

# DEVELOPMENT OF REVERTED AREAS WITH PRIVATE SECTOR PARTICIPATION

(TC-96-04-21)

## EXECUTIVE SUMMARY

**EXECUTING AGENCY:** Autoridad de la Región Interoceánica (ARI)

**MIF FACILITY:** Technical Cooperation (Facility I)

**OBJECTIVES:** The general objective of the project is to contribute to the development of the reverted areas of the Panama Canal Zone by supporting ARI's activities aimed at transferring the assets to private investors who, in turn, would secure the investments required for an efficient utilization of the assets and long-term job creation.

**DESCRIPTION:** A Technical Cooperation Fund (TCF) would be established and funded by the MIF and the Government of Panama, to support ARI's program and objectives for a period of twelve (12) months. The Fund would be managed by ARI under the supervision of a Board integrated by the Ministry of Planning (MIPPE), Ministry of Foreign Affairs (MRE), and ARI's Executive Manager. The resources of the Fund would be utilized to recruit short, medium, and long-term consultants to support ARI in implementing the efficient transfer of the Panama Canal Area assets to private investors.

The Fund resources would be used particularly to finance: (a) legal consultants required to advise ARI and the Government of Panama on legal and institutional issues on private sector investment in Panama; (b) legal consultants to prepare bidding, concession and transaction documents; (c) financial consultants to prepare financial projections and to support ARI on the discussion of alternatives of project financing for proposals presented by private investors; (d) economists to support ARI on the economic analysis of proposals; (e) environmental consultants to address specific environmental concerns of proposals presented by private investors; and (f) retainer fees of Investment Banks recruited to promote specific investment transactions; and g) consulting services to establish a state-of-the-art asset portfolio management unit within ARI.

|                   |               |             |
|-------------------|---------------|-------------|
| <b>FINANCING:</b> | Modality:     | Grant       |
|                   | Recipient:    | US\$100,000 |
|                   | MIF:          | US\$600,000 |
|                   | Other donors: | N/A         |
|                   | Total:        | US\$700,000 |

**ENVIRONMENTAL CLASSIFICATION:** The Environmental Committee, at its meeting of July 30, 1996, classified this as a Category III operation.

**SPECIAL  
CONDITIONS:**

The project design is aimed at providing ARI with a flexible and rapid response instrument, attuned to ARI's need to be able to respond rapidly to private sector investment opportunities, as well as to ARI's need to have a flexible instrument in place to respond to evolving requirements, which are not fully known at this time.

At ARI's request and to provide sufficient time and resources to efficiently implement the contracting of consulting services, a revolving fund, equivalent to up to 20% of the total funds allocated to this operation, will be created.

As an exception to standard Bank procedures, delegation of authority to the executing agency is proposed to approve and commit resources and to select short, and medium term consultants, with ex-post notification to IDB/MIF.

To expedite the hiring of consultants, ARI would receive support from the UNDP in managing contractual arrangements and payments.

**PROJECT TEAM:**

Ricardo Posada, MIF; Ricardo Reyes, COF/CPN; Emilio Cueto, LEG/OP2; Susana Sitja, SRE/JRP; and, Gilberto Chona, RE2/OD4, Team Leader.

## I. COUNTRY ELIGIBILITY

- 1.1 Panama was declared eligible for all forms of MIF financing by the Donors Committee on February 9, 1995.

## II. FRAME OF REFERENCE

### A. Background

- 2.1 The Government of Panama (GOPN) is currently engaged in a comprehensive Economic Reform Program. During 1994-1995, significant strides were made in deregulating the economy, providing incentives to private sector participation in infrastructure provision, and achieving a more competitive and transparent legal framework for investment. The Reform Program comprises the equalization of fiscal incentives to private investment, flexibilization of the labor code, incorporation of public enterprises to allow for future privatization, anti-trust and anti-dumping laws, enactment of a regulatory entity for public services, and private concessions in ports, highways, and cellular telephones. The pending agenda further includes a variety of concessions in ports, tourism, power, telecommunications, and potable water.
- 2.2 A key element facing Panama's economic development is the proper management of the assets of the Panama Canal Area (PCA), which will **fully** revert to Panama on December 31, 1999 under the Torrijos-Carter Treaties. The Autoridad de la Region Interoceanica (ARI) was created, by the Presidency of the Republic of Panama (Law No 5) in 1993, with the mandate to plan for full commercial development of the assets in the PCA. These assets include: 140,000 hectares of land, 7,000 buildings and installations, and ten military bases.
- 2.3 As part of the efforts to help the Government with the reconversion and development of the of the PCA assets, the Bank approved in October 1993 a Reimbursable Technical Cooperation (778/OC-PN) to finance three basic studies **that will guide Government's plans for developing the Interoceanic region:** (i) Regional Plan for the development of the Panama Canal basin (PLAN REGIONAL); (ii) General Land Use Plan for the development and preservation of the Reverted Areas (PLAN GENERAL); and (iii) Urban Development Plan for the Pacific Metropolitan Area (PLAN METROPOLITANO). The final versions of the first two are currently under review and approval by the Legislative Assembly is expected in the second half of 1996; and the latter is scheduled for 1997. The PLAN GENERAL and PLAN REGIONAL will become the law governing long-term zoning of land uses in the PCA. Given their content, both plans will provide the baseline for assessing environmental impacts regarding the economic use of any particular asset which ARI will divest.
- 2.4 The Technical Cooperation also included an institutional strengthening component to upgrade ARI's asset management and strategic planning capabilities. In addition to Bank-financed studies, ARI prepared its "1996 Work Program" indicating ARI's objective and main priorities for 1996.

### B. The Problem

- 2.5 The transfer of the PCA assets to private investors and their integration to Panama's economy is a challenge for the Panamanian Government since unsuccessful development of these assets and their higher fixed maintenance costs could become a major fiscal burden. This could be aggravated by the environmental consequences of an

irrational occupation of land in the Canal Basin. In this context, ARI's effort to develop the reverted areas with private sector participation is a major priority for Panama's economic and social development as well as for the long-term sustainability of the Panama Canal.

- 2.6 ARI faces the challenge of attracting private investors to a significant stock of assets in a very short period of time and in a very transparent fashion. An increasing interest of investors on the PCA assets indicates that ARI needs to strengthen its capability to rapidly respond to private investors proposals through quick appraisals and a more efficient portfolio management system. This institutional strengthening would take place only in short-to-medium term because in the long-run ARI will have a minor role to play, after sale or concession of the PCA assets to the private sector.
- 2.7 The proposed MIF program will complement Panama's efforts already underway to foster development of the PCA. The MIF, through its technical cooperation facility, will provide seed capital to support ARI's 1996 Work Program. The MIF technical cooperation will build upon ARI's already existing capacity to manage consulting services. Substantial efforts were made to maximize counterpart funds from ARI for this operation.

### III. THE PROGRAM

#### A. Objectives

- 3.1 **General Objective:** The general objective of the project is to contribute to the development of the reverted areas by supporting ARI's transfer of PCA assets to private investors who, in turn, would secure the investments required for an efficient use of the assets and long-term job creation.
- 3.2 **Specific Objective:** The specific objective of the project is to establish a Technical Assistance Fund, to be managed by ARI under the supervision of a Board comprised by the Ministry of Planning (MIPPE), Ministry of Foreign Affairs and by ARI's Executive Manager. The resources of the Fund would be utilized to recruit short, medium, and long-term consultants to support ARI's 1996 Work Program.

#### B. Description

- 3.3 **The Proposed Fund:** A Technical Assistance Fund (TAF) would be established and funded by the MIF and the Government of Panama. The TAF will be created through an agreement between ARI and the UNDP. The latter will administer the hiring of consultants and verify that contacting of said consultants is consistent with the terms set forth in this document and the technical cooperation agreement to be signed between the Bank and ARI. Based on requests by UNDP, COF/CPN will advance funds equivalent to 20% of total resources to UNDP each time, until all funds are disbursed, upon verifying that such request is eligible for disbursement.
- 3.4 The Fund would support ARI's program and objectives for a twelve-month period, drawn from ARI's strategy and the 1996 Work Program. The program would determine a limited number of specific areas to work on, broad enough to be flexible, to anticipate the evolving plans and to involve several key Government entities responsible for different aspects of the development of the Interoceanic Region.

- 3.5 **Fund Resources:** The Fund resources would be used particularly to finance: (a) legal consultants required to advise ARI and the Government of Panama on legal and institutional framework issues for private investment in the Reverted Areas; (b) legal consultants to prepare bidding, concession and transaction documents; (c) financial consultants to prepare financial projections and to support ARI on the discussion of alternatives of project financing for proposals presented by private investors; (d) economists to support ARI on the economic analysis of proposals; (e) environmental consultants to address specific environmental concerns of proposals presented by private investors; and (f) retainer fees of Investment Banks recruited to promote a specific transaction (the retainer fees should be limited and most of the payment for these institutions should be on a success-fee basis); and g) consulting services to establish a state-of-the-art asset portfolio management unit within ARI.
- 3.6 Given current ARI's budget constraints, counterpart funds will amount to US\$100,000 (15% of total resources). The MIF considers this to be a considerable effort by ARI. The relatively low share of counterpart funds will be justified by the creation of the TAF as a more permanent mechanism that will be subsequently funded by ARI's own revenues and contributions from other donors.
- 3.7 **Main projects:** The list of main projects to be supported by the Technical Assistance Fund was prepared by ARI based on the list of "Most Important Projects" included in ARI's 1996 Working Program. This projects are aimed at attracting private investors to the following facilities: (i) Arraiján Tank Farm; (ii) Industrial Processing Zones of Albrook, Telfers and Espinar; (iii) Gamboa Ecotourism Facilities; (iv) Gorgas Hospital; (v) Espinar Four Stars Resort; (vi) Amador Cruising Port; (vii) Albrook Commercial Facilities. Sale and concession of the assets would be carried out on a competitive basis, granting participation to all interested bidders. The resources of the TAF will not be used for hiring of consultants to support direct negotiations where there is not a bidding process. A summary of projects objectives and expected achievements is presented as Annex I.
- 3.8 In all cases, bidding documents related to assets mentioned in paragraph 3.7 should reflect potential environmental issues and/or problems that may arise from divestiture in the above mentioned assets. Also, ARI should grant full disclosure to the general public regarding environmental matters.
- 3.9 **Project Design:** The project design is aimed at providing ARI with a flexible and rapid response instrument, attuned to ARI's need to be able to respond rapidly to private sector investment opportunities, as well as to ARI's need to have a flexible instrument in place to respond to evolving requirements, which are not fully known at this time. To expedite the hiring of consultants, ARI would receive support from the UNDP in managing contractual arrangements and payments.
- 3.10 **Fund Regulations:** As an exception to standard Bank procedures, delegation of authority to the executing agency is proposed to approve and commit resources and to select short, and medium term consultants, with ex-post notification to IDB/MIF provided that:
- (a) consultants expertise is consistent with paragraph 3.4 above;
  - (b) consultants' assignments are related to projects listed in the document referred to in paragraph 3.5 above (See Annex

I).

- (c) individual consultants' contracts are limited to US\$50,000 and to six (6) months.
  - (d) consulting firms contracts are limited to US\$80,000.
  - (e) thirty days (30) after the signing of a work contract notification must be sent to COF/CPN, including information on: (i) resume for individual consultants or corporate statements of consulting firms; (ii) Terms of Reference; (iii) Analysis of consistency with paragraphs 3.4 and 3.5 above; and (iv) names of two other individual consultants or firms that were considered.
- 3.11 Exceptions to paragraph 3.8 above will be analyzed following IDB standard procedures. In all cases, recruitment will be limited to MIF procurement eligibility and ARI will closely coordinate reports on the selection of consulting services with COF/CPN staff.
- 3.12 All other regulations regarding unauthorized uses of funds, consultants eligibility, terms of reference, supervision of the TAF, criteria for TAF evaluation, and proper use of TAF funds will be set in a "Reglamento de Operaciones" . The draft of such "Reglamento", which will be an integral part of the technical cooperation agreement between the Bank and ARI, is available in the technical files for this operation.
- 3.13 **Fund disbursements:** Disbursements would be made over a period not exceeding 18 months from the date of signature of the financing and technical cooperation agreement. At ARI's request and to provide sufficient time and resources to efficiently implement the contracting of consulting services, a revolving fund, equivalent to up to 20% of the total funds allocated to this operation is proposed. This represents an exception to Bank's disbursement procedures. Therefore, it is requested that such exception be granted to assure an agile process of contracting and quick response from the Bank to ARI's fast-paced privatization program.
- 3.14 **Executing Agency:** The Executing Agency for the project will be ARI. While ARI is the main instrument of the Government for developing the Interoceanic Region, several other Government entities are also involved in this process. Therefore, project design includes the creation of a Advisory Board comprised by the Ministry of Planning and the Ministry of Foreign Affairs. The Board will approve the program for the TAF, review all projects semi-annually, and approve the final evaluation referred to in the next paragraph.
- 3.15 **Monitoring:** Within 30 days of ARI Management approval of a consulting service activity for funding, COF/CPN must receive a report from ARI for information. The standard format of this ex-post report would be prepared by ARI and submitted to IDB/MIF no later than 60 days after the signing of the Technical Cooperation Contract. The monitoring mechanism would also include a simplified semi-annual evaluation and a final evaluation report to be prepared by ARI.
- 3.16 **Environmental Monitoring:** The Environmental Committee, at its meeting of July 30, 1996, classified this as a Category III operation. It was recommended at that time, that the Project Memorandum be sent for consideration by the Environmental Committee and to include in the Project Memorandum the terms of reference for an environmental advisor to ARI in order to assure that environmental procedures and the environmental standards

established in the Regional Plan and General Plan are met in the privatization of assets listed in Annex I and described in detail in Annex II. The indicative terms of reference are attached to this Project Memorandum as Annex IV.

- 3.17 **Financing:** The total cost of the project is estimated to be US\$700,000, from which US\$600,000 would be provided by the MIF through non-reimbursable financing and US\$100,000 by the Government of Panama through the executing agency (ARI). As stated before, ARI's counterpart funds are considered a substantial effort, given current budget constraints.
- 3.18 Once the program has been successfully implemented, ARI will be entitled to present to the MIF a proposal for a second phase of TAF activities comprising a different set of assets to be transferred to private investors. The proposal, including the final evaluation report on the first phase, would be submitted by ARI to the MIF Donors Committee for approval. The timing of a second phase would not be fixed in calendar terms. Rather, it will be a function of ARI's performance in the execution and achievement of the objectives for the first phase.
- 3.19 **Evaluation Criteria:** In evaluating the achievement of the Fund's objectives the IDB/MIF will apply the following three criteria: (i) That at least 5 of the assets included in Annex I are ready for sale or concession at the time of the request for a second phase; (ii) That substantial steps have been taken to create a portfolio management unit within ARI; and (iii) That at least 80% of the TAF resources are committed.

#### IV. COMPLIANCE WITH ELIGIBILITY CRITERIA

- 4.1 The proposed project is consistent with the general purpose of the MIF which refers to the implementation of development strategies which promote private sector participation. It is also consistent with the criteria for grant financing under the Technical Cooperation Facility of the MIF Agreement, which establishes that grants be provided to develop and implement reforms to the policy and legal environment for private investment.

#### V. CONSISTENCY WITH THE BANK'S COUNTRY PROGRAM

- 5.1 The current Bank's strategy for Panama explicitly proposes providing support for identifying priority investment options for the development of the Interoceanic Region. The aim of the country strategy is to be fully complementary with the Government's economic reform program and the strategic use of the assets managed by ARI.

#### VI. AVAILABILITY OF MIF RESOURCES

- 6.1 The project will be financed through a grant on the basis of the following considerations: (a) the Donors Committee declared Panama eligible for all types of MIF financing; and (b) the proposed project will have a catalytic impact on investment flows, as required under Article 3, Section 5(a) of the Agreement Establishing the MIF, since its purpose is to lay the groundwork for the expansion of private investment.

| <p style="text-align: center;"><b>PANAMA: ARI</b><br/> <b>Projects to be supported with financial resources of the Technical Assistance Fund in 1996-1997</b></p> |   |  |   |
|---|---|--|---|
| <b>Project</b>  | <b>Objective</b>  | <b>Activities expected to be covered by the program</b>  | <b>Expected Achievements</b>  |
| <b>Arraijan Tank Farm</b>   | Award to private investors the concession for operating the fueling facilities of Arraijan (including port facilities of the Naval Base of Rodman )   | Bidding documents preparation<br>Proposals evaluation<br>Contract negotiation  | Concession awarded by March 31, 1997  |
| <b>Industrial Processing Zones</b>  | Award to private investors the concession of lots in the areas of Albrook, Telfers and Espinar to build industrial facilities aimed at producing light manufactures for export and using technologies environmentally sound | Marketing strategy design<br>Bidding documents preparation<br>Establishment of evaluation criteria<br>Proposals evaluation<br>Contract negotiation | First concessions awarded by:<br>Albrook<br>March 31, 1997<br>Telfers<br>June 30, 1997<br>Espinar<br>September 30, 1997 |
| <b>Gamboa Ecotourism Facilities</b>   | Award to private investors the concession for maintaining and operating the facilities of Gamboa as an Ecotourism Center  | Bidding documents preparation<br>Proposals evaluation<br>Contract negotiation  | Concession awarded by June 30, 1997   |
| <b>Gorgas Hospital</b>  | Award the concession for operating the Gorgas Hospital to a group of private investors which would be committed to transform the Gorgas Hospital on a international Medical Center  | Legal framework analysis<br>Market analysis preparation<br>Bidding documents preparation<br>Proposals evaluation<br>Contract negotiation           | Concession awarded by September 30, 1997  |
| <b>Espinar Four Stars Resort (Escuela de las Americas)</b>  | Award the concession of "Escuela de las Americas" Facilities to a group of private investors which would be committed to transform it on a Four Stars Ecotourism Resort   | Bidding documents preparation<br>Proposals evaluation<br>Contract negotiation  | Concession awarded by September 30, 1997  |
| <b>Amador Cruising Port</b>   | Award to private investors the concession to build and operate cruising port facilities in the areas of Amador  | Bidding documents preparation<br>Proposals evaluation<br>Contract negotiation  | Concession awarded by March 31, 1997  |
| <b>Albrook Commercial facilities</b>  | Award to private investors the concession to build and operate commercial facilities in the Albrook Base getting advantage of the proximity of this area to Panama City   | Marketing strategy design<br>Bidding documents preparation<br>Establishment of evaluation criteria<br>Proposals evaluation<br>Contract negotiation | First Concessions awarded by June 30, 1997  |



**PANAMA: ARI**  
**Projects to be supported with financial resources of the**  
**Technical Assistance Fund in 1996-1997**

**1. Arraiján Tank Farm**

The Arraiján Tank Farm is located at Howard Air Force Base, on the Pacific Coast, west of Panama City. Howard has an area of 2,160 hectares, of which the tanks occupy 249 hectares. The tanks have a total capacity of 1,125 million barrels of oil, with direct tubing to both the Rodman and Howard Bases.

The objective of the project is to award to private investors the concession for operating the fueling facilities of Arraiján (including the port facilities of the Naval Base of Rodman). It is expected that the concession will be awarded by March 31, 1997.

**2. Industrial Processing Zones**

The Albrook Air Force Base is located on the Pacific Coast, and comprises 311 hectares, of which 80 are earmarked for industrial processing zones. This Base has recreational, educational and basic utilities infrastructure, and includes 468 housing units and dorms to accommodate 710 people.

The Island of Telfers is located at the mideast section of the Limón Bay at the Atlantic entrance of the Canal and nearby the Cristobal International Port, and comprises 300 hectares. It will be used for placing container yards to allow for the development of a port for transfers of regional and international cargo.

Fort Espinar is located on the Atlantic Coast, occupying an area of 140 hectares, of which 100 hectares will be allocated for industrial processing zones. Espinar has recreational, educational and services infrastructure. It also includes 331 housing units and dorms for 58 people. Included in its area there is a storage space of 2,150 square meters, and a water treatment plant.

The objective of this project is to award in concession to private investors lots in the areas of Albrook, Telfers and Espinar to set up facilities for light industry for export, using environmentally sound technologies.

The first concessions are targeted to be awarded by March 31, 1997 for Albrook; June 30, 1997 for Telfers Island; and September 30, 1997 for Espinar.

**3. Gamboa Ecotourism Facility**

Gamboa is located on the Atlantic side (Colon), and has an extension of 1868 hectares. It has 107 non-residential facilities, and 114 housing units suitable for recreational uses.

The objective of this project is to award to private investors the concession for maintaining and operating the facilities of Gamboa as an Ecotourism Center. The concession will be awarded by June 30, 1997.

**4. Gorgas Hospital**

Gorgas Hospital is located on the Pacific coast, and has an area of 11 hectares. The Hospital has a built surface of 340,000 square feet, and has, at present, facilities for 100 hospital beds. There are also 19 housing units of

various sizes.

The objective of the project is to award the concession for operating the Gorgas Hospital to a consortium of private investors which would be committed to transforming it into an international medical center for the Latin American market. The concession will be awarded by September 30, 1997.

5. Espinar Four Stars Resort (Escuela de las Americas)

The Escuela de las Américas, located at Espinar Fort, has an extension of 8.5 hectares. It includes recreational, educational, and services facilities; and 331 housing units and dorms for 58 people. The "Escuela de las Americas" is located in buildings 400, 401 and 403 with a construction surface of 15000, 5162 and 1412 square meters respectively, with all well preserved complementary services.

The objective of the project is to award the concession of "Escuela de las Americas" facilities to a group of private investors, which would be committed to transform it into a Four Star Resort. The concession will be awarded by September 30, 1997.

6. Amador Cruising Port

Fort Amador is located on the Pacific Coast, between the City of Panama and the banks of the Panama Canal. It has an area of 176.5 hectares. The Cruising Port would have a surface of 3 hectares, with 3 kms of docks. The Fort counts with recreational and services facilities and three islands: Naos, Perico and Flamenco. It includes 185 housing units and dorm facilities for 60 people. The Fort also has 1,800 square meters of storage facilities.

The purpose of this project is to award to private investors the concession to build and operate cruising port facilities in the area of Amador. The first concession will be awarded by June 30, 1997.

7. Albrook Commercial Facilities

Albrook Air Force Base is located on the Pacific Coast, and comprises 311 hectares, of which 46 hectares are earmarked for commercial facilities. This Base has recreational, educational and services infrastructure, and includes 468 housing units and dorm facilities for 710 people.

The objective of this project is to award to private investors the concession to build and operate the commercial facilities in the Albrook Base, taking advantage of the proximity of this area to Panama City. The first concessions will be awarded by June 30, 1997.

## REGIONAL AND GENERAL PLANS FOR THE INTEROCEANIC REGION AND THE CANAL AREA

In 1993, the IDB approved a Reimbursable Technical Cooperation (778/OC-PN) to finance three studies, two of which will establish the Government of Panama's policies to develop the Panama Canal Basin and future land uses for the Reverted Areas. These plans have been developed by a consortium formed by InterCarib S.A. and Nathan Associates Inc. The final versions of these plans are currently under review and are expected to be passed as Law by the Panamanian Legislative Assembly in the second half of 1996. A third study, the Panama-Colon Plan, currently under preparation, is not referred to in this note.

### Regional Plan

The Regional Plan focuses on the Interoceanic Region's development within a framework of sustainable development of its assets and natural resources. For this purpose, the Regional Plan sets out the land uses and makes an inventory of natural resources in the Interoceanic Region (which includes the Canal Area and the Canal Basin). The principles governing the Regional Plan are three: (i) preserve, in the long run, the natural resources required for the operation of the Canal, especially the water supply; (ii) take advantage of the potential uses of the natural resources of the region within a strategy that promotes sustainable development, therefore the Regional Plan proposes institutional arrangements to effectively maintain the natural resources of the Interoceanic Region; and (iii) develop a strategy vis-a-vis demographic and economic growth for the 1996-2020 period, as a means to propose policies and mechanisms to adequately allocate resources in the Interoceanic Region.

To achieve the above mentioned objectives, the Terms of Reference (TOR) for the consortium elaborating the Plans, requested three products: (i) analysis of the actual and potential uses of the resources of the Canal Basin; (ii) a Regional Plan that will propose the zoning of the Canal, specifying conservational, urban and rural areas; (iii) a proposal for institutional arrangements that guarantee the preservation and rational use of the basin's resources; (iv) the economic and financial mechanisms needed for the optimum use of the basin's resources; and (v) the identification stage of an investment program.

An important aspect of the Regional Plan is the proposal to increase the amount of protected wildlife areas in the Canal Basin and Area to 42.5%, up from the already existing 33% of the Interoceanic Region that is currently protected.

### General Plan

The main purpose of the General Plan is to design the policy framework by which the Canal Area will be incorporated to the Panamanian economy. This is done by detailing the most effective alternative zoning of the reverted areas. The general objectives of this plan are: (i) to determine the land uses for the already reverted areas and areas to be reverted through 1999; (ii) to consider the alternative economic and social policy frameworks for three different development strategies proposed for the Panama Canal Area; (iii) to define spacial requirements for the different development plans; and (iv) consideration of the physical and environmental characteristics of the areas already reverted and those that will revert in the future.

The specific objectives of the General Plan are to develop a framework to present zoning guidelines for: (i) those areas that will be reserved for operation and maintenance of the Panama Canal; (ii) the areas of protection and conservation of the Canal Basin; and (iii) those areas that allow for more flexible urban and rural land uses depending on economic development or strategic needs. The Plan looks prospectively at those land uses and assets that will more efficiently

serve economic growth in the future.

Both the Regional Plan and the General Plan will be completed in the third quarter of 1996. The final version of both plans will be sent for the Legislative Assembly's ratification before year-end 1996, and will eventually become the Law governing long-term zoning of land uses in the Panama Canal Area. Given their content, the Regional and General Plans will provide the baseline for assessing environmental impacts regarding the economic use of any particular asset in which the "Autoridad de la Región Interoceánica" (ARI) will divest.

PANAMA  
MIF  
DEVELOPMENT OF REVERTED AREAS WITH PRIVATE SECTOR PARTICIPATION  
(TC-96-04-217)

GENERAL TERMS OF REFERENCE FOR THE ENVIRONMENTAL CONSULTANT

I. GENERAL INFORMATION ON THE OPERATION

- 1.1 Through the use of a Technical Cooperation Fund (TCF) for hiring specialized consultants, the Multilateral Investment Fund (MIF) intends to implement a project intended to contribute to the privatization of the reverted areas of the Panama Canal. In making its contribution, the MIF will focus on providing technical support (legal, financial, and environmental) to the Autoridad de la Región Interoceánica (ARI) in connection with the awarding to the private sector of concessions to operate seven facilities. The TCF will be administered by ARI under the supervision of a board made up of the Ministry of Planning [Ministerio de Planificación (MIPPE)], the Ministry of Foreign Affairs [Ministerio de Relaciones Exteriores], and the Executive Director of ARI.

II. OBJECTIVE OF THE CONSULTANT'S SERVICES

- 2.1 The consultant will advise ARI on the key environmental issues that must be addressed in the studies required in connection with the transfer to private investors of each of the Panama Canal Area (PCA) infrastructure facilities, and which must be included in the bidding documents and contract in each case.

III. DUTIES OF THE CONSULTANT

- 3.1 The consultant will advise ARI on the studies required in connection with the transfers of PCA facilities, ensuring that the detailed environmental terms of reference for each study duly incorporate the following:
  - a. Environmental feasibility analysis of the operations for transferring each of the facilities in question. This analysis should summarize and review the current information (legal, institutional, and technical/environmental) pertaining to each individual transfer operation.
  - b. Assessment of environmental liability, environmental risks, and (potential) environmental repercussions, be they beneficial or harmful, direct or indirect (including their social and cultural ramifications; for example, their impact on lower-income groups, indigenous communities, and cultural heritage), and evaluation of opportunities for improving environmental conditions in the areas affected by the various facilities that are to be transferred.
  - c. General technical and environmental specifications [Especificaciones Técnicas Ambientales Generales (ETAG)] and special

technical and environmental specifications [Especificaciones Técnicas Ambientales Especiales (ETAE)], relating to the refurbishment, overhaul, upgrading, operation, safety, and services of each facility to be transferred. In addition, it will be necessary to identify responsibilities with respect to the environmental liabilities present at each facility prior to the transfer, and it will also be necessary to specify the mechanisms for monitoring and complying with the environmental regulations governing the operation and maintenance of each facility to be transferred. These should be compatible with environmental regulations and standards currently in force in Panama, and they should also be compatible with the environmental procedures and natural disasters policy followed by the IDB. In the absence of national environmental standards, international standards (e.g., UN standards) will apply.

- d. Review of environmental measures already implemented or undergoing implementation, complemented by such other measures as may be required in response to environmental impact evaluations.
- e. Ensuring that such environmental risk assessments and environmental impact evaluation studies as may be recommended, are carried out in accordance with rigorous technical standards consistent with the type of facility to be transferred to the private sector, and ensuring that they are compatible with standards established in the Regional Plan for the Development of the Interoceanic Region [Plan Regional para el Desarrollo de la Región Interoceánica] and the General Plan for the Use, Conservation, and Development of the Panama Canal Area [Plan General de Uso, Conservación y Desarrollo del Area del Canal].
- f. Ensuring the preparation of a comprehensive environmental management plan incorporating the necessary measures for preventing, mitigating, or compensating for environmental impact, their costs, implementation timetables, and institutions responsible for follow-up and compliance.
- g. Providing a summary of environmental recommendations applicable to the operation under consideration here or applicable to any directly related future transfers of infrastructure facilities. For this purpose, the environmental consultant will request that the consulting firm attach detailed terms of reference pertaining to the implementation of environmental recommendations.

#### IV. QUALIFICATIONS

- 4.1 The selected consultant should be an environmental specialist holding a master's degree or doctorate in environmental issues, combined with a minimum of 10 years' experience working on multi-disciplinary investment project teams. The consultant should have

extensive experience in the field of environmental risks and a background in studies aimed at evaluating the environmental impact of projects, with special reference to physical infrastructure (e.g., industrial, ports, transportation, energy, tourism) and commercial facilities.

RGII-PN027T  
TC-96-04-21  
Original: Spanish

PROPOSED RESOLUTION

PANAMA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A PROGRAM OF  
DEVELOPMENT OF REVERTED AREAS WITH  
PRIVATE SECTOR PARTICIPATION.

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreement or agreements as may be necessary with the Autoridad de la Región Interoceánica of the República de Panamá and to adopt such other measures as may be pertinent for the execution of the technical cooperation program described in Document MIF/AT-\_\_\_\_\_, the objective of which is to support the development of reverted areas with private sector participation.

2. That up to the sum of US\$600,000, or its equivalent in other currencies, is authorized for the purposes of this resolution, chargeable to the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.