment System and the corresponding action plan are attached as Annex VI. In Panama, there is no foreign exchange risk associated with disbursing the loan in United States dollars.

### D. Other risks and special considerations

- 2.4 **Institutional coordination and shared execution responsibilities.** The multisectoral nature of the program requires the participation of a number of central and local government agencies, which will implement activities under their respective mandates. The involvement of multiple agencies may lead to delays in program implementation and significant transaction and negotiation costs during implementation. This risk will be mitigated by agreements between the MP/CONADES and the coexecuting agencies that will explicitly delineate the

sectoral responsibilities for program execution and establish performance targets and reporting mechanisms that can be monitored and verified. In addition, the activity to strengthen the functions of the provincial technical board and the provincial council has been designed to improve intersectoral coordination for program execution.

- 2.5 **Program ownership, expectations generated, and implementation capacity at the local level.** The program will be implemented against a backdrop of widespread management weaknesses at the local level. This may prevent rapid implementation and create expectations among local beneficiaries that cannot be met in the short term. To minimize this risk, the program includes strengthening activities tailored to the needs of the key agencies involved in program implementation. A public awareness strategy is also planned, and technical assistance will be provided on an ongoing basis to support processes initiated under the program.
- 2.6 **Potential dispersal of investment resources.** There is a risk that the wide-ranging needs of the residents of Colón province may result in isolated, scattered investments. To minimize this risk, efforts will be made to ensure that: (i) every coexecuting agency validates and approves the strategic priorities of the investments; and (ii) the PECU-Colón has a team of technical experts with excellent organizational and planning skills; and (iii) the Bank's financing is coordinated with other sources.

### III. PROGRAM ADMINISTRATION AND EXECUTION PLAN

#### A. Execution mechanism

- 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 on Sustainable Development (CONADES). Line ministries and agencies will participate in the program as coexecuting agencies.
- 3.2 The executing agency will be responsible for program coordination, general administration, finances and accounting, monitoring, and evaluation. The coexecuting agencies will help the executing agency identify sector priorities, draft terms of reference and bidding documents, perform technical supervision, and prepare monitoring reports, as well as operate and maintain the investments for which they are responsible. The provincial council and the municipal councils will guarantee public involvement in planning processes and reconcile activities at their respective levels of intervention.

#### 1. CONADES

- 3.3 CONADES has installed capacity at the central level to provide administrative, financial, technical, and monitoring and evaluation support to this and other Bank-financed programs for which it is responsible.
- 3.4 Its main program-related functions are to: (i) coordinate the activities of the different sectors and central government agencies to ensure that program targets are

- met, based on the responsibilities established for each sector; (ii) ensure compliance with the contractual clauses in the loan contract and the agreements with coexecuting agencies and beneficiaries; (iii) provide technical support to local governments, as well as to communities, for the development and monitoring of eligible projects; and (iv) promote the dissemination of experiences and lessons learned with regard to sustainable development programs. In addition, CONADES will prepare and supervise processes for the procurement of goods and services; authorize payments on program contracts, subject to approval by the respective coexecuting agencies; approve the annual operating budget; deliver to the Bank and publicly disseminate, via a website, consolidated monitoring reports, including the consolidated annual work plan (a contractual clause), within 60 days of each calendar year, and required evaluation reports; and guarantee the program's financial and accounting management.
- 3.5 CONADES will perform these tasks through its Executive Secretariat, which has a team of professionals at the central level in charge of planning, monitoring and evaluation, administration and finances, and legal matters. The Executive Secretariat will have the support of a technical team (PECU-Colón) headquartered in Colón that will report directly to the Secretary. The PECU-Colón will consist of an executive director and four professionals to coordinate the program's sectoral lines of action and liaise with each of the coexecuting agencies and provincial and local boards. As a special condition precedent to the first disbursement, the PECU-Colón will be established and the executive director and at least two sector specialists will be hired. Special attention will be placed on strengthening the unit's financial and accounting functions.

## **2. Coexecuting agencies**

- 3.6 The following institutions will be coexecuting agencies: the provincial office of MINGO, the regional office of MEF, ANAM, ARAP, ATP, MIDA, INAC, MITRADEL, MINSA, IDAAN, MINGO, and the local governments. Their duties and responsibilities include: (i) preparing, reviewing, and clearing terms of reference, together with the PECU-Colón, prior to publication, and participating in bid evaluation committees; (ii) supervising technical aspects of the investments in the areas under their mandate; (iii) conducting regular performance monitoring and evaluation inspections; (iv) drafting monitoring reports on activities for which they are responsible; and (v) ensuring that any fees collected for services derived from program-financed projects generate sufficient revenue to cover all investment-related operating expenses, including those related to administration, operation, maintenance, and to the extent possible, depreciation. As obligatory members of the provincial technical board, the coexecuting agencies will help draft and reach consensus on the annual work plan, together with the PECU-Colón.
- 3.7 Each coexecuting agency's responsibilities vis-à-vis the executing agency for implementing activities in their portfolio will be established in an agreement with the executing agency. To make the interagency agreements operational, a work plan and budget will be prepared in coordination with each coexecuting agency. A

signed interagency agreement between the executing agency and each coexecuting agency will be a condition precedent to the disbursement of loan proceeds to finance the specific sector activities corresponding to the various coexecuting agencies. The coexecuting agencies will implement the activities for which they are responsible through their provincial offices and will designate at least one professional each as a technical liaison prior to initiating program activities.

### **3. Provincial council, technical board, and municipal councils**

- 3.8 To fully integrate participatory planning into interagency coordination mechanisms, CONADES will rely on the support of existing government entities in Panama, which will receive strengthening under the program's institutional strengthening component. These entities include: **the provincial council**, which consists of representatives from the corregimientos, mayors, and the heads of the provincial offices of the ministries; **the provincial technical board**, which consists of the directors of sector agencies or institutions and the provincial government, and **the municipal boards**, which consist of all corregimiento representatives.
- 3.9 The provincial council will promote, coordinate, and reconcile official activities at the provincial level and work to promote, coordinate, and obtain concerted approval for the annual work plans. The provincial technical board will ensure that the investment initiatives are consistent with sector regulations and specifications and will consolidate and coordinate the annual work plans for the program based on the prioritized projects. It will also support monitoring and implementation of the annual work plan and review the annual program reports and financial statements to be presented to the provincial council. The municipal councils, community boards, and local boards will maintain an open information and consultation process with the community, present prioritized projects to the PECU-Colón for consideration as it prepares the annual work plan, and participate, in coordination with the mayor, in monitoring program-supported projects in their district.

### **4. Program Operating Regulations**

- 3.10 The Operating Regulations establish the rules, criteria, and procedures needed for program execution. As such, their entry into effect under the terms and conditions agreed on by the executing agency and the Bank is a condition precedent to the first disbursement. Taking advantage of experience gained from similar projects and the need to harmonize criteria, the Operating Regulations for this operation follow the basic criteria agreed on by the Government of Panama and the Bank for phase II of the Bocas del Toro project. The Operating Regulations detail the responsibilities and functions of the executing agency and each coexecuting agency, in addition to establishing project eligibility, selection, design, approval, and monitoring procedures and technical assistance activities for each component and subcomponent, including the conditions for resource transfers, disbursement procedures, and evaluation of outcomes.
- 3.11 To ensure that selected projects comply with program requirements, the Operating Regulations establish specific functions for a project evaluation committee, to



consist of representatives from key sector entities and technical specialists from the PECU-Colón.

- 3.12 There will be three groups of program beneficiaries: the coexecuting agencies, the municipal governments, and community groups. Their requests will be channeled through processes in which the following will be paramount: (i) transparency; (ii) participatory processes; (iii) a strategic sector vision; (iv) the technical and economic quality of the proposals; and (v) the financial, institutional, and environmental sustainability of all the investments.
- 3.13 Efforts will be made to ensure that water and sanitation investments are executed within a viable institutional or business management framework and that financial sustainability criteria are adopted for the operation and maintenance of works and equipment.
- 3.14 To ensure that the program targets the poorest sectors, one of the eligibility criteria gives preference to corregimientos where the poverty rate is 50% or higher, including areas of high poverty in the district of Colón.<sup>5</sup> The poverty map charted by the MEF in 2005, as updated, will be used as a targeting instrument.

## 5. Execution period and disbursement schedule

- 3.15 Table III.1 summarizes the estimated disbursement schedule for Phase I.

**Table III.1 – Disbursement schedule**

Source	Year 1	Year 2	Year 3	Year 4
IDB/OC	5%	25%	35%	35%

## 6. Reimbursement and retroactive recognition of eligible expenses

- 3.16 The Bank may reimburse up to US\$950,000 in eligible expenditures incurred on or after 8 February using proceeds from the Bank's loan and may retroactively recognize up to US\$50,000 in eligible expenditures incurred on or after 8 February against the local counterpart contribution.

## 7. Procurement

- 3.17 All works, goods, and consulting services will be procured in accordance with the Bank policies and procedures set forth in documents GN-2349-7 and GN-2350-7. No exceptions to Bank policy are anticipated. Table III-2 summarizes the procurement modalities to be used for the program.

**Table III-2. Procurement thresholds (US\$)**

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

<sup>5</sup> Corregimientos of Barrio Norte, Barrio Sur, Buena Vista, Cativá, Cristóbal, Puerto Pelón, Sabanitas, and San Juan.

- 3.18 Bid committees will be created to evaluate technical proposals. The committees will consist of representatives from CONADES and at least one representative from the coexecuting agencies responsible for the corresponding activity as established in the interagency agreements. The borrower will update the procurement plan every year as part of the year-end monitoring report, as requested, or when substantial changes are made. Any proposal to amend the plan must be cleared by the Bank for approval, and the updated version of the procurement plan must always be available.

**B. Monitoring and evaluation**

- 3.19 The MP/CONADES will monitor and evaluate the program and prepare the respective consolidated monitoring reports. For these reports, CONADES has a central evaluation, monitoring, and information system in place for all the projects it administers. This system has two subsystems: (i) a subsystem for monitoring projects and activities, based on supervision visits made by CONADES and monitoring reports prepared by the coexecuting agencies; and (ii) a subsystem for evaluating projects, based on the established indicators and results matrix for phase I. The monitoring system for the proposed program will be run by the provincial technical team and linked to CONADES' evaluation, monitoring, and information system. It will use inputs formulated during program preparation, particularly the baseline indicators, the provincial sustainable development strategy, the indicative plan for functional land-use management, the geographic information system, and the public awareness strategy. CONADES will deliver semiannual reports to the Bank on the status of benchmark and impact indicators for the program, which will be monitored by its evaluation, monitoring, and information system. Based on these reports, CONADES and the Bank will decide on any adjustments that should be made to the program.
- 3.20 The executing agency will prepare consolidated progress reports on program activities and deliver them to the Bank no later than 30 March and 30 September of each year. These reports will focus on the fulfillment of the output indicators set forth in the results matrix (Annex I) and will cover the findings of environmental monitoring of the works, problems, and corrective measures. Reports covering the second half of each year will also include the programming for the following calendar year, an updated disbursement schedule, and an updated procurement plan. Program adjustments stemming from discussion of these reports will be agreed on with the Bank. Once the reports have been accepted by the Bank, they will be posted for public dissemination to the section of the executing agency's website reserved for the program.
- 3.21 As part of program evaluation, CONADES will prepare an independent evaluation report and deliver it to the Bank within 90 days after the date on which 80% of the loan proceeds for phase I have been committed or 60% have been disbursed. The evaluation will cover: (i) the outputs and outcomes achieved, based on the indicators set forth in the results matrix (Annex I); (ii) compliance with the program Operating Regulations, particularly with regard to the application of eligibility

criteria and the quality of the feasibility studies for component 2 activities; (iii) the effectiveness and efficiency of the execution mechanism, in terms of both mitigating the risks identified in paragraphs 2.4 to 2.6 and minimizing the time and money spent on technical evaluations of the proposals; (iv) the effectiveness of the management instruments (the provincial sustainable development strategy, the geographic information system, the indicative plan for functional land-use management, the public awareness strategy); (v) the financial sustainability of the investments and the relevant cost-benefit analyses, with an emphasis on component 2; and (vi) compliance with the contractual clauses of the loan contract. These evaluations will be conducted independently by a specialized firm or firms commissioned by CONADES using proceeds from the Bank's loan. Once they have been accepted by the Bank, both evaluation reports will be posted to CONADES' website for public dissemination. Throughout the execution period, annual operational/financial audits will be performed by an external consulting firm acceptable to the Bank.

**MULTIPHASE PROGRAM FOR THE SUSTAINABLE DEVELOPMENT OF COLÓN PROVINCE (PN-L1012)**  
**RESULTS MATRIX**

<b>Program objective</b>	To strengthen regional and local mechanisms for governance and deconcentrated and decentralized management and promote investments for sustainably managing natural resources, reducing contamination, securing access to sources of safe drinking water, and developing the province's cultural and historic assets.
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<b>Component 1: Strengthening of the province's management and governance capacity</b>							
	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
<b>Output Indicators – Component 1</b>							
The provincial council has adopted the management instruments associated with the provincial sustainable development strategy (indicative plan for functional land-use management, geographic information system, and public awareness strategy) to support decision-making on regional investments by the program's second year.			Management instruments formally adopted by the council and its members.	Management instruments used by the provincial council and the provincial technical board in decision-making processes.		Management instruments used by the provincial council and the provincial technical board in decision-making processes.	Minutes and resolutions of the provincial council and reports of the technical board.
Every regional office of the participating agencies (ANAM, IDAAN, MINSA, ARAP, MIDA, ATP, INAC, MINGO, MEF, MITRADEL-INADH) has financially executed at least 30% of their respective institutional strengthening actions plans, associated with the provincial sustainable development strategy, by the program's fourth year.			Institutional strengthening action plans prepared and approved.	10% of the respective institutional strengthening action plan executed.	30% of the respective institutional strengthening action plan executed.	30% of the respective institutional strengthening action plan executed.	Program monitoring reports and progress reports on execution of the institutional strengthening action plans.

<b>Component 1: Strengthening of the province's management and governance capacity</b>							
	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
The participating municipal districts have prepared their respective municipal action plans and the municipal councils have approved the plans by the program's second year.			Five municipal action plans prepared and approved by the municipal councils.			Five municipal action plans prepared and approved by the municipal councils.	Minutes and resolutions of the municipal councils.
Colón district has prepared an environmental land use and urban development plan and the municipal council has approved it by the program's third year.				Environmental land use and urban development plan for Colón district prepared and approved by the municipal council.		Environmental land use and urban development plan for Colón district prepared and approved by the municipal council.	Council minutes and resolution approving the plan.
At least one municipal environmental unit has been established by the program's fourth year.					Municipal environmental unit created in at least one district.	Municipal environmental unit established and in operation.	Council minutes and resolution approving the creation of the municipal environmental unit and establishing the unit's budget and operating mechanism.
At least five local associations, microenterprises, or community boards have been established and/or strengthened with program support, participate in deliberative processes, and implement projects consistent with the objectives of program components.			Two organizations supported and in operation.	Four organizations supported and in operation.	Five organizations supported and in operation.	Five organizations supported and in operation.	Formal agreements for strengthening and evaluation of specific approved projects.

<b>Component 1: Strengthening of the province's management and governance capacity</b>							
	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
An action plan with the province's economic enclaves to promote employment has been drafted and at least 50% of it has been financially executed by the program's fourth year.			Action plan with the enclaves to promote employment prepared.	At least 25% of action plan financially executed.	At least 50% of action plan financially executed.	At least 50% of action plan financially executed.	Action plan and external midterm evaluation report.
<b>Outcome Indicators – Component 1</b>							
The Colón provincial council's capacity to consider, prepare, and approve plans for public investment, especially for upper coast and lower coast districts, increases.	Number and amount of projects considered and officially approved by the council for the period 2003-2007. Source: Ministry of Economy and Finance.				10% increase over the baseline.	10% increase over the baseline.	Reports prepared by the Ministry of Economy and Finance on investments executed in the province. Council minutes.
The indicative plan for functional land-use management and the provincial sustainable development strategy are officially adopted and used as management instruments by the provincial council and local government agencies.	0% of projects included in the provincial annual work plan, approved by the provincial council, are consistent with the provincial sustainable development strategy and the indicative plan for functional land-use management.				75% of projects included in the provincial annual work plan, approved by the provincial council, are consistent with the provincial sustainable development strategy and the indicative plan for functional land-use management.	75% of projects included in the provincial annual work plan, approved by the provincial council, are consistent with the provincial sustainable development strategy and the indicative plan for functional land-use management.	Provincial annual work plan for the fourth year approved by the provincial council.

Component 1: Strengthening of the province's management and governance capacity							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
Each of the coexecuting agencies' regional offices receive a minimum rating of "satisfactory" for the performance of their functions, based on specific evaluation criteria.	Rating of "low or poor" in the following categories: (i) strategic capacity; (ii) logistical capacity; (iii) technical capacity; (iv) coordination capacity; and (v) decision-making capacity.			Capacity rating of "regular" on average for each institution.	Capacity rating of "satisfactory" on average for each institution.	Capacity rating of "satisfactory" on average for each institution.	Individual evaluation reports for the institutions.
For beneficiary municipios, municipal revenue generated by municipal permits issued in Colón district in association with the environmental land use and urban development plan increases by at least 5% by the program's fourth year.	0%			3%	5%	5%	Municipal treasury reports on revenue generated from use certificates issued under the environmental land use and urban development plan.
For beneficiary municipios, locally collected revenue as a percentage of total revenue increases by at least 10 points by the program's fourth year.	Donoso: 6% Chagres: 26.5% Colón: 44% Portobelo: 21% Santa Isabel: 20%				Donoso: 16% Chagres: 36.5% Colón: 54% Portobelo: 31% Santa Isabel: 30%	Donoso: 16% Chagres: 36.5% Colón: 54% Portobelo: 31% Santa Isabel: 30%	Municipal financial reports.

Component 1: Strengthening of the province's management and governance capacity							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
At least one procedure for the decentralization of environmental permits for category I projects is consolidated: All environmental impact assessments for category I projects in the province are approved by ANAM's regional office by the program's fourth year.	0%				50%	100%	Records of approval of environmental impact assessments at ANAM.
ANAM's regional office provides regularly updated information to the public on the environmental performance of the largest megaprojects in the province, based on audits of compliance with the environmental improvement and management plans and inspections of the environmental management plans, by the program's fourth year.	<p>ANAM's regional office does not have this capacity.</p> <p>X% of the province's population reports that they are uninformed.</p>				<p>ANAM's regional office has the capacity to provide regularly updated information to the public on the environmental performance of the largest megaprojects in the province.</p> <p>The number of people who report that they are properly informed increases by 50%.</p>	<p>ANAM's regional office has the capacity to provide regularly updated information to the public on the environmental performance of the largest megaprojects in the province.</p>	<p>ANAM and program websites.</p> <p>Public opinion surveys.</p>



<b>Component 2: Investments and technical assistance in key sectors for sustainable development</b>							
	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
<b>Output Indicators – Component 2</b>							
<b>Subcomponent 2.1: Sustainable production and management of natural resources</b>							
In at least three microwatersheds in Colón province, projects are executed that promote: (i) diversification of production in conjunction with soil conservation; (ii) improved livestock systems; and (iii) integrated pest management and reduced agrochemical use.			At least three projects in execution.  300 producers and their families benefited.	At least six projects in execution.  800 producers and their families benefited.	Six projects completed.  70% of beneficiary producers increase productivity, diversify production, and adopted improved practices.	Between 800 and 1,000 producers in at least three microwatersheds are served and their productivity and efficiency in resource use increase.	Midterm and final evaluation reports for the program. Technical evaluations of individual farms.
The integrated coastal management plan for Colón province is approved by ARAP by the program's third year.			Integrated coastal management plan for Colón province prepared and approved by ARAP.			ARAP approves the Integrated coastal management plan for Colón province by the end of the second year.	ARAP resolution.
At least one project for the participatory management of coastal-marine ecosystems, consistent with the integrated coastal management plan for Colón province, has been implemented by the program's fourth year.					One demonstration project in execution, benefiting: (i) at least 100 fishing families; and (ii) three local civil society institutions.	At least one priority action under the integrated coastal management plan is implemented.	Midterm and final evaluation reports for the program.

Component 2: Investments and technical assistance in key sectors for sustainable development							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>Output Indicators – Component 2</b>							
A natural disaster prevention project benefiting and training at least 1,500 people is implemented in the province.			Regional early warning system established.	800 people representing different regional interest groups, including local governments, schools, and neighborhood boards, receive training.	1,500 people receive training.	A regional early warning system is established, and 1,500 people receive training in disaster prevention.	Midterm and final evaluation reports for the program.
A provincial environmental quality monitoring system linked to ANAM's environmental indicators system is installed.				Provincial system developed.	Provincial system installed.	A provincial system is developed and installed.	Midterm and final evaluation reports for the program.
<b>Subcomponent 2.2: Water, sanitation, and solid waste management</b>							
A provincial study on solid waste management has been prepared, and at least two comprehensive municipal solid waste collection and disposal systems are being installed by the program's fourth year.				Provincial study on solid waste prepared.	Two comprehensive municipal solid waste collection and disposal systems in the installation phase.	A provincial study on solid waste has been prepared and at least two comprehensive municipal solid waste collection and disposal systems are being installed.	Midterm and final evaluation reports for the program.
At least three rural water systems are built according to a plan for efficient management and financial sustainability.				One rural water system built, with a plan for efficient management and financial sustainability.	Three rural water systems built, with plans for efficient management and financial sustainability.	Three rural water systems are built and operated and maintained according to a financially sustainable management plan.	External midterm and final evaluation reports for the program.

Component 2: Investments and technical assistance in key sectors for sustainable development							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>Output Indicators – Component 2</b>							
				800 families benefited.	2,500 families benefited.	2,500 families benefited.	
<b>Subcomponent 2.3: Tourism management in the province</b>							
Three restoration and small-scale infrastructure projects are implemented to support the conservation and sustainability of historic monuments and other natural and cultural assets with high tourism value in the province.				One project implemented for the conservation of historic assets at Portobelo and support for the implementation of at least one local business plan.	Three projects implemented, including restoration of historic assets at San Lorenzo, and three business plans for sustainable management.	Three projects are implemented that include: the restoration of major monuments, the strengthening of management, and the implementation of at least three business plans for developing sites of historic and natural value.	External midterm evaluation report for the program.
A roundtable for the coordination of tourism activities is established and functioning, with the participation of cruise operators, the Colón Free Trade Zone, and small tourism service providers and entrepreneurs by the program's third year.			Roundtable for the coordination of tourism activities established.	Roundtable for the coordination of tourism activities functioning.		A roundtable for the coordination of tourism activities is established and functioning.	Charter of the roundtable for the coordination of tourism activities and aides-memoire of activities.
The socioenvironmental and economic indicators associated with the microwatershed projects supported under the program improve with respect to the baseline established for each project.	Baseline indicators are established for each project for: (i) productivity; (ii) income; (iii) soil degradation; and (iv) levels and intensity of use of agrochemicals.				The yields and income of 70% of beneficiary producers rise with respect to the baseline.  Better land use practices are in evidence at 70%	The yields and income of 70% of beneficiary producers rise with respect to the baseline.  Better land use practices are in evidence at 70% of	Annual, midterm, and final evaluation reports.  Individual evaluations and field measurements.

Component 2: Investments and technical assistance in key sectors for sustainable development							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>Output Indicators – Component 2</b>							
					of beneficiary farms, e.g., reduction in per-hectare agrochemical usage, reduction in per-hectare soil losses, better moisture retention, more hectares set aside for protection or with green cover.	beneficiary farms, e.g., reduction in per-hectare agrochemical usage, reduction in per-hectare soil losses, better moisture retention, more hectares set aside for protection or with green cover.	
Zoning regulations and protection measures for coastal ecosystems are implemented and enforced.	There is no coastal-marine management plan.		The provincial council and the provincial technical board approve and use the coastal-marine resources management instrument in their decision-making processes.		The provincial council and the provincial technical board use the coastal-marine resources management instrument in their decision-making processes.	The provincial council and the provincial technical board use the coastal-marine resources management instrument in their decision-making processes.	Minutes and resolutions of the provincial council and reports of the technical board.
Mangrove coverage (hectares) in critical areas identified in the coastal management plan remains unchanged at program completion, with respect to the baseline figure.	2,189 hectares of mangroves				2,189 hectares of mangroves	2,189 hectares of mangroves	ANAM maps and forest coverage reports.

Component 2: Investments and technical assistance in key sectors for sustainable development							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>Output Indicators – Component 2</b>							
Through rural water and sanitation projects, as well as urban sanitation projects, coverage and quality of life indicators improve with respect to specific baseline indicators.	<p>Average rural coverage of water services: 50%</p> <p>Average rural coverage of sanitation services: 60%</p> <p>Average urban coverage of sanitation services: 50%</p> <p>Incidence of gastrointestinal illness: 1,000 cases reported per year.</p> <p>Financial sustainability and management indicators: Operating and maintenance costs of water systems are not covered in their entirety.</p>				<p>At least two water and sanitation projects have a management mechanism in place and show evidence of sustainability through good service quality and coverage.</p> <p>The rates charged cover system operating and maintenance costs.</p> <p>Coverage of water and sanitation services increases by 15% on average.</p> <p>Incidence of gastrointestinal illnesses decreases by 20%.</p>	<p>At least two program-supported water and sanitation projects have a management mechanism in place and show evidence of sustainability through good service quality and coverage.</p> <p>The rates charged cover system operating and maintenance costs.</p> <p>Coverage of water and sanitation services increases by 15% on average.</p> <p>Incidence of gastrointestinal illnesses decreases by 20%.</p>	Billing records and payment receipts for services.

Component 2: Investments and technical assistance in key sectors for sustainable development							
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>Output Indicators – Component 2</b>							
Comprehensive solid waste management systems are installed in small municipios and rural districts, with sustainability criteria.	Donoso: 0% Chagres: 0% Santa Isabel: 0% Portobelo: 0%				Program-supported districts experience a 50% increase in coverage of solid waste collection and disposal services.	Program-supported districts experience a 50% increase in coverage of solid waste collection and disposal services.	Municipal budget execution reports.
Historic sites and areas in Portobelo are protected and restored.	-No protection -In a state of physical deterioration -No maintenance -No source of financing				Program-supported monuments and areas are restored, with management systems and income-generating plans for maintenance.	Program-supported monuments and areas are restored, with management systems and income-generating plans for maintenance.	Program evaluation and progress reports, including external evaluations.

Triggers for Phase II			
	Baseline	Target	Means of verification
The coordination and execution capacity of CONADES and the program execution and coordination unit is effective and guarantees at a minimum: (i) the effective participation of each coexecuting agency; (ii) 80% fulfillment of the targets set in the annual work plans; and (iii) capacity to transfer and manage financial resources transparently and efficiently.	There is no installed capacity for coordination.	There is 80% fulfillment of the targets set in the annual work plans.  Each coexecuting agency demonstrates a satisfactory level of participation in the projects for which it is responsible.  Financial evaluations are satisfactorily audited.	Midterm and final evaluation reports for the program.

Triggers for Phase II			
	Baseline	Target	Means of verification
The provincial council has adopted the management instruments associated with the provincial sustainable development strategy (indicative plan for functional land-use management, geographic information system, and public awareness strategy) to support decision-making on regional investments by the program's third year.	The management instruments have not been formally adopted.	The provincial council and the provincial technical board use the management instruments in their decision-making processes.	Minutes and resolutions of the provincial council and reports of the technical board.
Each of the participating agencies' regional offices has financially executed at least 30% of their respective institutional strengthening actions plans.	No regional office has an official institutional strengthening action plan.	30% of the respective institutional strengthening action plan executed.	Program monitoring reports and progress reports on the institutional strengthening action plans.
In at least three microwatersheds in Colón province, projects are executed that promote: (i) diversification of production in conjunction with soil conservation; (ii) improved livestock systems; and (iii) integrated pest management and reduced agrochemical use.	Each project will have its own baseline.	Evaluations show that 70% of the projects have achieved their development targets.	External midterm and final evaluation reports for the program. Technical evaluations of individual farms.
ARAP approves the integrated coastal management plan for Colón province by the program's third year.	The province does not have an integrated coastal management plan.	ARAP approves the integrated coastal management plan for Colón province.	ARAP resolution.
A provincial study on solid waste management has been prepared, and at least two comprehensive municipal solid waste collection and disposal systems are being installed by the program's fourth year.	0	An evaluation of the comprehensive solid waste collection and disposal systems shows that management of the systems is financially and institutionally sustainable and that the visible and quantifiable urban sanitation targets have been met.	External midterm and final evaluation reports.
At least three rural water systems are built and operated according to a plan for efficient management and financial sustainability.	0 projects.	Evaluations of the rural water systems show that they are being run according to a financially sustainable operating and maintenance plan and that most (70%) have met their development targets.	External midterm and final evaluation reports.
Three restoration and small-scale infrastructure projects are implemented to support the conservation and sustainability of historic monuments and other natural and cultural assets of high value to the province.	0 projects.	An evaluation of the projects shows that restoration and conservation activities have been successful, resulting in greater tourism value and draw.	External midterm evaluation report.

**TABLE 3: PROCUREMENT PLAN FOR THE FIRST 18 MONTHS**

Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
<b>I</b>	<b>Goods</b>								
1	<b>Good 1:</b> Equipment for contingent urban sanitation activities subject to contingency and feasibility study in Colón district: Equipment and vehicles for the safe collection, transport, and disposal of solid waste.	500	NCB	Ex ante	100	0	No	IV Quarter 2008	I Quarter 2009
2	<b>Good 2:</b> Equipment for the early warning system in Chagres district. Information systems, radios, flow gauges.	145	NCB	Ex ante	100	0	No	II Quarter 2009	IV Quarter 2009
<b>II</b>	<b>Works</b>								
3	<b>Works 1:</b> Rehabilitation and/or construction of basic water and sanitation systems in communities in Santa Isabel district.	130	NCB	Ex post	100	0	No	IV Quarter 2008	IV Quarter 2009
4	<b>Works 2:</b> Rehabilitation and/or construction of basic water and sanitation systems in the communities of San Lorenzo-Achiote-Escobal.	150	NCB	Ex post	100	0	No	IV Quarter 2008	IV Quarter 2009
5	<b>Works 3:</b> Rehabilitation and/or construction of basic water and sanitation systems in communities in Chagres district.	500	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
6	<b>Works 4:</b> Rehabilitation and/or construction of basic water and sanitation systems in communities in Donoso district.	500	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
7	<b>Works 5:</b> Urban environmental rehabilitation and improvement. Avenida Central in Colón district (Colón municipal action plan).	465	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009



Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
8	<b>Works 6:</b> Construction and rehabilitation of the Brazos Brooks Ecological, Recreational, and Cultural Park.	1,000	NCB	Ex ante	100	0	No	I Quarter 2009	IV Quarter 2009
9	<b>Works 7:</b> Wastewater treatment system for the corregimiento of Portobelo.	450	NCB	Ex ante	100	0	No	III Quarter 2009	IV Quarter 2009
<b>III-A</b>	<b>Consulting services</b>								
10	<b>Consulting services 1:</b> Promotion of corporate social responsibility and linkages with economic enclaves.	50	Comparison of CVs	Ex ante	100	0	No	I Quarter 2008	IV Quarter 2009
11	<b>Consulting services 2:</b> Urban development and environmental land-use plan and strategic interventions in Colón district.	500	QCBS	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
12	<b>Consulting services 3:</b> Master plans for the conservation and management of historic assets and documents on works in San Lorenzo and Portobelo.	500	QBS	Ex ante	100	0	No	I Quarter 2009	IV Quarter 2009
13	<b>Consulting services 4:</b> Community management of risks in Chagres, including strengthening of community organization, land-use planning (Río Lagarto and coastal watershed).	30	Comparison of CVs	Ex ante	100	0	No	IV Quarter 2009	IV Quarter 2009
14	<b>Consulting services 5:</b> Provincial study on the comprehensive management of solid waste, including a specific master plan for Colón district.	500	QCBS	Ex ante	100	0	No	III Quarter 2008	IV Quarter 2009
15	<b>Consulting services 6:</b> Feasibility study on water, sewerage, and wastewater treatment system for Isla Grande.	300	QCBS	Ex ante	100	0	No	II Quarter 2009	IV Quarter 2009

Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
16	<b>Consulting services 7:</b> Terrestrial ecosystem management (Portobelo National Park, Santa Isabel Aquatic Reserve, Donoso Reserve, Gatún Lake Biosphere Reserve).	360	QCBS	Ex ante	100	0	No	I Quarter 2009	IV Quarter 2009
17	<b>Consulting services 8:</b> Preparation of a feasibility and financial sustainability study for solid waste management for contingent activities in Colón district.	20	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
18	<b>Consulting services 9:</b> Feasibility study for basic water and sanitation services in communities in Santa Isabel.	20	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
19	<b>Consulting services 10:</b> Feasibility study for basic water and sanitation services in communities of San Lorenzo-Achiote-Escobal.	30	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
20	<b>Consulting services 11:</b> Feasibility study for basic water and sanitation services in communities in Chagres district.	50	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
21	<b>Consulting services 12:</b> Feasibility study for basic water and sanitation services in communities in Donoso district.	50	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
22	<b>Consulting services 13:</b> Feasibility study for wastewater treatment system for the corregimiento of Portobelo.	50	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	II Quarter 2008
<b>III-B</b>	<b>Consulting services for technical assistance</b>								
23	<b>Technical assistance 1:</b> Campaign to disseminate the provincial sustainable development strategy. Print and audiovisual materials and communication guidelines for the strategy.	160	NCB	Ex ante	70	30	No	III Quarter 2008	IV Quarter 2009

Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
24	<b>Technical assistance 2:</b> Strengthening of interagency coordination, regional offices, provincial technical board, provincial council (includes training on the indicative plan for functional land-use management and the geographic information system).	150	QCBS	Ex ante	80	20	No	III Quarter 2008	IV Quarter 2009
25	<b>Technical assistance 2:</b> Strengthening of environmental management capacity at ANAM's regional office to ensure compliance with the environmental safeguards established for large investment projects in the province.	200	QCBS	Ex ante	80	20	No	III Quarter 2008	IV Quarter 2009
26	<b>Technical assistance 3:</b> Institutional strengthening of INAC's regional office for historic assets in Colón.	385	QCBS	Ex ante	60	40	No	III Quarter 2008	IV Quarter 2009
27	<b>Technical assistance 4:</b> Institutional strengthening of MEF, ARAP, and the local office of MINGO.	300	QCBS	Ex ante	60	40	No	I Quarter 2009	IV Quarter 2009
28	<b>Technical assistance 5:</b> Strengthening of local and community boards that propose projects, including promotion, audits, and public awareness.	420	QCBS	Ex ante	60	40	No	IV Quarter 2008	IV Quarter 2009
29	<b>Technical assistance 6:</b> Implementation of priority actions in the Colón municipal action plan.	275	QCBS	Ex ante	80	20	No	IV Quarter 2008	IV Quarter 2009
30	<b>Technical assistance 7:</b> Implementation of priority actions in the Portobelo municipal action plan.	170	QCBS	Ex ante	80	20	No	IV Quarter 2008	IV Quarter 2009
31	<b>Technical assistance 8:</b> Implementation of priority actions in the Donoso, Chagres, and Santa Isabel municipal action plans.	390	QCBS	Ex ante	80	20	No	IV Quarter 2008	IV Quarter 2009

Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
32	<b>Technical assistance 9:</b> Community radios. Public awareness campaign.	180	QCBS	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
33	<b>Technical assistance 10:</b> Creation and strengthening of foundations for the conservation and protection of cultural and historic assets (Portobelo, San Lorenzo).	154	QCBS	Ex ante	90	10	No	IV Quarter 2008	IV Quarter 2009
34	<b>Technical assistance 11:</b> Development of the San Lorenzo-Achiote-Cristóbal and Portobelo-Santa Isabel tourism circuits, including cluster development, business plans, training for guides.	400	QCBS	Ex ante	100	0	No	I Quarter 2009	IV Quarter 2009
35	<b>Technical assistance 12:</b> Investment in sustainable ranching practices through the incorporation of agrosilvopastoral techniques in the Cuango and Cartí river basins (upper coast).	708	QCBS	Ex ante	70	30	No	IV Quarter 2008	IV Quarter 2009
36	<b>Technical assistance 13:</b> Investment in sustainable ranching practices through the incorporation of agrosilvopastoral techniques in the Lagarto, Indio, and Miguel de la Borda river basins (lower coast).	780	QCBS	Ex ante	70	30	No	IV Quarter 2008	IV Quarter 2009
37	<b>Technical assistance 14:</b> Development of the noni supply chain in Palenque.	375	QCBS	Ex ante	70	30	No	II Quarter 2009	IV Quarter 2009
38	<b>Technical assistance 15:</b> Strengthening of CONADES: accounting and finance area.	75	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
39	<b>Technical assistance 16:</b> Strengthening of CONADES: procurement area.	75	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
40	<b>Technical assistance 17:</b> Strengthening of CONADES: monitoring and evaluation area.	75	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009
41	<b>Technical assistance 18:</b> Strengthening of CONADES: communications area.	75	NCB	Ex ante	100	0	No	IV Quarter 2008	IV Quarter 2009

Ref. No.	Description and type of procurement contract	Estimated contract cost (US\$000)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates	
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract
<b>IV</b>	<b>Coordination and Administration</b>								
42	<b>Consulting services 1:</b> Executive director	48	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
43	<b>Consulting services 2:</b> Institutional expert	30	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
44	<b>Consulting services 3:</b> Sanitation engineer	30	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
45	<b>Consulting services 4:</b> Project economist	30	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
46	<b>Consulting services 5:</b> Financial accountant	20	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
47	<b>Consulting services 6:</b> Administrator	20	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
48	<b>Consulting services 7:</b> Secretary	11	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
49	<b>Consulting services 8:</b> Administrator for petty expenses	45	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
50	<b>Consulting services 9:</b> Project preparation advisor	30	Comparison of CVs	Ex ante	100	0	No	II Quarter 2008	II Quarter 2009
51	<b>Consulting services 10:</b> Website development for the program; equipment and training	22	Comparison of CVs	Ex ante	100	0	No	III Quarter 2008	IV Quarter 2008

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/08

Panama. Loan \_\_\_\_/OC-PN to the Republic of Panama. Multiphase Program  
for the Sustainable Development of Colon Province - Phase I

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 a Multiphase Program for the Sustainable Development of Colon Province - Phase I. Such financing will be for the amount of up to US\$20,000,000, 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 \_\_ \_\_\_\_\_ 2008)

LEG/SGO/CID/IDBDOCS#1347497  
PN-L1012