

PANAMA

**SUPPLEMENTAL FINANCING FOR THE DARIÉN SUSTAINABLE
DEVELOPMENT PROGRAM**

(PN-L1017)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Eli Nessim (RE2/EN2), Project Team Leader; Carlos Tovar (RE2/EN2); Rodrigo Coloane (COF/CPN); Miguel Coronado (LEG/OPR2); and Cinthya Cordero Sibay (RE2/EN2).

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APPENDICES

Proposed resolution

Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Information available in the RE2/EN2 technical files*	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1001095
Annex I: Description of program components	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1003273
Annex II: Program evaluation summary	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1003275
Annex III: Procurement plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1003278

* Program Logical Framework and Operating Regulations are available in the RE2/EN2 files.

ABBREVIATIONS

AMP	Autoridad Marítima de Panamá [Panamanian Maritime Authority]
ANAM	Autoridad Nacional del Ambiente [National Environmental Authority]
AWP	Annual work plan
CONADES	National Sustainable Development Council
FIS	Social Investment Fund
IDAAN	Instituto de Acueductos y Alcantarillados Nacionales [National Water and Sewer Institute]
MGJ	Ministry of Government and Justice
MIDA	Ministry of Agricultural Development
MINSA	Ministry of Health
MOP	Ministry of Public Works
MP	Ministry of the Presidency
OER	Office of Rural Electrification
PAFI	Institutional Strengthening Action Plans
PCU	Program Coordination Unit
PIOT	Indicative Land Use Management Plan
PND	Darién National Park
POT	Land Use Management Plan
SESI	Evaluation, monitoring, and information system
TSU	Technical Support Unit
UNIPAN	University of Panama

PROJECT SUMMARY

PANAMA SUPPLEMENTAL FINANCING FOR THE DARIÉN SUSTAINABLE DEVELOPMENT PROGRAM (PN-L1017)

Financial Terms and Conditions ¹				
Borrower: Republic of Panama			Amortization period:	20 years
Executing agency: Ministry of the Presidency, through the National Sustainable Development Council (MP/CONADES)			Grace period:	3 years
			Disbursement period:	3 years
Source	Amount (US\$ million)	%	Interest rate:	Variable
IDB (Ordinary Capital):	17	80%	Inspection and supervision fee:	0%
Local:	4	20%	Credit fee:	0.25% per annum
Total:	21	100%	Currency:	US dollars from the Single Currency Facility
Project at a glance				
<p>Project objective: The main objective is to contribute to the region's sustainable social, institutional, and economic development and to management and protection of its natural resources. At present, there is insufficient financing to complete a number of infrastructure and basic service projects, because the resources approved in 1999 (loan 1160/OC-PN) to finance those investments were depleted as a result of cost overruns. These cost overruns were the result of: (i) increases in the prices of the products, inputs, and materials required to complete the planned works, some of which were delayed initially pending fulfillment of the conditions established in the program's Environmental and Social Sequencing Matrix (see paragraph 1.7); (ii) the need to change the specifications of some projects due to additional requirements and soil conditions (factors that would only come to light during the course of program implementation), in order to ensure compliance with the stated objectives; and (iii) underestimation of the costs of program works (due to the inaccessibility of the province, contractors incurred higher than expected costs). The supplemental financing is in response to the need to cover these cost overruns, to complete the program, and is consistent with the Bank's policy on "Increased financing for cost overruns for operations in progress" (document GN-2329).</p> <p>Special contractual conditions: None.</p> <p>Exceptions to Bank policies: None.</p> <p>Project consistent with country strategy: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Project qualifies as: SEQ <input checked="" type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input type="checkbox"/> Geographic <input checked="" type="checkbox"/> Headcount <input type="checkbox"/> Procurement: Goods, works, and consulting services will be procured with the loan proceeds in accordance with the Bank's policies contained in documents GN-2349-7 and GN-2350-7 of July 2006 (paragraphs 3.4 and 3.5). Verified by CESI on: 19 October 1998. An Environmental and Social Impact Brief (ESIB) and an Environmental and Social Sequencing Matrix have been approved for the program, which are contractual documents.</p>				

¹ The supplemental financing will be granted through an independent loan contract, with its own agreed tenures, terms, and conditions. The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.

I. PROGRAM OUTCOMES AND THE NEED FOR ADDITIONAL FINANCING

A. Frame of reference

- 1.1 In December 1998, the Bank's Board of Executive Directors approved loan 1160/CO-PN for up to US\$70.4 million to finance the Darién Sustainable Development Program (PN-0116), contained in document PR-2365.¹ The program objective was the sustainable development of Darién Province, in accordance with its potential and limitations. The program provides an integrated approach to addressing the range of problems that affect Darién Province. The phased planning and implementation is based on a Strategic Plan agreed on with the government and an Environmental and Social Sequencing Matrix established to address the environmental and social risks of investments in the highway that provides access to the province. The program is fully compatible with the Bank's policies, particularly with respect to promoting sustainable development and strengthening governability. Its objectives include engagement of the population in the province's social and economic development, and conservation and management of its fragile and rich natural resources.
- 1.2 The original total cost of the program, determined in 1998, was US\$88 million, of which US\$70.4 million (80%) corresponded to the loan, and the remaining US\$17.6 million (20%) corresponded to the local contribution, with an execution period of six years. The program is an investment program that requires completion of strategic activities to establish an appropriate legal and institutional framework before proceeding with construction of the planned infrastructure works and installation of basic services. Given that in 1999 the Bank had no other financing instruments available, an operation was prepared that considered all of the estimated costs for the investments at that time, including rehabilitation of sections of the highway, pursuant to the Environmental and Social Sequencing Matrix agreed on for the operation. The multiphase operation instrument, which would have been ideal for this type of program, did not exist at that time.
- 1.3 The purpose of this document is to submit to the Bank's Board of Executive Directors, for approval, a proposal for up to US\$17 million in supplemental financing for key activities required to achieve the program objectives, in accordance with the Bank's policy on increased financing (document GN-2329).

B. Darién Sustainable Development Program (loan 1160/OC-PN)

- 1.4 The main objective of the program is to contribute to the region's sustainable social and economic development and to management and protection of its natural resources. Specifically, the program in progress is aimed at reversing the destructive trends affecting the Darién ecosystem (e.g. overexploitation of forests, soil, and fishing resources), seeking a dynamic balance between human, ecological,

¹ The Government of Panama signed the original loan contract (1160/OC-PN) on 21 February 1999, and the program was declared eligible on 29 March 1999. The last disbursement is scheduled for 20 February 2008. With the approved extensions, the execution period will be nine years. The programmed outcomes are presented in Annex II.

and economic factors to achieve sustainable development. The improper use of natural resources is due to the lack of effective monitoring and supervision mechanisms, compounded by the complexity of managing the large number of protected areas (Darién has 70% of Panama's protected areas), ineffective operational criteria, and the absence of incentives for the sustainable use of resources. These problems are aggravated by cultural, political, and social factors inherent to a situation in which the wealth of resources is in contrast to the poverty of the local populace. However, there are a number of opportunities to overcome these problems: the forestry, fishing, tourism, and agricultural sectors have great potential that can be realized by improving regulatory frameworks and requiring efficient allocation of public investments in basic services and the minimum transportation infrastructure required.

- 1.5 Based on the diagnostic assessment performed to reverse the trend of natural resource degradation and to create opportunities to improve the well-being of the Darién population, the following actions are required: (i) introduce specific changes in the regulatory framework for extractive sectors; (ii) enhance the effectiveness of institutions in charge of natural resources management, and strengthen the management capacity of local governments and civil society; (iii) promote restructuring of the local economy towards more efficient production systems and activities that generate greater value-added locally; and (iv) orient public spending toward the efficient delivery of basic services and the development of the minimum transportation infrastructure required, and ensure the availability of financing for maintenance.
- 1.6 In this context, the program currently underway aims to achieve the following specific objectives: (i) establish an effective Land Use Management Plan in keeping with the area's natural resource features; (ii) reduce the rate of deforestation and conflicts over resource use, and stabilize the agricultural frontier; (iii) enhance the capacity of institutions responsible for resource management; (iv) strengthen administrative and supervisory capacities at the regional, municipal, and indigenous community levels; (v) promote changes in the existing models of production and natural resource use to ensure their sustainability; (vi) rehabilitate the transportation system in a manner consistent with the Land Use Management Plan; (vii) improve access by the local populace to basic services (health, education, water and sanitation, electricity, and community services); and (viii) coordinate program activities with those of other institutions and donors. To achieve the proposed objectives, the program has been structured in five components: Component 1. Land use planning, titling, management, and protection of natural resources; Component 2. Institutional strengthening; Component 3. Production activities; Component 4. Rehabilitation of the transportation infrastructure; and Component 5. Upgrading of basic services (see description of components in Annex I).
- 1.7 An agreement was reached with the government to use two management instruments considered key to respond to the program's objectives and strategy: (i) a Strategic Plan; and (ii) an Environmental and Social Sequencing Matrix. The

plan defines the full timeline of activities by work area, and for each work area, by subregion and timing, indicating the semester of implementation. The Sequencing Matrix sets forth the conditions that must be met before each phase of investments with significant impacts can be started, in order to anticipate and minimize the adverse environmental and social impacts of some of the required investments, such as highway rehabilitation, infrastructure works, and basic services, which represent the program's largest investments.

C. Experiences and lessons learned

- 1.8 The outcomes to date suggest a high degree of buy-in by the program beneficiaries and communities, who have actively participated through their local committees in implementing the various initiatives. Thus far, the following lessons have been learned: (i) a high level of involvement by the communities and government authorities (the design process had a high level of participation from the communities, local and comarca [autonomous indigenous territory] governments, national institutions, and environmental organizations, and their involvement is ongoing) is important; (ii) it is important to promote interagency coordination between coexecuting agencies and other donors during project design and implementation (a number of meetings of this type have been held and the implementation plan integrates actions at the national, regional, and local levels); (iii) activities for the sustainable management of natural resources at the sub-basin and subregional level (pilot experiences with forestry and silvopastoral comanagement are being replicated with great success) should be promoted; and (iv) a multiphase operation, which was not available when the loan was approved, is the best suited for this type of program.

D. Program status (loan 1160/OC-PN)

1. Implementation process

- 1.9 The loan contract (1160/OC-PN) for the program was signed on 21 February 1999. As of 30 January 2007, US\$41.8 million (59%) of the loan proceeds had been disbursed, and US\$24.6 million (34%) had been committed by contract, for a total (disbursed and committed resources) of US\$64.8 million (92%). And the government had disbursed US\$17.2 million, or 98%, of the local counterpart contribution. The evaluation shows that 95 months into financial execution, total disbursed and committed resources (including loan proceeds and the local contribution) total US\$81.2 million (93%), and the remainder (7%) will be committed by June 2007, with the last disbursement scheduled for 20 February 2008 (see Annex II, the program evaluation summary by component, including the outcomes evaluation table based on the logical framework matrix).
- 1.10 The current administration, which took office in September 2004, confirmed the priority of the program and requested the change in executing agency, transferring all projects and activities related to sustainable development from the Ministry of the Economy and Finance to the Ministry of the Presidency, through the National Sustainable Development Council (MP/CONADES). Since 2005, MP/CONADES

has been accountable to the Bank for implementation of the program and has been reactivating the projects and activities under the different programs.

- 1.11 The program is implemented according to annual work plans (AWPs) agreed on each year with the Local Advisory Committee and participating ministries, in accordance with the program budget allocated by the government on an annual basis. The AWP must be consistent with the Strategic Plan and an agreed Environmental and Social Sequencing Matrix (Environmental and Social Impact Report), which is key for carrying out the eligible initiatives for each of the program components. The projects included in the AWP must meet the criteria of the program's Operating Regulations, which stipulate the rules and procedures for implementing each of the program components. MP/CONADES has created an evaluation, monitoring, and information system (SESI), which annually and semiannually evaluates progress and fulfillment of the targets defined in the program's logical framework (see document PR-2365).
- 1.12 The executing agency has made satisfactory progress in implementation and compliance with the Strategic Plan and the activities included in the program's Environmental and Social Sequencing Matrix. The evaluation of 30 January 2007 indicates that **implementation of the program has been satisfactory** and that attainment of the program's **development objectives is probable or highly probable** (see Annex II). The strategic activities that have been implemented satisfactorily include: (i) application of the Environmental Management Plan for the province; (ii) demarcation of Darién National Park and the two indigenous comarcas; (iii) development of management plans for Darién National Park, Gulf of San Miguel, and all the protected areas in the province, including demarcation; (iv) land survey and titling for properties under dispute and areas directly impacted by the highway (10 km stretch of road); and (v) institutional strengthening of the National Environmental Authority (ANAM), the Panamanian Maritime Authority (AMP), the Ministry of Agricultural Development, and the Ministry of Health, among others, in addition to local governments and civil society. These strategic activities were planned to mitigate the indirect impacts of rehabilitation of the highway, ports, and airport in vulnerable areas. In addition, the executing agency has complied with its obligation to deliver annual financial statements for the program, audited by external auditors previously accepted by the Bank.

2. Need for additional financing

- 1.13 At present, MP/CONADES is implementing the last of the infrastructure works and basic services. In order to complete these activities, it needs more financing than is currently available from the loan and the counterpart contribution.
- 1.14 The reasons for the cost overruns are: (i) increases in the prices of the products, inputs, and materials required to complete the planned works, some of which were delayed initially pending fulfillment of the conditions established in the program's Environmental and Social Sequencing Matrix; (ii) the need to change the specifications of some projects due to additional requirements and soil conditions

(factors that would only come to light during the course of program implementation), in order to ensure compliance with the stated objectives; and (iii) underestimation of the costs of program works (due to the inaccessibility of the province, contractors incurred higher than expected costs). These cost overruns are the result of special circumstances beyond the borrower's control. For example, in the case of transportation infrastructure projects, the cost overruns were due to design improvements; contracting delays, particularly for sections IV and V of the highway, as a result of failure to comply with the criteria defined in the matrix; and increases in the prices of hydrocarbons and materials. The prices of infrastructure and basic service projects have increased relative to estimates made by the project team in 1998, so these projects cannot be completed without additional financing. Accordingly, the government has requested a supplemental loan from the Bank to cover the cost of these pending projects and other less costly projects that would contribute to the fulfillment of program targets.

- 1.15 Pursuant to the Bank's policy on "Increased Financing for Cost Overruns for Operations in Progress" (document GN-2329), the request meets the conditions for receiving supplemental financing, inasmuch as: (i) it was made during the effective disbursement period; (ii) program implementation has been satisfactory; (iii) the cost overruns result from extraordinary circumstances beyond the borrower's control, changes in the specifications for some works, underestimation of original costs, and rises in the price of materials, equipment, and labor; (iv) downsizing the program in terms of volume or coverage would not be an adequate solution, because it would compromise the program's objectives; (v) the requested increase (see the breakdown in chapter II of this document) will allow the planned objectives to be achieved; (vi) the borrower considers additional financing from the Bank to be prudent; (vii) the borrower is in a position to contribute additional counterpart resources to maintain the original percentages approved in the program financing matrix; and (viii) the country is current in its payments to the Bank.
- 1.16 The proposed supplemental financing will allow the program to be implemented as originally planned, and its objectives achieved, by facilitating the execution of specific projects and activities prioritized in the 2006-2007 AWP, which require additional resources. The projects and activities targeted by the supplemental financing consist of a number of works in execution or in the process of procurement (see paragraphs 2.3 to 2.7). By guaranteeing the program's continuation as a single operation, immediate cofinancing will be made available for projects in execution or in the process of procurement, economies of scale in management will be created, the needs prioritized by the community as key for their development will be addressed, transaction costs will be kept to a minimum, and the strategic approach agreed on with the government will be maintained. The supplemental financing will enable the program's objectives to be met, without affecting its economic, financial, institutional, or environmental viability. The proposed works and large investments primarily correspond to components 4 and 5 of the program.

II. SUPPLEMENTAL FINANCING FOR THE DARIÉN PROGRAM

A. Objectives

- 2.1 The main objective of the program supplement is to contribute to the sustainable social, institutional, and economic development of Darién Province and to the management and protection of its natural resources. The resources would target: (i) rehabilitation of the transportation system to facilitate the internal mobility of passengers and freight and access to the region, in a manner consistent with the current Land Use Management Plan; and (ii) improvement of access by the populace living along the highway to basic water and solid waste management services.

B. Components and description of activities

- 2.2 The program will continue to be implemented through the original five main components: (i) land use planning, titling, management, and protection of natural resources; (ii) institutional strengthening; (iii) production activities; (iv) rehabilitation of the transportation system; and (v) upgrading of basic services (see Annex I, Description of Components). Based on the evaluation, an agreement was reached as to the activities and projects that would be financed with the supplemental loan, and those that the government would finance with the local contribution. The proposed activities are part of the AWP 2006-2007. They have been defined as a priority for the province and will contribute to achievement of the established objectives.² Following is a description of the activities under each component:
- 2.3 **Component 1. Land use planning, titling, management, and protection of natural resources.** This includes key activities for land management in the province, particularly those associated with: (i) **implementation of the Land Use Management Plan** (urban planning for the townships of El Real, Metetí, Santa Fe, and Yaviza); and (ii) **Land survey, demarcation, and titling** (titling of municipal ejidos [communal lands]). The above will permit orderly management of public services and identification of areas that correspond to the municipios so they can plan their own projects. The activities identified are short in duration, have the backing of the respective municipios, and *will enable the component, which is 96% complete, to be fully implemented*, with all original targets easily met.
- 2.4 **Component 2. Institutional strengthening.** This includes activities to strengthen local governments and the Provincial Council and the Technical Board, in order to enhance the efficiency of the services provided by institutions and better serve the community. These activities are associated with: **contributing to the decentralization process by strengthening institutional capacity** (two governmental centers, one in Metetí and another in La Palma, to prevent the

² See objectives defined in the original loan proposal (document PR-2365) of 16 November 1999, paragraphs 2.1 to 2.4.

proliferation of offices in each municipio and ensure that a single office handles all public services and provides customer service). Areas have been assigned to the municipios, and the works will be completed in phases, as the institutions confirm their relocation to the new headquarters. This will improve the government's ability to administer and coordinate its activities, through the Technical Board and its municipal center. As a result of these activities, *the original targets will be surpassed.*

- 2.5 **Component 3. Production activities.** This includes replication of production experiences, based on positive lessons learned from pilot projects that have been carried out in other communities in the province, in order to disseminate good practices and expand coverage among the beneficiary communities. The activities to be financed are associated with: **transfer of farming, forestry, and fishing technology** (forestry comanagement experiences with the communities of Sambú, Wargandi, and Río Tuqueza; technical assistance already tested with approximately 200 small producers in Agua Fría, Santa Fe, Metetí, Río Iglesia, and Yaviza; and support for community groups involved in tourism activities (basic services and small infrastructure works), in Chepigana, Pinogana, Cémaco, and Sambú, and fishing activities, in the Gulf of San Miguel). These activities will enable the component, *which is 55% complete, to be fully implemented*, with all targets met.
- 2.6 **Component 4. Rehabilitation of the transportation infrastructure.** This includes highway rehabilitation activities to ensure access between the communities of the province and the rest of the country. The activities to be financed are associated with the following phases: (i) **the first phase, including** special works at critical points affected by landslides on section III of the highway, between Agua Fría-Santa Fe and Metetí; and (ii) **the third phase, including** rehabilitation of section V of the highway, between Canglón and Yaviza, rehabilitation of the Jaqué airfield, and the construction of loading docks on the Chucunaque River (community of Yaviza), and the construction of a jetty in Garachine, to facilitate the loading and unloading of merchandise in these communities. This will allow special works to be completed on section III (38 critical points) and to facilitate the bulking of merchandise and the transportation of passengers from indigenous communities located along the Tupisa, Tuqueza, Membrillo, and Chico Rivers, among others, and paving and maintenance on section V (26.7 km). These works, which are expected to be completed in 24 months, *will enable the component, which is 63% complete, to be fully implemented*, with all targets met.
- 2.7 **Component 5. Upgrading of basic services.** This includes activities aimed at ensuring that all communities along the highway between Arimae and Yaviza receive water services. These activities are related to the construction of two **water supply** subsystems, one in Villa Darién and another in Yaviza (water intake, pumps, storage tanks, treatment plant, and networks). In addition, financing will be provided for solid waste disposal services in the communities of El Real, Yaviza, Metetí, La Palma, and Agua Fría (reclamation of existing dumps and construction of two landfills—use of underground drainage and solid waste containers). These

works will directly benefit 12,027 people in 28 communities located along the highway between Arimae and Yaviza, and will ensure the disposal of solid waste in these communities. The works will be completed in 18 months, which will enable the component, *which is 88% complete, to be fully implemented*, with all targets met.

C. Financing

- 2.8 The original program was approved for a total of US\$88 million, of which US\$70.4 million corresponds to the Bank loan. The funds approved through loan 1160/CO-PN are insufficient to finance all the activities required to attain the program objectives. This document proposes supplemental financing from the Bank in the amount of US\$17 million. The total amount of the supplemental program is US\$21 million, of which US\$17 million will be contributed by the Bank, and US\$4 million will be contributed by the local counterpart. The government is in a position to contribute the additional counterpart resources, to maintain the original percentages approved in the program financing matrix.
- 2.9 Table II.1 presents the breakdown of costs, including the updated current loan and supplemental financing for the program. The table also includes estimates for investments using the supplemental resources, from the local counterpart and the Bank. The column indicating the allocation of resources from the revised original loan includes transfers of funds between cost categories that the government has arranged with the Bank during the last seven years of the program.

TABLE II.1: ALLOCATION OF PROGRAM COSTS						
Cost category	Revised original loan			Supplemental program		
	IDB	Local	Total	IDB	Local	Total
1. Administration and supervision	2.88	2.60	5.48	0.10	0.35	0.45
1.1 Coordination unit				0.00	0.20	
1.2 Evaluation and monitoring				0.10	0.15	
2. Direct costs	65.24	7.01	72.25	16.90	3.58	20.48
2.1 Land use planning, titling, and management	9.12	1.00	10.12	0.80	0.50	1.30
2.1.1 Regulations and Framework Law				0.00		
2.1.2 Implementation of Land Use Management Plan				0.20		
2.1.3 Land survey and titling				0.60	0.50	
2.1.4 Natural resource inventories and research				0.00		
2.2 Institutional strengthening	7.14	1.91	9.05	1.13	0.30	1.43
2.2.1 National institution-strengthening				0.13	0.30	
2.2.2 Provincial governments, municipios, NGOs				1.00		
2.3 Production activities	1.70	1.20	2.90	0.55	0.40	0.95
2.3.1 Agroforestry technology transfer				0.55		
2.3.2 Management of critical areas				0.00	0.40	
2.3.3 Strategic activities				0.00		
2.4. Rehabilitation of the transportation infrastructure	42.13	2.10	44.23	6.22	2.10	8.32
2.4.1 First phase				1.00		
2.4.2 Second phase				0.00		
2.4.3 Third phase				5.22	2.10	7.32
2.5. Basic services	5.15	0.80	5.95	8.20	0.28	8.48
2.5.1 Water, sanitation, and electricity				8.20	0.28	
3. No specific allocation	1.56	0.00	1.56	0.00	0.00	0.00
4. Financial Costs	0.70	8.00	8.70	0.00	0.07	0.07
4.1 Interest				0.00		
4.2 Credit fee				0.00	0.07	0.07
4.3 Inspection and supervision						
Total	70.40	17.60	88.00	17.00	4.00	21.00

III. EXECUTION

A. Borrower and executing agency

- 3.1 The program, financed by loan 1160/OC-PN, and the supplemental financing, will be executed under the same agreed terms and conditions. The **borrower** will be the Republic of Panama, and the **executing agency** will be the Ministry of the Presidency, through the Executive Secretariat of the National Sustainable Development Council (CONADES), with the participation of the ministries and institutions with sector responsibility. The Ministry of the Presidency, through the

Executive Secretariat of CONADES, will be accountable to the Bank for all administrative, financial, and management coordination responsibilities, and will continue performing managerial functions for the coordination, procurement, supervision, and monitoring of program activities.

- 3.2 MP/CONADES is currently implementing other Bank-financed sustainable development programs. It has a good track record as an executing agency and installed financial and administrative capacity at the central level to provide administrative support, monitoring, and evaluations for projects under its responsibility. For this program, MP/CONADES will continue operating under its current structure. At the national level, it will continue acting with the Program Executive Committee and at the provincial level with the Local Advisory Committee. To support implementation, it would act with the Program Coordination Unit (PCU), which is comprised of a Coordinator and his/her technical team, who leads it and liaises with the stakeholders and is accountable to MP/CONADES with respect to implementation.
- 3.3 The ministries and institutions with sector responsibility will continue to help implement the program under existing bilateral or tripartite **agreements** with MP/CONADES, as appropriate for the activities and actions in their respective sectors, leveraging the experiences acquired over the course of the program. These agreements clearly set forth the responsibilities of the institutions and agencies, including those related to supervision of works during the program and appointment of staff to ensure proper operation and maintenance. For this phase of the program, MP/CONADES indicated that it will rely much more heavily on the **Provincial Technical Board** to ensure compliance with the sector policy, facilitate interagency integration, and support implementation of the national plans and the program's AWP. Additionally, it will maintain the **Local Advisory Committee** to ensure participation by the stakeholders in the developing initiatives and supervising the projects, as the program was originally envisaged.

B. Procurement

- 3.4 Goods, works, and services will be procured in accordance with the Bank's policies contained in document GN-2349-7 ("Policies for the procurement of goods and works financed by the Inter-American Development Bank") and document GN-2350-7 ("Policies for the selection and contracting of consultants financed by the Inter-American Development Bank"). Table III-1 summarizes the procurement methods that will be used in the program.

Table III-1. THRESHOLDS FOR PROGRAM PROCUREMENT (In thousands of U.S. dollars)			
	ICB	NCB	Price quotations / Shopping
Works	≥ 3,000	≥ 300 , < 3,000	< 300
Goods	≥ 250	≥ 50 , < 250	< 50
Consulting services	≥ 200		

ICB: International competitive bidding

NCB: National competitive bidding

- 3.5 Works, goods, and consulting services will be procured in accordance with the procurement plan agreed on with MP/CONADES, which contains: (i) the specific contracts for works, goods, and consulting services required for the program; (ii) consultant selection methods; (iii) proposed methods for the procurement of goods and works; and (iv) the method used by the Bank to review procurement. The procurement plan can be found in the program's technical files. Any proposal to review the plan must be presented to the Bank for approval. Supporting documentation for procurement of goods, works, and services, and the corresponding disbursements, will be reviewed ex ante and in accordance with the provisions of Annex I to document GN-2349-7 and Annex I to document GN-2350-7.

C. Disbursements and retroactive financing

- 3.6 Based on the nature of the proposed works and the installed capacity of MP/CONADES to carry out the planned works and activities, the anticipated execution period is three years. The resources from the initial loan will be disbursed in accordance with the corresponding contract.³ The tentative schedule for disbursements is presented in Table III-2:

TABLE III-2. SCHEDULE FOR PROGRAM DISBURSEMENTS (U.S. dollars)				
Source	Year 1	Year 2	Year 3	Total
Bank	4.0	7.0	6.0	17.0
Government	1.0	2.0	1.0	4.0
Total	5.0	9.0	7.0	21.0
Percentage	24%	43%	33%	100%

- 3.7 In accordance with the Bank's policies, the borrower has requested authorization for reimbursement of eligible expenses incurred from 30 October 2006 to the date of approval of the supplemental financing, for up to US\$2 million.

D. Accounting and financial management, audit, and evaluation of the program

- 3.8 The Ministry of the Presidency, through CONADES, will be responsible for the program's accounting and financial management. The Ministry of the Presidency will deliver the program's annual financial statements to the Bank within 120 days of each fiscal year-end. It will also deliver a final report within 120 days from the date of the last disbursement. These financial statements will be audited by a firm of independent auditors that is acceptable to the Bank, based on terms of reference previously agreed by the Bank (document AF-400) and using the standard procedures for selection of external audit services (document AF-200). To evaluate the program, there are plans to conduct a final evaluation and merge the ex post evaluation scheduled for loan 1160/OC-PN with the evaluation for this program, so

³ The current disbursement period ends on 20 February 2008.

that a single project completion report can be prepared for loan 1160/OC-PN and the new loan.

E. Environmental and social considerations

- 3.9 For the supplemental financing, new infrastructure works will not be incorporated into the program. The **Environmental Sequencing Matrix** agreed on under the original program will continue to be used. All works and activities must meet the environmental and social evaluation criteria established in the program's Operating Regulations.

F. Program risks

- 3.10 The main risk identified for the program is related to the time needed to complete rehabilitation of section V of the highway and to install water systems for the communities along the highway. Based on experience to date, in general, neither foreign nor national companies have demonstrated any real interest in bidding on projects in the areas of Darién that are difficult to access. Accordingly, few companies have been participating in the program tenders. Additionally, difficulties related to the climate, access roads, sourcing of materials, and the sheer size of the territory complicate completion of the works, generally increasing costs and creating obstacles during execution, which delays final delivery. To mitigate this risk, MP/CONADES has started the procurement process for the highway works and has put the water systems out to tender, in order to start those projects this summer. Another risk is associated with the long-term sustainability of the works. To mitigate this risk, agreements have been reached with the institutions responsible for each sector to involve them from the outset in the supervision of works and receipt upon completion.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/07

Panama. Loan ____/OC-PN to the Republic of Panama. Supplemental Financing
for the Darién Sustainable Development Program

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 supplemental financing for the Darién sustainable development program. Such financing will be for the amount of up to US\$17,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____)

LEG/OPR/RGII/IDBDOCS#997420
PN-L1017

INFORMACIÓN DISPONIBLE EN LOS ARCHIVOS DE RE2/EN2
FINANCIAMIENTO SUPLEMENTARIO PARA EL PROGRAMA DE DESARROLLO SOSTENIBLE DE DARIÉN
(PN-L1016)

- 1) Marco Lógico del Programa
- 2) Reglamento Operativo del Programa

SUPPLEMENTAL FINANCING FOR THE DARIÉN SUSTAINABLE DEVELOPMENT PROGRAM

(PN-L1017)

DESCRIPTION OF PROGRAM COMPONENTS

The program components are:

COMPONENT 1. Land use planning, titling, management, and protection of natural resources. This component will develop instruments for regulating land use, promoting sustainable resource use, and demarcating and titling land, in order to reverse the current trends and change unsustainable practices. Activities are planned for: (i) amending regulations and drafting a framework law for the program; (ii) implementing the Land Use Management Plan; (iii) land surveying, demarcation, and titling; and (iv) completing natural resource inventories and research.

COMPONENT 2. Institutional strengthening. This component will strengthen the institutional structure as needed to administer and supervise the program activities and the measures to mitigate the impacts of investments, and advance the decentralization process by strengthening local capacities. Activities are planned for: (i) strengthening the capacity of national, provincial, and comarca [indigenous territory] entities; and (ii) advancing the decentralization process by strengthening the capacity of local public institutions, including the Emberá/Wounaan comarca and indigenous congresses.

COMPONENT 3. Production activities. This component will facilitate restructuring of the local economy, enhance its efficiency and sustainability, and encourage its diversification. It will also complement land use planning activities and changing patterns of resource use. Many of these activities are closely linked to the process of land titling and adoption of management plans. Other activities are aimed at providing support for community initiatives in the traditional fishery, ecotourism, arts and crafts, and small industry sectors. This component will integrate and complement other bilaterally financed projects underway in the region. Activities are planned for: (i) the transfer of farming, forestry, and fishing technology; (ii) critical areas management; and (iii) strategic activities of small productive projects and activities to convert extensive livestock grazing systems.

COMPONENT 4. Rehabilitation of the transportation infrastructure. This component will help reduce transportation costs in production areas, and will encourage implementation of an intermodal system, so as to improve the internal mobility of passengers and freight. It includes the rehabilitation, improvement, or construction of small ports, airports, feeder roads, and sections of the existing highway. It provides for phased implementation of the Intermodal Transportation Plan, which will be executed in accordance with the Strategic Plan and the program's Environmental and Social Sequencing Matrix. Execution is structured in phases: (i) **first phase: rehabilitation and improvement of the Puente Bayano-Metetí-La Palma system.** The goal is to establish an efficient link between Panama City and La Palma (rehabilitation of highways, La Palma airport, and the existing ports of Quimba and La Palma), so as to serve the priority

production region where the largest population is concentrated; (ii) **second phase: rehabilitation and improvement of the Metetí-Yaviza system**. This includes improved river transportation on the Chucunaque and Tuirá Rivers, construction of small port facilities, and support for artisanal fisheries, rehabilitation of sections of the Metetí-Canglón highway, airport studies for Yaviza, El Real, and Jaqué, and rehabilitation of feeder roads between Agua Fría and Metetí; and (iii) **third phase: improvement of transportation systems in the La Palma-Yaviza area**. This phase envisages rehabilitation of the Canglón-Yaviza section, and rehabilitation of feeder roads between Canglón and Yaviza.

COMPONENT 5. Upgrading of basic services. This component will help stabilize settlement patterns in production areas and improve the wellbeing of the local populace through projects that have been identified, prioritized, and coordinated with the communities through AWP. Activities eligible for financing include: preinvestment and investments in new works, and the expansion, upgrading, and equipping of existing facilities. Community support will be provided in the sectors of education, health, basic sanitation, electrification, community facilities, and urban planning, drawing on and supplementing existing resources in other projects. Works will be executed in accordance with local cultural norms and the Land Use Management Plan. The two areas of action are: (i) **water, sanitation, and electricity** services along the Pan-American highway and in towns such as La Palma and Yaviza; sewer and solid waste disposal services in Metetí, La Palma, and Yaviza; and electricity services, via the Metetí-Puerto Quimba transmission line; and (ii) **health, education, and urban planning**, including urban planning studies for the major towns of Yaviza, El Real, and Metetí, and the capital, La Palma, and advisory services for designing and building small community works, particularly urban and community facilities.

**SUPPLEMENTAL FINANCING FOR THE
DARIÉN SUSTAINABLE DEVELOPMENT PROGRAM
(PN-L1017)**

PROGRAM EVALUATION SUMMARY

Execution status shows a high level of completion (see program evaluation matrix). Most of the activities in each component have been completed. For example, all of the activities in components 1, 2, and 3 have been completed, as have some in components 4 and 5. At least 50% of the total number of activities in components 4 and 5 have been completed. The remainder are “In process of completion” and, in general, have shown a certain degree of progress. Due to design improvements and the higher price of hydrocarbons, some transportation infrastructure and basic service projects have increased in price compared to estimates made by the project team in 1998.

Progress in program implementation has also been **satisfactory**, for both the program and its components, as confirmed in the most recent evaluation, of 30 January 2007. Component 4 (63% fulfillment of targets) and component 5 (88% fulfillment of targets) are classified as **satisfactory**, even though the established targets are still being met. The Bank only deemed progress as unsatisfactory in one evaluation (June 2006), as a result of delays in rehabilitation of highway sections III, IV, and V, mainly due to difficulties accessing the area and the high costs of working in the province, in some cases because of the lack of bidders. As a result, several bidding processes for infrastructure projects were declared void, which delayed the program and the flow of disbursements. However, the National Sustainable Development Council (CONADES) has partially made up for lost time and has committed an additional US\$40 million during 2006, thus complying with the action plan agreed on with the Portfolio Review Mission (June 2006). Accordingly, program implementation has been reclassified as satisfactory.

With respect to achievement of the **development objectives**, the program has been rated as **“Probable” or “Highly probable”** in evaluations performed to date (see program evaluation matrix). Implementation has been strengthened for the processes in the program’s Strategic Plan that seek to ensure effective management of the region’s natural resources (e.g., the process of land survey and titling with dispute resolution; demarcation of comarcas [indigenous territories] and protected areas and their management plans; upgrading of basic services; and strengthening of local governments). Implementation of the transportation system improvement plan has proceeded acceptably, although very slowly due to the reasons cited above. Nonetheless, significant improvements have been made in travel times and the quality of land, air, and marine transportation services within the province, particularly with regard to connections to La Palma and Metetí. There are still problems related to community permits for the felling of trees and their efficient use. Accordingly, efforts are being made to progress further with comanagement plans within the comarcas. Furthermore, in order to avoid pressures from the expansion of livestock grazing, the program will continue implementing the pilot model for agrosilvopastoral techniques that yielded positive results in the Río Congo basins. Finally, although the executing agency has complied with the institutional strengthening plans for the Panamanian Maritime Authority (AMP), the National Environmental Authority

(ANAM), and other institutions, the expected impacts have not materialized, mainly due to the high turnover of staff assigned by the institutions to work in the province. The program is making progress towards sustainable development. However, this is a slow process. Some positive impacts can already be seen in the province, and others will be felt once the program is completed.

EVALUATION TABLE

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
Probable		Satisfactory			
Component 1. Land use planning, titling, and management of natural resources. Indicative Land Use Management Plan (PIOT) in execution.	1.1 Slow the rate of forest exploitation in protected areas by 80% by the end of the program (of 658,515 hectares (ha), 65,819 ha have been exploited at a rate of 1,322 ha/year in the last three years).	1.1 Regulatory reform implemented.	1.1 PIOT approved by ANAM and implemented through an Administrative Resolution in year one of the program.	1.1 Completed: ANAM approved and adopted the PIOT through Administrative Resolution 0012-99.	<ul style="list-style-type: none"> Management tools are used to guide actions in the province. There has been a notable decline in the practice of burning in the province. The exploitation rate has dropped from 1% (2000) to 0.2% (2005). The area of exploitation within PND has declined from 3.24% (2000) to 0.25% (2005). ANAM has not granted any additional forestry concessions.
			1.2 Development of the forest policy by year three of the program.	1.2 Completed: Forest Policy adopted through Executive Decree 2 of 17 January 2003.	
			1.3 Fishing regulations adopted by AMP (four proposals for regulations approved by year four of the program).	1.3 Completed: AMP adopted four regulations for the fishing sector and management of the marine resources of the Gulf of San Miguel proposed in the Plan. AMP also adopted the Management Plan for the Gulf of San Miguel, with only approval of its zoning still pending. The Marine Resources Authority has been created.	
		Satisfactory			
	1.2 Reduce conflict over land use between <i>comarcas</i> , protected areas, and other by 50% (currently 467,000 ha are under dispute, of a total of 1,661,900 ha in the province).	1.2 Land survey and titling plan implemented.	1.2.1 Five thousand five hundred (5,500) properties surveyed by the end of the program.	1.2.1 Completed: 9,854 properties surveyed. According to a signed contract, by 2007, another 350 properties will be surveyed, for a total of 10,204 properties by the end of the program.	<ul style="list-style-type: none"> Land titles are granted based on the surveys: 1,205 titles have been issued based the surveys. Potential sources of conflict have been reduced: Areas under dispute have been reduced by 30%. The banking sector has a greater presence in the area: (i) increase in the portfolio of bank loans, from both private and government banks, and (ii) greater physical presence (branch offices in the province).
			1.2.2 Forty percent (40%) of surveyed properties are titled by the end of the program. Indicator changed from pretitling to titling.	1.2.2 In process of completion (55% completion per SESI): Technical Support Unit (TSU) has been hired and equipped to process and verify the survey, and prepare the files for registration and titling. There is an agreement with the surveying company to prepare new title files. The titling process began in August 2005. However, the process in ANAM and of issuing the title is very slow and results in delays. As of January 2007, 1,205 titles have been delivered. The TSU, in collaboration with the company, plans to process and deliver 990 titles in 2007, of which 50% are in the final phase of preparation.	

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
		Satisfactory			
	1.3 The exploited area of PND must not exceed 3.5% by the end of the program (of 579,000 ha in PND in 2000, 18,746 ha were being exploited, or 3.24%).	1.3. Community management plans in execution.	1.3.1 Demarcation and signage for the <i>comarcas</i> of Madugandí (year one), Wargandí (year three), and Emberá Wounaan (year five).	1.3.1 Completed: The <i>comarcas</i> of Madugandí, Wargandí, Cémaco, and part of Sambú (77 km) have been demarcated and signs posted. Demarcation of the rest of Sambú is expected to be approved in 2007, and demarcation of the Emberá Wounaan <i>comarca</i> completed. The communal lands of Piriati, Ipetí, and Arimae were also demarcated. Management plans were prepared for the <i>comarcas</i> of Cémaco and Sambú.	<ul style="list-style-type: none"> Greater participation of indigenous communities in comanagement of the area (e.g. (i) once the Cémaco Management Plan was approved, the Tupiza Community Comanagement Plan could be adopted, and (ii) 10% of the stock of the company that manages the Tupiza area is held by the Emberá Wounaan Indigenous Congress). Alternative financing mechanisms have been created for park management (e.g. a debt-nature swap for US\$10 million was executed by The Nature Conservancy -United States Agency for International Development-national government).
			1.3.2 All (100%) management plans for the protected areas of Darién Province are prepared and approved by ANAM by the end of the program (seven protected areas managed by ANAM).	1.3.2 Completed: Eight management plans have been implemented or are being implemented, for a total of 1,666,369 ha, including Cémaco, Sambú, PND, Serranía Bagre Biological Corridor, Filo del Tallo Hydrological Reserve, Canglón Forest Reserve in the Matusagaratí Wetlands, Wargandí Hydrological Reserve in the Río Congo area. A rapid ecological assessment was made in the Serranía Darién area proposed by the community, which was approved and adopted. Another area proposed by the community is the mangrove in Río Congo-Cucunatí, which is in the process of being approved.	
			1.3.3 Management plan for the Gulf of San Miguel approved by AMP by the end of the program.	1.3.3 Completed: AMP approved and adopted the integrated management plan for the Gulf of San Miguel (508,625.7 ha). Some key activities are being implemented, such as the marketing plan for fishermen.	
		1.4. Natural resource inventories and research completed.	1.4.1 Inventory taken of 150,000 ha of forest by the end of the program.	1.4.1 Completed: Inventory taken of 20,370 ha in Alto de Chucunaque-Tupiza; 1,666,369 ha through eight management plans; and two rapid ecological assessments have been completed (7,045 ha in Serranía de Darién).	<ul style="list-style-type: none"> The community is involved in providing security for the Gulf of San Miguel, they understand the management plan, and they participate in certain actions (community buy-in). Thus, for example, the communities request bans against nontraditional products, such as black clams.
			1.4.2. Inventory of fishing resources by the end of the program.	1.4.2 Completed: Inventory taken of 508,625 ha through the coastal marine management plan.	
Probable		Satisfactory			
Component 2. Institutional strengthening. Public institutions, local governments, and <i>comarca</i> governments are strengthened (to coordinate, supervise, facilitate, and take actions for the management and efficient use of the region's human, natural, and financial resources).	2.1 Five percent (5%) increase in annual tax revenues collected by Municipalities by the end of the program (the Municipality of Pinogana collects: "US\$10,000" in 2000; the Municipality of Chepigana collects "US\$15,000" in 2000).	2.1.1 Improved capacity of coexecuting agencies.	2.1.1 Institutional Strengthening Action Plans (PAFIs) approved for ANAM, AMP, Ministry of Agricultural Development (MIDA), Ministry of Health (MINSa), Ministry of Government and Justice (MGJ) (Local Governments and Indigenous Policy), and the Office of Rural Electrification (OER) by year three of the program.	2.1.1 Completed: Nine of five originally planned PAFIs have been approved for: ANAM; MINSa; MIDA; Social Investment Fund (FIS)-OER; University of Panama (UNIPAN); Ministry of Public Works (MOP); and Local Governments and Indigenous Policy of the MGJ. Implementation of the ANAM PAFI has started (98% per SESI); MINSa (80% per SESI); FIS-OER (100% per SESI); UNIPAN (90% per SESI); Indigenous Policy (100% per SESI); Local Governments-MGJ (100% per SESI); AMP (80% per SESI); MOP (100% per SESI); and MIDA (80% per SESI).	<ul style="list-style-type: none"> Institutional and community strengthening of Darién is achieved. - There is buy-in for the program and the process of organizing the black, indigenous, and campesino communities has been strengthened. - The Local Advisory Committee has assumed a predominant role in project management and monitoring. - Active participation in formulating the AWP.

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
		Satisfactory			
		2.1.2 Improved capacity of municipal and <i>comarca</i> governments.	2.1.2.1 Action plans to strengthen the Municipalities of Pinogana, Chepigana, Sambú, and Cémaco approved by year three of the program (by the Municipal Council).	2.1.2.1 Completed: Action plans to strengthen the municipios of Chepigana, Pinogana, Sambú, and Cémaco approved by the municipal council.	- Significant increase in municipal revenues (e.g. in 2005, revenues collected by Pinogana and Chepigana grew by 15% and 25% with respect to 2000, respectively) and greater presence of government institutions in the province.
			2.1.2.2 Regulations issued for Municipal Councils and Community Boards by the end of the program.	2.1.2.2 Completed: Regulations developed for the 4 municipal councils and 29 community boards in the province, and their legal status established.	
			2.1.2.3 Action plan to strengthen the Emberá Wounaan General Congress approved and 80% of the budget executed by the end of the program.	2.1.2.3 Completed: Action plan to strengthen the Emberá Wounaan General Congress approved and 15% of the budget executed.	
			2.1.2.4 Provincial, <i>comarca</i> , and District Advisory Committees on the Environment created by the end of the program.	2.1.2.4 Completed: ANAM supported in creating and implementing the Advisory Committees at the different provincial levels. The District Advisory Committees on the Environment for Chepigana and Pinogana are organized and operating.	
Probable		Satisfactory			
Component 3. Production activities. Diversified production aimed at sustainable practices for the benefit of the Darién community.	3.1 Local communities make sustainable use of forest resources: 2,000 ha of forest have community comanagement plans by the end of the program, which represents additional income for the beneficiary communities (baseline: local communities do not currently benefit from the extraction of timber).	3.1 Farming, fishing, and forest technologies adapted to land use in the province and transferred to producers.	3.1.1 Five thousand (5,000) ha of production with soil management and conservation techniques by the end of the program.	3.1.1 In process of completion (40% completion per SESI): Implementation of technical assistance was launched for comprehensive management of 2,000 ha on 12 pilot farms in Río Congo and Río Congo Arriba. Technical assistance was started for the buffer zone of the Chepigana Forest Reserve, Serranía de Darién, and Filo del Tallo, and the PND buffer zone. Production support projects were also started for 2,000 ha, while ANAM replicates 500 ha in Filo del Tallo with the tested techniques.	<ul style="list-style-type: none"> Farming and forestry activities are being adapted to land use. Appropriate use of 100% of the agricultural region. Formulation of management plans allowed the community to adopt and implement the first comanagement experience in Panama through a community company. Fishermen are applying new techniques that add value to fishing products. Reforested area in the province increased by 300%.
			3.1.2 Two thousand (2,000) ha of forest are under community comanagement by the end of the program.	3.1.2 Completed: The first forest comanagement community project was formulated, approved, and adopted with the <i>comarca</i> . The company Empresa Forestal de Tupiza is operational and managed by representatives of the Emberá Wounaan <i>comarca</i> , where the General Congress owns 8% of the company.	

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
	3.2 Reforested surface area in the province of Darién increased by 300% by the end of the program (baseline: 163 reforested hectares in 1999).		3.1.3 Five hundred (500) fishermen are trained in techniques and marketing of fishing resources.	3.1.3 Completed: Training was started in techniques for managing, adding value, and marketing fishing resources.	
		Satisfactory			
	3.3 In the next four years (by the end of the program), achieve appropriate use of 100% of the agricultural region (of 151,034 ha suitable for farming in Darién, as of 2003 a total of 58,290 ha are underutilized and 27,991 ha are uncultivated).	3.3 Comanagement of critical areas implemented.	3.3 Two hundred (200) families (small producers) are benefiting from conservation and protection services by year four of the program.	3.3 Partially completed (6% completion per SESI): The project for comanagement of the Chepigana Forest Reserve has been implemented with APAQUISET and an agreement has been signed with a local organization (ACAFOD) for comanagement of areas in Río Congo and Río Congo Arriba, which benefit 12 families that apply agrosilvopastoral techniques. The Payments for Environmental Services project was also put out to tender. The farming and forestry experience adapted to land use has been tested. The Forestry School was built, which is training 54 students in agroforestry.	<ul style="list-style-type: none"> The agrosilvopastoral pilot project serves as a model for MIDA, which is replicated in the rest of the country. Using this model, a system of indicators has been established, which has been well received by UNIPAN as a tool for monitoring, managing, and documenting the experience.
		Satisfactory			
		3.4 Strategic production activities implemented.	3.4.1 Strategic ecotourism plan prepared (year five). 3.4.2 Pilot ecotourism project implemented by the end of the program.	3.4.1 Completed: The program's strategic ecotourism plan was prepared and approved at the end of 2005. 3.4.2 In process of completion: Pilot projects were started in Playa Muerto and Chunga de Sambú.	<ul style="list-style-type: none"> Economic activities have been diversified in the region (e.g. tourism has been given a boost through: (i) identification of four tourism areas and selection of six beneficiary communities; (ii) creation of four Tourism Committees, which establish their legal status; and (iii) creation of the Municipal Secretariat of Tourism in Chepigana.
Probable		Unsatisfactory			
Component 4. Rehabilitation of the transportation infrastructure. The Improvement Plan for Transportation Service in Darién is being implemented (in order to decrease transportation costs and facilitate operation of the intermodal system).	4.1 Actual per person transportation cost between Panama City and Metetí should be the same at end of the program (baseline: in 2000, a ticket from Panama City to Metetí cost \$9, and \$14 to Yaviza).	4.1 Rehabilitated intermodal transportation system.	4.1 Pan-American Highway to Yaviza rehabilitated by the end of the program (total of 183 km). Bayano-Tortí section by year two; Tortí-Agua Fría section by year three; Agua Fría-Metetí section by year four; and the Metetí-Canglón section by year five.	4.1 In process of completion (63% completion per SESI): Construction was completed (substantial delivery) of the Puente Bayano-Tortí highway (59 km) and the Tortí-Agua Fría section (26 km). However, there have been problems with the pavement. The government agreed to perform maintenance work. Construction was resumed on section III Agua Fría-Metetí (69.2 km, including 18 km from Metetí to Puerto Quimba), with 75% completion. Rehabilitation was resumed on section IV Metetí-Canglón (23.7 km), with 30% completion, and section V, Canglón-Yaviza (26 km), with 20% completion.	<ul style="list-style-type: none"> Shorter travel times and greater frequency of travel by public land transportation to Darién. Rates have not increased in spite of higher prices for oil derivatives in the last year. Increase in the movement of passengers and merchandise through Puerto Quimba. Decrease in amounts paid for transportation system maintenance.

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
	4.2 Actual cost of passenger transportation between Puerto Quimba and La Palma should be the same at the end of the program (baseline: cost per person of \$2.50 in 2000).		4.2 Puerto Quimba, La Palma, Garachiné, and Yaviza rehabilitated by the end of the program.	4.2 In process of completion: Puerto Yaviza was rehabilitated. The ports of La Palma and Quimba have been designed. The pedestrian ramp was built at Puerto Quimba. Construction has started on the Quimba and La Palma ports and should be completed in November 2007.	
			4.3 La Palma airport relocated by the end of year four.	4.3 Completed: Construction of the La Palma airport was completed and a technical survey was made for rehabilitation of the Jaqué airfield, which has been put out to tender.	
Probable		Satisfactory			
Component 5. Upgrading of basic services. Basic services upgraded.	5.1 Twenty percent (20%) increase in access by the local populace to water services in the province of Darién by year three of the program (42.1% of the Darién population; 20,056 residents have water service in the baseline year 1998).	5.1 Basic services upgraded.	5.1 Water services newly installed in 2,000 homes by the end of the program.	5.1 In process of completion: Sambú rural aqueducts (477 homes), and aqueducts in Barriales, Santa Fe, La Colonia Bayamón, Zapallal, Capetuirá, Arimae, Pueblo Nuevo, Vista Alegre, Nuevo Progreso, and La Lomita (965 homes); Yape aqueducts (32 homes); Jaqué aqueduct (424 homes); water supply in Quebrada Honda, Santa Fe (1,277 homes). The design and feasibility study was completed for the water system on the highway between Arimae and Yaviza. The aqueducts of Púculo (37 homes) and Paya (86 homes), and construction of the water system between Arimae and Yaviza have been put out to tender. In addition to the purchase of filters to support the San José de Cañazas system (32 homes). The La Palma water treatment plant was also negotiated and coordinated.	<ul style="list-style-type: none"> Improved quality of life of the populace: <ul style="list-style-type: none"> Increase in coverage of water services (from 42.1% in 1998 to 56.6% in 2006) and better quality of life. Increase in coverage of solid waste and wastewater management services. Increase in the quantity (increase in coverage and 24-hour service) and quality (elimination of diesel plants in most towns) of electricity service in towns. Coverage of electricity services increased from 28% in 2000 to 52.4% in 2006. Residents of the communities have joined the labor market. Women are better positioned to join the labor market.
			5.2 Solid waste collection and disposal systems installed in Metetí, Santa Fé, Agua Fría, and Jaqué by the end of the program benefit approximately 5,600 residents (currently, there is no solid waste collection system).	5.2 In process of completion (50% completion per SESI): Solid waste management projects were started in Jaqué, Santa Fé, and La Palma, as well as management for Metetí, Yaviza, and El Real. The program, in collaboration with the municipios, is in the process of contracting technical advisory services, beginning training, and starting procurement for the projects. Property has been located in Chepigana and is in the process of being selected for Pinogana. Additionally, 200 latrines were built in Garachiné and construction is planned for the Tucutí sewer system (1,263 beneficiaries), and for approximately 200 latrines for Camogantí and Pinogana.	

Objectives/Purpose by Classification	Achievement of Development Objectives	Activities/Classification	Key Indicators	Execution Status	Outcomes
	5.2 Access by the Darién population to electricity services has increased by 20% by the end of the program (baseline: population of 48,000 residents in Darién in 2000; 28% of the population has electricity service).		5.3 Availability of electricity services in Puerto Quimba by year three of the program (in 2000, Puerto Quimba does not have an electricity system that supports marketing and transportation activities: approximately 30 new connections and construction of the electrical integration system).	5.3 Completed: Electricity integration projects were finalized and turned on in Jaqué, Puerto Piña, Boca de Cupe, Capetuirá, Unión Chocoe, Yape, Puente Yape, Aruza, Vista Alegre, Canglón, and Las Peñitas. Also, solar lighting in Villa Caleta, El Salto, Nazareth, and La Esperanza, and a power plant between Sansón-La Peñita.	
			5.4 The communities of Jaqué and Puerto Piña have permanent electricity supply by year three of the program (approximately 175 connections and construction of the electrical integration system).	5.4 Completed: The Puerto Quimba-Jaqué electrical integration project was completed (22 km of submarine cable). Also, electrical integration between Sambú-Chunga-Taimatí-Tortí; Agua Fría-Palmira; Santa Fe-Tamarindo; Mocenega-Mogue-Puerto Alegre; and design of Tucutí-Camogantí.	
			5.5 300 beneficiaries of the adult education program by the end of year three of the program.	5.5 Completed: The first phase of the health plan was completed, as well as refurbishment of the La Palma library and the Forestry School of Canglón-Yaviza. A total of 439 adults from 23 communities separated into primary and middle school were beneficiaries of the Teacher in the Home radio education program. A total of 163 microentrepreneurs were trained through the Darién Learns program. Sixteen nursing specialists received their degree, 63 adults from 20 organizations were trained through technical assistance provided to community organizations, 17 scholarships were awarded to low-income students to continue regular primary and secondary studies, 12 parents were trained and encouraged to continue working in the school lunchroom, 400 adults attended various courses, etc.	

**SUPPLEMENTAL FINANCING FOR THE DARIÉN SUSTAINABLE DEVELOPMENT PROGRAM
(PN-L1017)**

**PROJECT PROCUREMENT PLAN
MODEL A – FOR SPECIFIC PROJECTS**

General information

Country: Panama

Borrower: Government of Panama

Executing agency: Ministry of the Presidency, through the Executive Secretariat of the National Sustainable Development Council (MP/CONADES)

Project name: Darién Sustainable Development Program (PN-0116), Supplemental loan (PN-L1017)

Project and loan contract numbers: PN-L1017

Brief description of the project's objectives and components:

The basic objective of the program is to contribute to the sustainable social and economic development of Darién Province and to the management and protection of its natural resources. Supplemental financing will be used in the framework of the program to address the program's specific objectives and meet the targets agreed on. Activities are planned under the following two components of the program: component 4, rehabilitation of the transportation infrastructure; and component 5, upgrading of basic services.

Estimated date of project approval by the Board of Executive Directors: 27 June 2007.

Estimated date of signature of the loan contract: 31 August 2007.

Estimated date of the final disbursement: 31 August 2010.

A) Introduction

Procurements for the proposed project will be carried out in accordance with the “**Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank**” (document GN-2349-7), of July 2006; and the “**Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank**” (document GN-2350-7), of July 2006, and with the provisions established in the loan contract and this procurement plan

B) Procurement plan

The procurement plan for the Supplemental Financing for the Darién Sustainable Development Program (PN-L1017) covering the period from January 2007 to June 2008

(18 months of project execution)¹ has been agreed between the Bank and the Ministry of the Presidency (MP). The plan, which is summarized in Appendix 1, indicates the procedure to be used for the procurement of goods, the contracting of works or services, and the method of selecting consultants, for each contract or group of contracts. It also indicates cases requiring prequalification; the estimated cost of each contract or group of contracts; the requirement for prior or post review by the Bank; and estimated dates for the publication of specific procurement notices and completion of the contracts included in this project. The procurement plan will be updated annually or whenever necessary or as required by the Bank.

The procurement plan is available on the executing agency's website: <http://www.mef.gob.pa>. It can also be consulted on the Bank's website: [Information on project procurements](#).

C) Project procurement

The procurements to be made for the proposed project are described in general below.

Works procurement: The works to be contracted include the following:

- Water system for communities along the highway between Arimae and Yaviza
- Paving and maintenance of the section V of the highway: Canglón-Yaviza
- Construction of government offices in La Palma and Metetí
- Rehabilitation of docks in Garachiné and Yaviza
- Rehabilitation of critical points along section III of the highway: Agua Fría-Metetí
- Construction of landfills in the communities of Chepigana and Pinogana

Project works requiring international competitive bidding (ICB) will be contracted using the standard bidding documents (SBDs) issued by the Bank. Procurement subject to national competitive bidding (NCB) will be undertaken using national bidding documents agreed upon with the Bank.

For the contract to build a water system for the communities along the highway between Arimae and Yaviza, the government published the specific procurement notice on 30 January 2007. The work will be cofinanced by loan 1160/OC-PN and the supplemental program (PN-L1017).

For the paving and maintenance of section V of the highway, from Canglón to Yaviza, the government issued an international call for bids in August 2005, and the project will be cofinanced by loan 1160/OC-PN and the supplemental program (PN-L1017).

¹ The first 18 months of project execution are counted from the date of publication of the general procurement notice, or the first specific procurement notice published following approval of the loan, whichever is earlier.

For rehabilitation of critical points along section III of the highway, from Agua Fría to Metetí, the government is negotiating an addendum to its contract with the company Ingeniería de Vías, which is currently executing the work.

Goods procurement: The program does not require the procurement of goods.

Procurement on nonconsulting services:

- Survey and titling of municipal ejidos and urban land use management plans.

Procurement of consulting services:

Consulting services for the project include:

- Implementation of tested technical assistance models, in support of production activities
- Strengthening of the National Water and Sewer Institute (IDAAN) for inspection of the project to build a water system for communities along the highway from Arimae to Yaviza

Operating expenses: The following operating expenses will be financed by the Bank: not applicable.

Advance contracting and retroactive financing:

For the contract to build a water system for the communities along the highway between Arimae and Yaviza, the government published the specific procurement notice on 30 January 2007. The work will be cofinanced by loan 1160/OC-PN (US\$2.5 million), with the balance (US\$7.5 million) provided through the supplemental program (PN-L1017).

For the paving and maintenance of section V of the highway, from Canglón to Yaviza, the government issued an international call for bids in August 2005. The work will be cofinanced by loan 1160/OC-PN (US\$5.5 million), with the balance (US\$4.3 million) provided through the supplemental program (PN-L1017).

For the paving and maintenance of section III of the highway, from Agua Fría to Metetí, the government issued an international call for bids in August 2001 and signed a contract with the company Ingeniería de Vías, which expires in April 2007. This contract is being financed by loan 1160/OC-PN (US\$10.9 million). The government is currently negotiating an addendum to the contract, to repair 28 critical points (in the design phase at the Ministry of Public Works) that deteriorated after the contract was let. These repairs will cost US\$1 million, which will be financed under the supplemental program (PN-L1017).

D) Bank review of procurement decisions

All contracts financed with proceeds from the supplemental loan will be subject to prior review by the Bank in accordance with Appendix 1 of the policies for the procurement of works and goods and the selection of consultants, respectively.

Inter-American Development Bank procurement thresholds (In thousands of U.S. dollars)

Country	Works			Goods			Consulting services
	ICB	NCB	Quotations	ICB	NCB	Shopping	
Panama	≥ 3,000	300-3,000	< 300	≥ 250	50-250	< 50	≥ 200

ICB: International competitive bidding

NCB: National competitive bidding

APPENDIX 1

PROCUREMENT PLAN²

Country: Panama

Executing agency: Ministry of the Presidency, through the Executive Secretariat of the National Sustainable Development Council (MP/CONADES), and with the support of the Bank

Project name: Darién Sustainable Development Program, Supplemental Loan

Project and loan contract numbers:³ PN-L0117

Brief description of the project's objectives and components:

The basic objective of the program is to contribute to the sustainable social and economic development of Darién Province and to the management and protection of its natural resources. Supplemental financing will be used in the framework of the program to address the program's specific objectives and meet the targets agreed on. Activities are planned under the following two components of the program: component 4, rehabilitation of the transportation infrastructure; and component 5, upgrading of basic services.

Estimated date of project approval by the Board of Executive Directors: 27 June 2007.

Estimated date of signature of the loan contract: 31 August 2007.

Estimated date of the final disbursement: 31 August 2010.

Address of the office of the executing agency responsible for the procurement plan:
Director of the CONADES Executive Secretariat: Darinel Espino
despino@presidencia.gob.pa

² All project contracts should be included, even if not financed by the Bank, indicating the source of funding in each case.

³ The loan contract number should be entered as soon as one has been assigned.

Ref. No.*	Description of the contract and estimated cost of procurement	Procurement method**	Review (prior or post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending/ in process/ awarded/ cancelled)	Comments
				IDB %	Local/other %		Publication of specific procurement notice	Completion of contract		
1. Works										
	Work 1: Water system for communities along the highway from Arimae to Yaviza US\$10 million	ICB	Prior	100%	0%	NO	30 January 2007		Pending	Cofinanced by loan 1160/OC-PN and PN-L1017
	Work 2: Construction of government offices in La Palma and Metetí US\$1.2 million	NCB	Prior	100%	0%	NO	May 2007		Pending	
	Work 3: Rehabilitation of the dock at Garachine US\$0.45 million	NCB	Prior	100%	0%	NO	N/A		Pending	
	Work 4: Rehabilitation of the dock at Yaviza US\$0.4 million	NCB	Prior	100%	0%	NO	N/A		Pending	
	Work 5: Construction of sanitary landfills in Chepigana and Pinogana US\$0.2 million	Quotations	Prior	100%	0%	NO	December 2007		Pending	

Ref. No.*	Description of the contract and estimated cost of procurement	Procurement method**	Review (prior or post)	Source of financing and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending/ in process/ awarded/ cancelled)	Comments
				IDB %	Local/other %		Publication of specific procurement notice	Completion of contract		
2. Consulting services										
	Consulting contract 1: Survey and titling of municipal ejidos and urban land use management plans US\$0.8 million	ICB / FBS	Prior	100%	0%	Yes	June 2007		Pending	
	Consulting contract 2: Implementation of the technical assistance model in support of production activities in the province US\$0.5 million	ICB / FBS	Prior	100%	0%	Yes	June 2007		Pending	
	Consulting contract 3: Strengthening of the IDAAN for inspection of the project to build a water system along the highway US\$0.5 million	ICB / FBS	Prior	100%	0%	Yes	March 2007		Pending	

** **ICB:** International competitive bidding; **LIB:** limited international bidding; **NCB:** national competitive bidding; **PC:** price comparison; **DC:** direct contracting; **FA:** force account; **PSA:** Procurement through specialized agencies; **PAs:** Procurement agents; **IA:** Inspection agents; **PLFI:** Procurement in loans to financial intermediaries; **BOO/BOT/BOOT:** Build, own, operate/build, operate, transfer/build, own, operate, transfer; **PBP:** Performance-based procurement; **PLGB:** Procurement under loans guaranteed by the Bank; **PCP:** Community participation procurement; **QCBS:** Quality- and cost-based selection **QBS:** Quality-based selection **FBS:** Selection under a fixed budget; **LCS:** Least-cost selection; **CQS:** Selection based on the consultants' qualifications; **SSS:** Single-source selection.

APPENDIX 2

CAPACITY OF THE EXECUTING AGENCY AND SUPERVISION OF PROCUREMENT BY THE BANK

ASSESSMENT OF THE EXECUTING AGENCY'S CAPACITY TO ADMINISTER PROCUREMENT

The Ministry of the Presidency will be responsible for carrying out project procurements. Having assessed the capacity of the executing agency to carry out the procurement actions, the Bank rates the overall risk to the project arising from the administration of procurement as low, given the institution's experience with similar operations.