

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PANAMA**

**SUSTAINABLE DEVELOPMENT PROGRAM FOR THE CENTRAL  
PROVINCES**

**(PN-L1019)**

**LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING .....	1
A.	Background, problem addressed, and rationale.....	1
B.	Objectives, components, and cost.....	3
C.	Cost and financing .....	5
D.	Key results indicators.....	6
E.	Feasibility .....	6
II.	FINANCING STRUCTURE AND MAIN RISKS.....	7
A.	Financing instruments .....	7
B.	Environmental and social safeguard risks .....	7
C.	Fiduciary risks.....	8
D.	Other risks and special considerations.....	8
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	9
A.	Execution mechanism .....	9
1.	Coordination and co-execution.....	9
2.	Special provisions of the Operating Regulations.....	12
3.	Reimbursement and retroactive recognition of eligible expenditures.....	12
4.	Procurement .....	12
B.	Monitoring and evaluation.....	12
C.	Other design considerations post approval .....	13

ANNEXES	
Annex I:	Results matrix
Annex II:	Summary procurement plan
ELECTRONIC LINKS	
<b>REQUIRED</b>	
Annual work plan (18-month AWP)	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486251">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486251</a>
Monitoring and evaluation arrangements	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486293">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486293</a>
Environmental and social strategy	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487824">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487824</a>
Procurement plan	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486249">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486249</a>
Environmental and Safeguard Screening Form for classification of projects	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486264">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486264</a>
<b>OPTIONAL</b>	
Operating Regulations	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486257">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486257</a>
Technical Design Study: Project 1. Support for technological innovations in agriculture	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482993">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1482993</a>
Technical Design Study: Subproject 2.1 Water and sanitation	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483022">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483022</a>
Technical Design Study: Subproject 2.2 Solid waste management	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483261">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483261</a>
Technical Design Study: Project 3. Environmental management	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483231">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483231</a>
Technical Design Study: Project 4. Governance and management capacity	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483241">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483241</a>
Diagram of execution structure	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488005">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488005</a>
Program budget	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487993">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487993</a>
Institutional capacity analysis – ICAS	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487963">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1487963</a>
Sustainable development strategy - Coclé	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483365">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483365</a>
Sustainable development strategy - Herrera	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483368">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483368</a>
Sustainable development strategy - Los Santos	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483370">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483370</a>
Sustainable development strategy - Veraguas	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483372">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1483372</a>
Map of the provinces	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488207">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488207</a>
Poverty maps and indicators	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488899">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488899</a>
Economic feasibility analysis	
	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488913">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1488913</a>

## ABBREVIATIONS

ANAM	Autoridad Nacional del Ambiente [National Environmental Authority]
ARAP	Autoridad de Recursos Acuáticos de Panamá [Panamanian Aquatic Resources Authority]
AWP	Annual work plan
CONADES	Consejo Nacional para el Desarrollo Sostenible [National Sustainable Development Council]
ICAS	Institutional Capacity Assessment System
IDAAN	Instituto de Acueductos y Alcantarillado Nacional [National Water and Sewer Institute]
MIDA	Ministry of Agriculture
PCU	Provincial coordination unit
PIOTF	Plan Indicativo de Ordenamiento Territorial Funcional [Master Plan for Functional Land Use Management]
PMC	Provincial management contract
PTCU	Program technical coordination unit

## PROJECT SUMMARY

### PANAMA SUSTAINABLE DEVELOPMENT PROGRAM FOR THE CENTRAL PROVINCES (PN-L1019)

Financial Terms and Conditions <sup>1</sup>			
<b>Borrower:</b> Republic of Panama		<b>Amortization period:</b>	20 years
<b>Executing agency:</b> Ministry of the Presidency, through the Executive Secretariat of the Consejo Nacional para el Desarrollo Sostenible [National Sustainable Development Council] (CONADES)		<b>Grace period:</b>	4 years
<b>Source</b>	<b>Amount (US\$ millions)</b>	<b>Disbursement period:</b>	4 years
IDB (Ordinary Capital)	US\$43.0 million	<b>Credit fee:</b>	*
Local	US\$9.7 million	<b>Inspection and supervision fee:</b>	*
Other/Cofinancing		<b>Interest rate:</b>	Variable
Total	US\$52.7 million	<b>Currency:</b>	US dollars from the Single Currency Facility of the Bank's Ordinary Capital
Project at a glance			
<p><b>Project objective:</b> The general objective of the program is to contribute to sustainable development in the central provinces and improve the inhabitants' quality of life through the following strategic actions: (i) increase the productivity and income of small agricultural producers; (ii) improve access to efficient, safe water services and contribute to the environmental health of the region; (iii) help provide environmental protection for critical watersheds and coastal areas; and (iv) strengthen institutional capacities at the local level.</p> <p><b>Special contractual conditions:</b> <b>Conditions precedent to the first program disbursement:</b> (i) the Operating Regulations have entered into force; (ii) the program technical coordination unit (PTCU) has been created and the technical coordination manager and at least two sector specialists have been contracted (paragraph 3.4); and (iii) the provincial coordination units (PCUs) have been created and four provincial coordinators have been contracted (paragraph 3.5). <b>Conditions precedent to the first disbursement for Projects 1, 2, and 3:</b> (i) the three respective project specialists have been contracted within the PTCU (paragraph 3.4); and (ii) copies of the co-execution agreements signed with the respective co-executing agencies have been presented (paragraph 3.6). <b>For program execution:</b> (i) eligible expenditures have been recognized and reimbursed (paragraph 3.11); (ii) the annual work plan (AWP) has been prepared (paragraph 3.10); (iii) evidence of implementation of the rate study recommendations and the rate structure and level proposal for sewer services is presented within the first 18 months of execution (paragraph 2.6); and (iv) program evaluations are conducted (paragraph 3.16).</p> <p><b>Exceptions to Bank policies:</b> None.</p>			
<p><b>Project consistent with country strategy:</b> Yes [ X ]      No [ X ]</p> <p><b>Project qualifies as:</b> SEQ [ X ]      PTI [ X ]      Sector [ ]      Geographic [ X ]      Headcount [ ]</p> <p><b>Procurement:</b> Goods, works, and consulting services will be procured in accordance with the Bank's policies set forth in documents GN-2349-7 and GN-2350-7, respectively (paragraph 3.12).</p> <p><b>Date of ESG verification:</b> 11 April 2008</p>			

\* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 The Government of Panama has identified regional initiatives to enhance governance and land management, protect and sustainably manage natural resources, and promote regional competitiveness as key pillars of development. In this context, the Panamanian government has developed a provincial sustainable development strategy for each of the provinces of what is known as the central region (Coclé, Herrera, Los Santos, and Veraguas). These strategies are part of a government effort to guide provincial development within a framework of dialogue and cooperation and identify opportunities, development challenges, and priority lines of action.
- 1.2 The central provinces face the challenge of joining in the accelerated growth taking place in Panama, driven by engines of growth such as: (i) the potential implementation of free trade agreements that would significantly affect the central region's productive structure and agricultural exports; (ii) the accelerated growth of tourism, including so-called "residential tourism," which is substantially changing settlement patterns, the real estate market, and demand for public services; (iii) development of basic infrastructure; and (iv) increased investment in major public and private road, construction, mining, and other infrastructure projects.
- 1.3 At the same time, socioeconomic assessments of the provinces show a lag in social and environmental investment, reflected by human development indices below the national average. The general poverty rate is 49% and the extreme poverty rate is 21%. The provinces with the highest levels of poverty are Veraguas and Coclé, where the poverty rates are 59% and 54%, respectively. In particular, small and medium-sized producers are hampered by low productivity and economic vulnerability associated with inefficient use of resources and limited access to technology. Added to this are high input prices and the food crisis, which hits the poorest groups in the region the hardest. In addition, management of basic services, especially water and sanitation (including solid waste management), is weak. These factors, added to planned, inequitable economic growth, create unsustainable pressure on natural resources and the environment, affecting the competitiveness of key sectors on which their economies are based and the quality of life of the poorest sectors of the population.
- 1.4 The proposed program will take account of the various sources of financing being used to address priorities identified in the provincial sustainable development strategies and is designed to complement public investment programs for the provinces, with an emphasis on the following problem areas:
- 1.5 The economic vulnerability of small, low-income agricultural producers. The provinces' economies depend primarily on the farm sector, which generates 28% of the central region's gross domestic product and employs approximately 40% of the labor force. In addition, the central provinces contain over 48% of Panama's farmland. The 2004-2009 Strategic Agriculture Plan developed by the Ministry of

Agriculture (MIDA) identifies the provinces' agricultural sector as vulnerable in a trade liberalization context due to low productivity, high production costs, and the resulting weak competitiveness. It is expected that the products most likely to fare poorly with implementation of the U.S.-Panama free trade agreement will be rice, corn, poultry, pork, and dairy products, which dominate provincial production. Among the principal problems affecting the poorest agricultural producers are lack of liquidity needed to adopt technological innovations, limited availability of technical assistance, and restricted market access due in part to poor road infrastructure in rural areas.

- 1.6 Although some producers have sufficient capacity to position themselves competitively in global markets, a high percentage of small and medium-sized producers may remain economically marginalized. In Coclé, Herrera, Los Santos, and Veraguas, 75%, 71%, 64%, and 51% of farms, respectively, measure less than five hectares and rely on outmoded technologies. High input costs are aggravating the illiquidity externalities faced by these producers, while food shortages and high food prices are worsening poverty in the provinces, given the large share of household budgets allocated to food.
- 1.7 Weak, unsustainable management in the provision of basic water, sanitation, and solid waste management services. The principal needs identified by the population in the provincial sustainable development strategies relate to basic services, in particular: (i) disruption and poor quality of drinking water services; (ii) inadequate coverage of sewer and sanitation services; and (iii) inadequate solid waste disposal. While the household coverage of water services in the provinces is on the order of 90%, only 65.9% of homes have 24-hour service. Barely 12% of homes have conventional sewer systems. There are 39 dumps and 6 municipal landfills, all managed without the benefit of technology. Some 13% of the population disposes of waste in vacant lots, 47% burns it, and 3% bury it. The negative impact on quality of life and the environment is obvious, but the reason for these problems goes beyond the need for greater physical investment. In general, the main bottleneck is produced by weak operational, financial, and commercial management by the entities responsible for providing public services: the National Water and Sewer Institute (IDAAN), the Ministry of Health, and the municipalities.
- 1.8 Pressures on natural resources and the environment. The central provinces have a rich natural heritage and are relatively wealthy in terms of natural resources. In addition, their scenic rural landscapes and coastal regions attract tourism. However, the accelerated growth of the main cities and tourist areas has been inadequately planned. Analyses show increasing conflicts over use of water, contamination of surface and ground water, dwindling water supplies in upper watersheds, soil erosion, progressive degradation of land, loss of forest cover and mangroves, and contamination from waste. While progress has been made in enacting environmental laws and regulations at the national level, local and provincial environmental management capacities are practically nonexistent.

- 1.9 Weak governance, management capacity, and interagency coordination. Underlying the problem areas described above are major weaknesses in institutional management and gaps in the legal, management, and oversight framework at the local and provincial levels of government. The technical capacities and resources of regional and municipal institutions and provincial offices of national institutions do not allow them to fulfill the decentralized responsibilities that fall to them, and the capacity for coordination between sector agencies is limited.

**B. Objectives, components, and cost**

- 1.10 The general objective of the program is to contribute to sustainable development in the central provinces and improve the inhabitants' quality of life through the following strategic actions: (i) increase the productivity and income of small agricultural producers; (ii) improve access to efficient, safe water services and contribute to the environmental health of the region; (iii) help provide environmental protection for critical watersheds and coastal areas; and (iv) strengthen institutional capacities at the local level. The program will meet these objectives through four projects:
- 1.11 Project 1. Support for technological innovation and market access for small agricultural producers (US\$16.4 million). This project will facilitate small producers' access to improved technologies to enable them to increase productivity and income. The following actions will be financed: (i) direct support to small producers in adopting technological innovations, utilizing a reimbursement mechanism and menu of technologies (US\$11 million); (ii) dissemination of technologies through regional strengthening actions by MIDA, demonstration plots, and other technical assistance and support mechanisms (US\$1.4 million); and (iii) strategic rehabilitation of local roads used to transport production, to provide access to markets in selected production areas (US\$4 million). The project will also strengthen private sector services and outreach plans by emphasizing the private sector's role as a provider not only of technologies but also of outreach services.
- 1.12 The project will also complement other operations in the country, in areas including competitiveness, titling, and land registration. The complementarity of this operation lies in its focus on specific geographic areas and the small producer segment not covered by other operations. The target group for this project includes low-income producers with viable operations, whom the government plans to support through its Food Solidarity Program. The project adheres to the strategic guidelines set by MIDA and is based on successful models of direct support for technological innovation that have been implemented in other countries in the region. The project will also support national efforts to improve conditions for food production in the medium term. If successful, the mechanism for direct support for technological innovation may become a model to be used throughout Panama.
- 1.13 Project 2. Management efficiency and expanded coverage for water, sanitation, and solid waste management services. Two subprojects are planned, for water and sanitation (US\$19.1 million) and solid waste management (US\$2.7 million). The



- objective of the water and sanitation subproject, consistent with the Bank's Water and Sanitation Initiative, is to improve sustainable access to water and sewer services (including wastewater treatment) and improve the IDAAN's efficiency in providing services. The program will expand coverage of safe drinking water to 200,000 inhabitants and adequate sanitation to 130,000 inhabitants.
- 1.14 Accordingly, the following activities will be financed: (i) comprehensive strengthening of IDAAN's operational and commercial management in the central provinces (e.g., implementation of drain and sewer system network maps, control of water services not billed to users, preparation of user censuses, design and implementation of information systems, and implementation of micro- and macrometering) and operational and commercial training for IDAAN regional officials; (ii) execution of urgent works, corrective maintenance, and expansion projects, subject to master plans and final designs, including hardware and software provisioning; and (iii) activities to promote efficient water use.
- 1.15 With respect to *solid waste management*, the project will implement processes for gradual operational improvements at the Ministry of Health and in selected municipios. During the first 18 months of execution, it will finance feasibility studies and master plans with broad public acceptance, environmental awareness campaigns, and urgent contingency and remediation works for selected dumps that threaten public health and the environment. Thereafter, the project will finance priority investments in integrated waste management. These investments will ensure lowest-cost regional solutions for the transfer and final disposal of solid waste, promote waste reduction, ensure environmental and social management, and guarantee sustainable operations and maintenance.
- 1.16 Project 3. Environmental management for the conservation of critical watersheds and coastal areas (US\$3.1 million). This project will finance activities to promote environmental sustainability in the provinces and create synergies with Projects 1 and 2. The following activities will be financed: (i) development of environmental management tools and action plans to protect and manage priority watersheds and critical protected areas (with emphasis on implementation of the land use and environmental plans developed by the National Environmental Authority (ANAM)); (ii) environmental projects and initiatives such as the restoration of river and coastal corridors and the reclamation of ecosystems and mangroves; and (iii) strengthening of technical capacity for operational responsibilities at the level of the regional offices of ANAM, the Panamanian Aquatic Resources Authority (ARAP), and the Autoridad de Turismo de Panamá [Panamanian Tourism Authority]. This component will place special attention on activities that promote an appreciation of the natural heritage on which tourism depends.
- 1.17 Project 4. Provincial governance and management capacity (US\$7.8 million). This project will strengthen the capacity of provincial entities with provincial coverage mandates in the framework of the prioritization, coordination, and execution of projects under this program. These entities include provincial councils, provincial governments, provincial technical boards, and other key regional and local entities

involved in implementing the program's investment components, within the framework of the respective provincial sustainable development strategies. The activities to be financed include technical assistance, information systems, and management tools designed to strengthen provincial capacities to coordinate and plan public investments. Selected municipal action plans will also be financed to complement a Bank operation in this area. Eligible beneficiaries will also include civil society organizations and government agencies such as the Ministry of Health, the Panamanian Tourism Authority, the Ministry of Finance, the Ministry of Government and Justice, and other agencies whose functions contribute to fulfillment of this program's objectives.

- 1.18 **Program administration and coordination (US\$3.6 million).** This component will finance the program's coordination and execution structure (the program technical coordination unit (PTCU) and the provincial coordination units (PCUs)), whose functions and composition are described below in paragraphs 3.4 and 3.5. This component will also finance: (i) the evaluation, monitoring, and information system; (ii) specialized technical advisory assignments; and (iii) the PTCU accounting and financial functions.

### C. Cost and financing

- 1.19 The total program cost is US\$52.7 million, of which US\$43 million will be financed with resources from the Single Currency Facility of the Bank's Ordinary Capital in U.S. dollars. The disbursement period will be four years from the effective date of the loan contract.

#### SUMMARY OF COSTS In millions of U.S. dollars

	IDB	LOCAL	TOTAL	%
Project 1. Support for technological innovation and market access for small agricultural producers	14.6	1.8	16.4	31%
Project 2. Management efficiency and expanded coverage for water, sanitation, and solid waste management services				
• Water and sanitation subproject	16.9	2.2	19.1	36%
• Solid waste management subproject	2.1	0.6	2.7	5%
Project 3. Environmental management for the conservation and management of critical watersheds and coastal areas	2.0	1.1	3.1	6%
Project 4. Provincial governance and management capacity	5.6	2.2	7.8	15%
Program administration	1.8	1.8	3.6	7%
TOTAL	43.0	9.7	52.7	
Percentage (%)	81.6%	18.4%		

#### **D. Key results indicators**

- 1.20 The key indicators in the results matrix are identified in Annex I. The program objectives for Project 1 are to: (i) establish and consolidate a flexible, accessible system of technological support to small producers that will serve as a model for eventual implementation nationwide; (ii) incorporate small producers into existing financial systems and technical assistance services; (iii) increase farm productivity and food production; and (iv) increase the beneficiary producers' income by at least 15% in comparison with control groups. Results will be measured through monitoring activities, including an impact evaluation for the technologies most in demand, to be conducted by an independent firm at the beginning and end of the program.
- 1.21 Project 2 will establish and consolidate an autonomous, self-sufficient business unit in IDAAN for the central provinces. If this operational strengthening strategy for IDAAN is successful, the next step will be to convert the business unit into a decentralized, autonomous enterprise. The key indicators in this area will measure the quality of water and sanitation services management and the efficient use of resources by beneficiaries in the four provinces. In addition, they will measure improvements in coverage and operational management indices. Finally, the solid waste management subproject will help the central provinces develop more efficient methods for managing solid waste collection and disposal.
- 1.22 With respect to environmental conditions in the region, the project is expected to improve local and regional environmental monitoring and supervision and restore environmental services in critical micro watersheds and coastal areas. The governance and institutional strengthening component will improve coordination between key regional and local entities and enhance their capacities to manage information on which decisions are based, apply management tools, and plan provincial investments.

#### **E. Feasibility**

- 1.23 The feasibility analyses for each project are provided in the project-specific technical annexes. For Project 1, the analysis confirmed that the technological tools included in the technology menu are appropriate for the region's productive characteristics, can be easily adopted by small producers, and are environmentally sustainable. The ex ante economic analysis shows that the technologies included in the menu of options can generate internal rates of return in excess of 30%. An analysis of a sampling of rural road rehabilitation works produced an internal rate of return of 57%, based on a conservative estimate of production losses attributable to impassible roads during the rainy season.
- 1.24 The analysis for Project 2 showed notably higher water consumption in Panama in general, and the central provinces in particular, compared to other countries in the region. Moreover, the average water bill covers less than half the average cost of water supply, and sewer services are provided free of charge. This promotes excessive water consumption, which can reach 38.6 cubic meters per month, twice

the average consumption in properly metered systems and in systems using rates that cover average costs.<sup>1</sup> This is primarily due to poor demand management. Excessive, unregulated water consumption, combined with low rates, is placing greater demands on bodies of water and infrastructure. At the same time, communities perceive that water shortages are due to lack of infrastructure rather than wastefulness and lack of control of collective consumption.

- 1.25 The financial and economic feasibility of Project 2 depends on a program of comprehensive improvement in IDAAN's commercial and operational management to rationalize consumption in the medium term and provide access to consumers who currently lack service, while adopting rates that send appropriate signals to users in order to ensure financial sustainability (paragraph 2.6).

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 The financing will be structured as an investment loan from the Bank, according to the following projected disbursement timetable.

**Table II.1 – Disbursement Timetable**

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

### **B. Environmental and social safeguard risks**

- 2.2 The environmental and social risks of this operation are low, and the category B classification assigned in project preparation will continue to be valid for environmental monitoring of the minor works contemplated. The program's objectives include developing capacities for environmental and social sustainability and the sustainable management of natural resources in the provinces. To this end, the selection, design, and location of investment works will be based on the creation and implementation of environmental management and land-use planning tools, including ANAM's Master Plan for Functional Land Use Management (PIOTF). In addition, the program will strengthen environmental monitoring and control capacities and promote and support participation by civil society organizations. The agricultural technologies geared toward small producers will promote appropriate use of inputs and processes with positive impacts on soil and water quality. Technologies that may be environmentally harmful are explicitly excluded. The water and sanitation project will finance management improvements with positive

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<sup>1</sup> According to the World Health Organization's Pan American Center for Sanitary Engineering and Environmental Sciences, daily per capita consumption in Panama is 667 liters compared to the following figures for other countries: Dominican Republic, 600; Venezuela, 356; Argentina 300; Trinidad and Tobago, 275; and Colombia, 150.

environmental impacts (e.g., more efficient use of water, conservation of sources, reduction and safe disposal of waste). The projects to be financed by this operation must comply with the following minimum requirements, in addition to the criteria set in the Operating Regulations: (i) environmental and social feasibility, ensuring that the mitigation measures identified are financed and implemented; (ii) compliance with Panama's environmental and sector laws and regulations, as well as Bank policies; and (iii) compatibility with the guidelines set forth in the PIOTF.

**C. Fiduciary risks**

- 2.3 The program's fiduciary risks are limited. The Ministry of the Presidency's National Sustainable Development Council (CONADES) has executed four previous operations with the Bank in the last eight years. The Institutional Capacity Assessment System (ICAS) produced an overall score of 85%, indicating low institutional risk. The program includes specific financing to strengthen administrative and fiduciary management capacities as part of the execution plan. There is no exchange risk in Panama and thus no problem with disbursing the operation in U.S. dollars.

**D. Other risks and special considerations**

- 2.4 The program's multisector approach requires the intervention of multiple central and local government agencies, which will be individually responsible for implementation of activities under their respective mandates. The number of agencies involved may result in delays in execution and appropriation by the various co-executing agencies. This risk is mitigated by the program structure, which identifies four specific projects, each having clear sector leadership and commitment. The signature of agreements between the Ministry of the Presidency/CONADES and the co-executing agencies will formalize sector responsibilities for execution, with performance targets and reporting mechanisms that can be monitored and verified. In addition, the functions of the technical boards and provincial councils will be strengthened to improve coordination between sectors in program execution and with other programs and sources of financing in the provinces.
- 2.5 Implementation of the direct support mechanism for technological innovation in Project 1, while not complex, requires an initial phase of careful institutional and financial strengthening. To this end, a firm and experts specializing in the sector will provide support, working hand in hand with MIDA regional offices. This mechanism also requires an appropriate system for transferring resources to ensure its effectiveness and minimize discretionary authority. To minimize this type of risk, the execution mechanism described in paragraph 3.9 establishes clear measures for recordkeeping, monitoring, evaluation, verification, and reporting.
- 2.6 The success of the strategy to rationalize consumption and improve IDAAN's operations in the central provinces depends largely on complementary actions under the provincial management contract (PMC), such as the adoption of rates that send

appropriate signals to users, to ensure financial sustainability. To minimize this risk, as part of the program performance and progress review, CONADES will present evidence 18 months into the execution period that IDAAN has implemented the recommendations of the rate study authorized by the Panamanian regulatory authority and has submitted to that authority a rate structure and level proposal for sewer services to be applied in the location(s) where the corresponding works are planned.

### **III. IMPLEMENTATION AND MANAGEMENT PLAN**

#### **A. Execution mechanism**

##### **1. Coordination and co-execution**

- 3.1 The **borrower** will be the Republic of Panama and the **executing agency** will be the Ministry of the Presidency, acting through the Executive Secretariat of CONADES.
- 3.2 **CONADES**, through its Executive Secretariat and Program Coordination and Execution Unit, will be primarily responsible for coordinating the various sectors and central government agencies to ensure fulfillment of program goals based on the areas of responsibility identified for each sector. The program is structured to provide each project with a co-executing agency with sector and jurisdictional responsibilities defined by law: the Ministry of Agriculture (MIDA) and Ministry of Public Works for Project 1; IDAAN, the Ministry of Health, and the beneficiary municipios for Project 2; and the National Environmental Authority (ANAM) and the Panamanian Aquatic Resources Authority (ARAP) for Project 3. Project 4 (institutional strengthening) will be coordinated directly by CONADES through the program technical coordination unit (PTCU).
- 3.3 CONADES will perform the following functions: (i) coordinate the various sectors and central government agencies to ensure fulfillment of the program goals based on the areas of responsibility identified for each sector; (ii) oversee compliance with the provisions of the loan contract and the agreements with co-executing agencies and beneficiaries; (iii) with the co-executing agencies, prepare and supervise the procurement of goods and services and authorize payments under contracts for program activities, subject to approval by the respective co-executing agencies; (iv) prepare the annual operating budget to be submitted to the Bank; (v) perform accounting and financial management functions for the program; and (vi) make consolidated monitoring reports available to the public, including the annual work plan (AWP) and other relevant information of general interest. The Executive Secretariat will be supported by the PTCU and four provincial coordination units (PCUs).
- 3.4 The PTCU will be created within the CONADES Technical Secretariat and will consist of a technical coordination manager and a team of four specialists (one per project), in addition to the minimum staff to effectively handle administrative and

financial functions. The manager will be primarily responsible for program integrity, coordinating all actions and ensuring fulfillment of the functions assigned to CONADES. The sector specialists will be selected based on terms of reference and a short list established by mutual agreement of CONADES and the respective co-executing agency. Their functions will include: (i) ensuring the fulfillment of all aspects of the co-execution agreement; (ii) assuming technical leadership for the coordination and execution of all activities envisaged as part of the respective project in each province; and (iii) liaising with the provinces, the sector agencies at the central level, and CONADES on technical matters. The creation of the PTCU and contracting of the executive director and at least two sector specialists will be a condition precedent to the first disbursement under the program. In addition, as a special condition precedent to the first disbursement for each of Projects 1, 2, and 3, the specialist responsible for respective project in the PTCU will be hired and the co-execution agreement between CONADES and the respective agency will be signed, as described in paragraph 3.6.

- 3.5 In addition, there will be four PCUs, each of which will have a presence and specific responsibilities in its respective province and will serve as the facilitative and operational arm of CONADES and the PTCU. The PCUs will consist of a coordinator and a minimum local technical support team. The PCUs' functions include: (i) promoting and disseminating information on the program in their provinces; (ii) executing and supporting program activities associated with the participation and strengthening of the respective provincial council, provincial technical board, municipal councils, and civil society; (iii) facilitating the PTCU's work in each province; (iv) facilitating and supporting communication with each regional office of the co-executing agencies; (v) reporting to CONADES and the PTCU on the status of execution, problems encountered, and other matters relevant to successful program execution; and (vi) fulfilling other responsibilities according to the nature of the program in each province. A local agricultural specialist will be responsible for technical and operational coordination and will serve as the point of contact with the agricultural component's producer beneficiaries. The creation of the PCUs and contracting of the four provincial coordinators is a condition precedent to the first disbursement of program funds. In each province and supported by Project 4, the program will also support active participation by the provincial technical boards, provincial councils, local governments, and civil society in the various aspects of program execution and monitoring.
- 3.6 **Co-executing agencies:** The designation of co-execution responsibilities will be formalized through an agreement to be concluded and signed between each co-executing agency and CONADES. Under these agreements, the co-executing agencies will assume the following responsibilities: (i) establishing and identifying strategic sector priorities; (ii) ensuring complementarity and synergies with other projects in the same sector; (iii) assigning a technical counterpart to the program; (iv) preparing, revising, and approving terms of reference, subject to publication, and participating in technical evaluations in connection with bidding processes; (v) providing technical supervision of investments in areas under their authority;

- (vi) conducting periodic monitoring inspections and performance evaluations; (vii) preparing monitoring reports for activities under their responsibility; and (viii) where rates are charged for services provided under program-financed projects, ensuring that the rates generate sufficient income to cover all operating expenses of the investments, including administration, operation, maintenance, and, to the extent possible, depreciation. The co-executing agencies will be required to participate, as members of the provincial technical board, in preparing and agreeing on the AWP in cooperation with the PTCU.
- 3.7 **Execution mechanism.** Reimbursements associated with direct agricultural support (Project 1) will be made for 18 months via Banco Nacional de Panamá, in light of its extensive network of agencies in the central provinces and its experience with similar operations. After the initial 18 months, CONADES will contract a financial institution through a competitive bidding process, subject to evaluation of the performance by Banco Nacional de Panamá. An independent entity will also be contracted to verify the adoption of technologies in the field as one of the operational requirements for payment of direct support, and primarily for measuring results, for reimbursement.
- 3.8 The investments for rehabilitation of rural roads (as part of Project 1) will be made in accordance with the framework and principles that will govern the future rural roads program to be financed by the IDB. Accordingly, this subproject is expected to be a spearhead in the provinces, selecting the areas of highest priority in the short term and greatest potential for maximizing the subproject's benefits in terms of agricultural productivity. Execution will be carried out within the framework of the respective co-execution agreement between CONADES, MIDA, and the Ministry of Public Works for the selection of roads, design of works, and construction.
- 3.9 In the case of the water and sanitation subproject (Project 2), the activities to strengthen IDAAN's regional operations will take place under a provincial management contract (PMC) with a minimum term of three years. The PMC will be a "twinning" or services contract in which a third party, the contractor, supports and assists the four IDAAN regional provincial teams in planning, implementing, and managing water and sewer services during the contract period, at the end of which IDAAN is expected to have developed decentralized business capacities to effectively serve the four provinces. The PMC will be awarded under a competitive bidding process conducted by CONADES and transferred to IDAAN, which will create a contract and program monitoring and supervision unit with primary responsibility for supervising the PMC and certain works envisaged under the project. IDAAN will prepare terms of reference for selection of the contractor and, together with CONADES, will participate in the selection process. Once the contractor is selected, CONADES will transfer the contract to IDAAN for performance and supervision.



## **2. Special provisions of the Operating Regulations**

- 3.10 The Operating Regulations provide the details of execution for each project and the rules and procedures for program execution. They also establish eligibility, feasibility, and evaluation criteria for every project or activity to be financed, in order to ensure technical, financial, environmental, economic, and institutional sustainability. The entry into force of the Operating Regulations will be a special condition precedent to the first disbursement of program funds, in accordance with the terms and conditions previously agreed on with the Bank.

## **3. Reimbursement and retroactive recognition of eligible expenditures**

- 3.11 The Bank may reimburse up to US\$1,000,000 in eligible expenditures incurred on or after 1 January 2008, using proceeds from the loan. The Bank may also recognize up to US\$50,000 in eligible expenditures incurred on or after the same date, against the local counterpart contribution.

## **4. Procurement**

- 3.12 Works, goods, and consulting services for the program will be procured in accordance with the Bank's policies and procedures as defined in documents GN-2349-7 and GN-2350-7. No exceptions to Bank policies are anticipated. Table III-2 summarizes the procurement methods to be used for the program.

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

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

- 3.13 Committees will be created to evaluate the technical offers submitted in connection with competitive bidding processes. The committees will be formed by representatives of CONADES and at least one representative from the co-executing agency responsible for the activity, as established in the interagency agreements. The borrower will update the procurement plan annually as part of the year-end monitoring report, as required or when substantial changes occur. Any proposed revision of the plan must be submitted to the Bank for approval.

## **B. Monitoring and evaluation**

- 3.14 Monitoring and evaluation of all projects administered by CONADES will be based on the evaluation, monitoring, and information system. This system draws on, *inter alia*, supervision evaluations, co-executing agency monitoring reports, and project evaluations based on the agreed on indicators and the results matrix.
- 3.15 CONADES will present semiannual reports to the Bank on the evolution of program monitoring and impact indicators that will be tracked by the evaluation,

monitoring, and information system. The reports will focus on the fulfillment of output indicators in the results matrix (Annex I) and will include the results of environmental monitoring of works, problems encountered, and corrective measures adopted. The reports for the second six-month period will also include the plans for the following year, with an adjustment in disbursements and updated procurement plan. Any adjustments to the program resulting from discussion of these reports will be agreed on with the Bank. Once the monitoring reports have been accepted by the Bank, they will be made available to the public on the executing agency's website.

- 3.16 A midterm evaluation and a final evaluation will be conducted once 45% and 90% of the loan proceeds have been disbursed, respectively. These evaluations will cover the following information: (i) the outputs and outcomes achieved, as measured against the indicators in the results matrix (Annex I); (ii) the effectiveness of program coordination mechanisms; (iii) compliance with the provisions of the Operating Regulations, in particular, processing times for requests and application of eligibility and sustainability criteria; (iv) effectiveness and efficiency of program execution mechanisms; (v) financial sustainability of investments; and (vi) level of compliance with the clauses of the loan contract. The evaluations will be conducted by one or more independent specialized firms contracted by CONADES and financed with proceeds from the loan. Once the evaluation reports have been accepted by the Bank, they will be made available to the public on the CONADES website. Annual external audits will be conducted during program execution by a firm acceptable to the Bank.

**C. Other design considerations post approval**

- 3.17 The operation's multi-sector approach will require sector support from the Bank in order to ensure that program administration is technically appropriate. The need for support will be particularly intense during the initial 18 months, when the institutional strengthening process must be consolidated. In particular, the water and sanitation project, which is expected to result in a new operational and commercial management model, will require special sector attention. Also, the success of the direct support mechanisms under Project 1 depends on the quality and soundness of the various financing, information, coordination, and strategic leadership mechanisms to be established during the initial 12 months of execution. At the same time, the complementary investments in rural roads must be consistent with the sector's technical and strategic requirements. The Bank's Country Office in Panama possesses these sector capacities, and the design of the operation benefited from the participation of sector specialists from the corresponding divisions.

## RESULTS MATRIX

### SUSTAINABLE DEVELOPMENT PROGRAM FOR THE CENTRAL PROVINCES (PN-L1019)

Program Development Objective	The general objective of the program is to contribute to sustainable development in the central provinces and improve the inhabitants’ quality of life through the following strategic actions: (i) increase the productivity and income of small agricultural producers; (ii) improve access to efficient, safe water services and contribute to the environmental health of the region; (iii) help provide environmental protection for critical watersheds and coastal areas; and (iv) strengthen institutional capacities at the local level.						
DEVELOPMENT IMPACT INDICATORS							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
1. Net income (income - costs) of the program’s beneficiary producers increased by at least 15% in comparison with control groups for the technologies most in demand (up to 5; net income data by province). Measured 12 months after farmers’ adoption of technology.	0% in each of the five technologies evaluated compared to the control group.				15% in each of up to five technologies evaluated compared to the control group.	15% in each of up to five technologies evaluated compared to the control group.	Baseline study and study conducted in the fourth year of execution.
2. The total percentage of consumption billed to users based on effective micrometering increases from 40% to 95%.	Baseline will be estimated. Currently estimated at 40%.	40%	60%	80%	95%	Reduce the proportion of users billed by average usage to 5%.	Micro-metering.
3. The volume of losses per user billed (total losses in gallons divided by total number of users) declines from 6,000 gallons to 3,000 gallons per month.	6,000	6,000	5,000	4,000	3,000	Cut water losses in half.	Macro-metering.
4. The average volume billed per user based on actual metering increases from 6,000 gallons per month to 8,000 gallons per month (all user types combined).	6,000	6,000	6,500	7,500	8,000	Reduce unmetered volumes to 6,000 gallons and bill actual consumption	Micro-metering.

	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
						up to a rational target of 8,000 gallons.	
5. Water consumption fees collected from users at the provincial level increases from 70% in 2009 to 90% in 2012. The uncollectible portfolio is no greater than 5%.	70%	70%	80%	85%	90%	90%	Commercial information system.
6. Increase in effective coverage (minimum water service of 18 hours per day; quality meets applicable regulatory standards; pressure above 10 mcw) from 70% to 90% in towns of over 1,500 inhabitants for which IDAAN is responsible.	70%	70%	75%	82%	90%	Improve continuity and quality for 90,000 current users Incorporate 20,000 new users.	Census of users; map of networks; mathematical modeling.
7. Increase effective sewer service coverage from the current 33% to 50% in towns of over 1,500 inhabitants for which IDAAN is responsible.	33%	33%	40%	45%	50%	Expansion of sewer service coverage to a total of 50,000 new users.	Map of storm and sewer system networks and census of users.
8. Three provincial districts maintain technically, environmentally, and financially sustainable systems to manage collection and disposal of solid waste.	There are no appropriate management systems, and final disposal is substandard and environmentally harmful.			A sustainable system using environmentally appropriate solutions is implemented in one district as a demonstration.	Three solid waste management systems are consolidated using financially sustainable and environmentally appropriate mechanisms.	Three solid waste management systems are consolidated using financially sustainable and environmentally appropriate mechanisms.	Monitoring and evaluation system.

	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
9. The forest cover (percent of area covered) in the high- and medium-elevation La Villa River and Parita River watersheds remain at current levels or increase in comparison to the baseline (base year = program year 1). The environmental assessment improves from “critical degradation” to “good environmental condition.”	2009 Vegetation cover index  Baseline 100 for 2009  Environmental condition: “critical degradation”					2012 Vegetation cover index: 100 or more compared to the 2009 baseline.  Environmental condition: good	Forest cover study; progress reports; final evaluation.
10. The mangrove cover (percent of area covered) in critical areas remains equal to the baseline (Parita Bay and Montijo Gulf) (base year = program year 1). The environmental assessment improves from “critical degradation” to “good environmental condition.”	2009 Mangrove cover index: Baseline 100 for 2009  Environmental condition: “Critical degradation”					2012 Mangrove cover index: 100 or more compared to the 2009 baseline  Environmental condition: good	Forest cover study; progress reports; final evaluation.
11. Increased efficiency and effectiveness of institutions in the central provinces.	Proportion of planned investments executed (2006): Coclé: 80% Herrera: 75% Los Santos: 60% Veraguas: 68%  Source: Ministry of Finance, 2007			10% increase in percentage of investments executed.	20% increase in percentage of investments executed.	85% financial execution at the end of the fourth year.	Ministry of Finance budget execution reports.

	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
12. The beneficiary municipios' revenue from the issuance of permits pursuant to their environmental land use and development plans represents at least 5% of total revenue by the fourth year of execution.	There is no revenue from permits issued in 2009  0%			3%	5%	5%	Municipal treasurer's report on income from fees for certificates of use under the land use plan.

Objective of Project 1	Expand small producers' access to improved technologies in order to increase their productivity and income.
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Project 1:							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>OUTPUT INDICATORS</b>							
1.1 Support - a total of at least 8,000 eligible producers purchase items from the program's technology menu (break down by province).	0	400	1,600	4,000	8,000	8,000	Project monitoring system report.
1.2 Demonstration lots - a total of 600 demonstration plots are installed and visited by a least 6,000 poor producers (break down by province).	0	Plots: 150 Visitors: 1,500	Plots: 300 Visitors: 3,000	Plots: 450 Visitors: 4,500	Plots: 600 Visitors: 6,000	Plots: 600 Visitors: 6,000	Project monitoring system report.
1.3 Rural roads - a total of 100 km of local roads used to transport production repaired and maintained according to the standards agreed on for the four central provinces.	0	10	40	70	100	100	Executing agency report.

Project 1:							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>INTERMEDIATE OUTCOME INDICATORS</b>							
1.1. Promotion and dissemination program is designed and implemented for the direct technological support subcomponent.	0	Promotion and dissemination firm contracted.  Promotion and dissemination designed and implemented.					Executing agency report.
1.2. A management and monitoring system is designed and implemented.	0	Management and monitoring firm contracted.  System designed and implemented.	Institutional and financial mechanism consolidated for the transfer of direct support.			Institutional and financial mechanism consolidated for the transfer of direct support.	Executing agency report.
1.3. At least 80% of producers who purchase technology options implement them.	0	10%	20%	60%	80%	80%	Project monitoring system report.

Objective of Project 2	Improve efficiency in operational and commercial management and rationalize consumption and coverage of water, sanitation, and solid waste management services.						
Project 2							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
OUTPUT INDICATORS							
2.1 New micrometering units installed in each province as follows: (a) Herrera: 20,000 (b) Veraguas: 23,000 (c) Coclé: 23,000 (d) Los Santos: 20,000	There are currently obsolete metering units in each province: Herrera: 8,000 Veraguas: 9,000 Coclé: 9,000 Los Santos: 8,000	No micrometering units will be installed in the first year. Community preparation; procurement, efficient water use plan.	New micrometering units installed in each province as follows: Herrera: 20,000 Veraguas: 23,000 Coclé: 23,000 Los Santos: 20,000	Metering units installed only for expanded coverage. Approximately 800 to 1,000 in each province.	Metering units installed only for expanded coverage. Approximately 800 to 1,000 in each province.	95% effective micrometering coverage.	Commercial information system; progress reports; midterm and final evaluations.
2.2. A sewer system map is completed for each province according to the technical specifications established during the first year of execution.	There are currently no network maps or user censuses at the provincial level.	100% of networks are mapped and users enumerated in the field, and the results transferred to the geographic information system.	Verification through statistically representative samples. Maintenance activities, incorporation of new users, and expansion of networks.	Verification through statistically representative samples. Maintenance activities, incorporation of new users, and expansion of networks.	Verification through statistically representative samples. Maintenance activities, incorporation of new users, and expansion of networks.	95% reliability; 95% completeness; 100% integrity	Applications developed in the geographic information system environment; progress reports; midterm and final evaluations.
2.3. Commercial information systems installed and in operation at the provincial level (by province and year).	A system is in operation at the IDAAN national office.	Installation of two real-time query servers in each province. Hardware and application	Development of IT analytical tools for invoicing, collection, and portfolio. Model	Execution and monitoring of projects to reduce losses.	Execution and monitoring of projects to reduce losses.	Maximum commercial loss of 2,000 gallons per user per month.	Breakdown of technical and commercial losses; progress



Project 2							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
		software for queries; indicators from the manager and commercial director.	plans and specific plans to reduce commercial losses formulated.				reports; midterm and final evaluations.
2.4. IDAAN regional professionals from the four provinces trained in operating commercial water supply and systems; areas meeting performance indicators agreed.	0	Performance indicators and metering protocols defined.	Application of indicators based on protocols.	Application of behavior modification measures.	Verification and adjustment of objectives.	Achieve performance standards in the operational and commercial tasks through benchmarking.	Progress reports; midterm and final evaluations.
2.5. Public awareness campaigns focusing on rational consumption of water, a culture of payment for water service, and incorporation of the illegal users at the provincial level: 100% coverage of educational centers at all levels, public offices; town boards; by district; low consumption devices.	0	20% of the population.	Coverage for 95% of the population.	Campaign maintained with high consumption users.	Mandatory use of low consumption devices and new construction.	Introduce the community to average billed consumption on the order of 6,000 gallons per user per month.	Progress reports; midterm and final evaluations.
2.6. 80 hectares incorporated into the program for payment for environmental services: For protection of water sources acquired by IDAAN and protection infrastructure installed.	0	40	80	80	80	Measure and maintain water output per hectare.	Progress reports; midterm and final evaluations.
2.7. Master plans and project designs for integrated solid waste management systems in three provinces (Veraguas, Herrera, and Los Santos) completed and approved by the Ministry of Health.	0		Master plans and integrated management studies addressing technical, economic,			The provinces have the studies necessary to make sound decisions on solid waste management.	Copies of studies and approval documents.

Project 2							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
			financial, environmental, and institutional feasibility. Validated at the provincial level with consultation of and acceptance by the communities.				
2.8. Cleanup of at least six critical landfills.	0		Six open-air landfills have been cleaned up (technically closed or rehabilitated). Dangers of contamination and health risks to neighboring communities have been eliminated.			Environmental harm and public health threats associated with the region's most critical landfills eliminated.	

Project 2							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>INTERMEDIATE OUTCOME INDICATORS</b>							
2.1. Micrometering (%) increases in each province as follows:	(a) Herrera: 0% (b) Veraguas: 0% (c) Coclé: 0% (d) Los Santos: 0%	(a) Herrera: 0% (b) Veraguas: 0% (c) Coclé: 0% (d) Los Santos: 0%	(a) Herrera: 90% (b) Veraguas: 90% (c) Coclé: 90% (d) Los Santos: 90%	(a) Herrera: 91% (b) Veraguas: 91% (c) Coclé: 91% (d) Los Santos: 91%	(a) Herrera: 92% (b) Veraguas: 92% (c) Coclé: 92% (d) Los Santos: 92%	95% actual micrometering coverage	Financial information system; progress reports; midterm and final evaluations.
2.2 IDAAN regional offices and the four provinces run computerized commercial systems by the end of the second year of execution.	0	0	100	100	100	100	Progress reports; midterm and final evaluations.
2.3 By the end of the second year of execution, 100% of users receive regular invoices based on each provincial land register (by province and year).	0	0	100	100	100	100	Progress reports; midterm and final evaluations.
2.4 Integrated, sustainable solid waste management has been achieved by at least three provincial districts.	No districts have integrated management.			One district has adopted an integrated solid waste management system.	Three districts have adopted an integrated solid waste management system.	Three districts have implemented financially sustainable, technically sound integrated solid waste management systems.	

Objective of Project 3	Preserve and instill an appreciation for the central region’s natural heritage and promote the sustainable use of natural resources.						
Project 3							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
OUTPUT INDICATORS							
3.2.3 Critical protected areas sustainably managed - delimitation and management of protected areas, ecotourism promoted and exploited, PSA, supervision and control, joint management (specific indicators to be identified based on watershed management plans - 3.1.2).	Classification of protected areas as vulnerable and degraded.		Management and action plans approved with budgets and proposed projects.	Execution of management plans for at least 10 protected areas or areas of fragile ecosystems.	Classification of at least 10 protected areas as restored and/or sustainably managed.	Improved management for 10 critical protected areas.	Field visits; progress reports; midterm and final evaluations.
3.2.4 Uverito mangrove restoration in Las Tablas municipio completed.	Mangrove area environmentally degraded.		Restoration plan defined, with action plans approved, budget and proposed projects.	Execution of management plans and restoration projects	Environmental classification of the mangrove area as restored.	Uverito mangrove cleaned up and restored.	Field visits; progress reports; midterm and final evaluations.
3.3.1 Institutional strengthening action plans designed and implemented for the Panamanian Aquatic Resources Authority (ARAP) subregional offices in the four provinces.	0	Institutional strengthening action plans prepared and institutionally approved.	40% of the respective institutional strengthening action plan executed.	80% of the respective institutional strengthening action plan executed	100% of the respective institutional strengthening action plan executed.	Regional ARAP offices strengthened.	Progress reports; midterm and final evaluations.
3.3.2 Institutional strengthening action plans designed and implemented for ARAP subregional offices in the four provinces.	0	Institutional strengthening action plans prepared and institutionally approved.	40% of the respective institutional strengthening action plan executed.	80% of the respective institutional strengthening action plan executed.	100% of the respective institutional strengthening action plan executed.	ANAM regional offices strengthened.	Progress reports; midterm and final evaluations.

Project 3							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>INTERMEDIATE OUTCOME INDICATORS</b>							
3.1 The four regional ANAM offices perform the following functions from the fourth year of execution:  (c) Monitoring of critical protected areas	None of these functions are performed by regional offices.	0	At least two regional ANAM offices perform their functions in a satisfactory manner.		The four regional ANAM offices perform their functions in a satisfactory manner.	The four regional ANAM offices perform their functions in a satisfactory manner.	Progress reports; final evaluation.
3.2 Headwaters and outlets on the La Villa and Parita River watersheds are protected (water quality monitored at outlets and protection perimeter maintained).	Headwaters and outlets show high levels of "water stress." Decreasing availability of water and increasing contamination.		Management plans approved with project proposals and budgets allocated.		Execution of management plans and restoration projects.	Environmental classification of the area as restored. Stable levels of water production and low contamination indices.	Progress reports; final evaluation.

Objective of Project 4	Strengthen investment and local management capacities and encourage participatory and reporting processes to strengthen local and provincial governance.						
Project 4:							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
OUTPUT INDICATORS							
4.1. The provincial coordinating entities - the provincial technical board and provincial council - have adopted the management tools identified in the provincial sustainable development strategies (PIOTF, Territorial Information System, website and social communication strategy) to support investment decision making in the second year of execution; one-stop window in operation by the third year.		Management tools updated, installed, and in operation (training) at the provincial technical board and provincial council.	Management tools formally adopted by the council and its members.	The provincial council and provincial technical board rely on management tools in their decision making.  One-stop window in operation.		The provincial council and provincial technical board apply management tools in their decision making.  One-stop window provides information on plans, projects, and assistance in the province.	Provincial council minutes and resolutions; annual technical audit reports.
4.2. CONADES institutional capacity in the areas of management, planning, monitoring, and evaluation strengthened by the end of the second year.		CONADES' institutional strengthening action plan prepared, approved and in execution by the end of the first year of execution.	100% of CONADES institutional strengthening action plan executed.			100% of CONADES institutional strengthening action plan executed by the end of the second year.	Program monitoring reports and progress reports on the institutional strengthening action plan.

<b>Project 4:</b>							
	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
4.3 Other provincial offices <sup>1</sup> of the national co-executing agencies (Ministry of Health, the Panamanian Tourism Institute, Ministry of Finance, and others) have completed financial execution of their respective institutional strengthening action plans in areas relating to the provincial sustainable development strategy, by the fourth year of the program.			Institutional strengthening action plans prepared and institutionally approved.	40% of the respective Institutional strengthening action plan executed.	100% of the respective institutional strengthening action plans executed.	100% of the respective institutional strengthening action plans executed.	Progress reports; reports on the implementation status of the institutional strengthening action plan.
4.4. The (priority) participating municipal districts have prepared municipal action plans. <sup>2</sup> The plans have been approved by the respective municipal councils by the second year of execution, and financial execution is at least 30% complete by the fourth year.			Four municipal action plans prepared and approved by municipal councils.		100% of the respective municipal action plans executed.	At least four municipal action plans have been prepared and approved by the municipal councils (at least one per province) and are fully implemented by the fourth year.	Municipal council minutes and resolutions.
4.5. At least four districts have an environmental land use and urban development plan approved by the municipal council by the third year of the program.				Environmental land use and urban development plans prepared and approved by the respective municipal council	Environmental land use and urban development plans prepared and approved by the respective municipal	Environmental land use and urban development plans prepared and approved by the respective municipal	Municipal council minutes and resolutions approving the land use plans.

<sup>1</sup> Those for which no institutional strengthening action plan is prepared in the context of other program components.

<sup>2</sup> Selection criteria based on priority of potential impact on quality of life, complementing the Bank's Municipal Development and Decentralization Support Program (PN-0143).

<b>Project 4:</b>							
	<b>Base</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Target</b>	<b>Means of verification</b>
				in four districts.	council in six districts.	council in at least six districts.	
4.6. At least eight (a minimum of one per province) districts have established a municipal environmental unit and/or urban development unit by the fourth year of execution (implementation of municipal action plans).				At least four districts have a municipal environmental unit or urban development unit or the equivalent.	At least eight districts have a municipal environmental unit or urban development unit or the equivalent.	Municipal environmental units and/or urban development units established and in operation in at least eight districts (at least one in each province).	Municipal minutes and resolutions creating the municipal environmental unit/urban development unit and indicating the budget and operating mechanism.
4.7 At least five civil society organizations (e.g., artisanal agriculture; microenterprises, JAA, etc.) are strengthened with program support, participate in deliberative processes, and execute projects consistent with the objectives of the program components.			Two organizations assisted and in operation.	Three organizations assisted and in operation.	Five organizations assisted and in operation.	Five organizations assisted and in operation	Formal agreements for strengthening and evaluation of specific projects approved.



Project 4:							
	Base	Year 1	Year 2	Year 3	Year 4	Target	Means of verification
<b>INTERMEDIATE OUTCOME INDICATORS</b>							
4.1. The provincial councils (and sector organizations) prepare and approve provincial annual work plans beginning in the third year to coordinate public investment in each province, incorporating activities and projects consistent with the provincial sustainable development strategy and the PIOTF.	There are currently no provincial annual work plans.			50% of projects identified in the provincial annual work plan approved by the provincial council are consistent with the provincial sustainable development strategy and the PIOTF.	75% of projects identified in the provincial annual work plan approved by the provincial council are consistent with the provincial sustainable development strategy and the PIOTF.	75% of projects identified in the provincial annual work plan approved by the provincial council are consistent with the provincial sustainable development strategy and the PIOTF.	Provincial annual work plan for the third year approved by the provincial council.  Council minutes.
4.2 The beneficiary municipios assume environmental and urban responsibilities in the fourth year of program execution.	Number of permits, reports, or decisions: <i>None</i>			Management reports from municipal environmental units and/or urban development units from at least four districts.	Management reports from municipal environmental units and/or urban development units from at least eight districts.	The municipal environmental units and/or urban development units assume the environmental and urban planning responsibilities stipulated by law.	Municipal environmental unit/urban development units reports.
4.3 Civil society organizations effectively participate in program implementation.	Number of projects (and/or volume of program resources) managed by civil society organizations.			At least three program-financed projects are proposed and executed by civil society organizations.	At least five program-financed projects are proposed and executed by civil society organizations.	At least five program-financed projects are managed by civil society organizations.	Program executing agency reports.

**PROJECT: SUSTAINABLE DEVELOPMENT PROGRAM FOR CENTRAL PROVINCES**  
**PROJECT PN-L1019 AND LOAN CONTRACT: \_\_\_\_\_ [WHEN AVAILABLE]**

**PROCUREMENT PLAN FOR THE INITIAL 18 MONTHS**

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
<b>I</b>	<b>GOODS</b>										
1	<b>Good 1:</b> Monitoring system hardware, as direct support for technological innovation under the agricultural productivity component.	150	NCB			100%	No		IV- 2008		
2	<b>Good 2:</b> Environmental protection. Land purchase for watershed protection of raw water source. ANAM investment. Payment for environmental services.	69	NCB	Ex ante	100%		No				
3	<b>Good 3:</b> Furniture and equipment (computers, programs, etc.) for coordination unit and technical board. (4 lots)	250	PC								
4	<b>Good 4:</b> Office furniture and equipment (computers, software) for ARAP and ANAM (2 lots)	100	PC			100%	No		I-2009		
5	<b>Good 5:</b> Computers and software for the CONADES information system.	150	NCB			100%	No		I-2009		

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
<b>II</b>	<b>WORKS</b>										
1	<b>Works 1:</b> Repair of rural roads for production, as part of the agricultural productivity component. (4 projects)	900	NCB		63%	37%	No		IV-2008		
2	<b>Works 2:</b> Minor works having an immediate impact on water and sanitation (Choque plan) as support for IDAAN operations. (6 projects)	3,000	NCB	Ex ante	100%		No				
3	<b>Works 3:</b> Contingency and mitigation works (closing and rehabilitation of dumps in the provinces) (4 projects)	600	PC	Ex ante	100%		No		II-2009		
4	<b>Works 4:</b> Construction and installation of receptacles to separate solid waste in public areas	60	PC			100%	No		I-2009		
<b>III</b>	<b>CONSULTING SERVICES</b>										
1	<b>Consulting assignment 1:</b> Consulting firm to implement management and monitoring system as direct support for technological innovation under the agricultural productivity component.	200	ICB		100%		No		IV – 2008		

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
2	<b>Consulting assignment 2:</b> Consulting firm for promotion and dissemination as direct support for technological innovation under the agricultural productivity component.	300	QCBS		100%		No		IV – 2008		
4	<b>Consulting assignment 4:</b> Consulting firm to establish the baseline as direct support for technological innovation under the agricultural productivity component.	100	QCBS		100%		No		I – 2009		
5	<b>Consulting assignment 5:</b> Supervision of provincial management contract and works contracted with third parties for 48 months.	140	QCBS	Ex ante	100%		No	IV-2008	1-2012		
6	<b>Consulting assignment 6:</b> Regional strengthening of Ministry of Agriculture as direct support for technological innovation under the agricultural productivity component. (4 lots of individual consultants)	200	QCBS		91%	9%	No		IV - 2009		
7	<b>Consulting assignment 7:</b> Urban development plans for main cities in Coclé province (e.g., Penonomé, Antón)	250	QCBS	Ex ante	100%	0%	Yes	I -2010	I -2011		
8	<b>Consulting assignment 8:</b> Urban development plans for main cities in Herrera province (e.g., Chitre, Ocú)	250	QCBS	Ex ante	100%	0%	Yes	I - 2010	I - 2011		

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
<b>IV</b>	<b>NONCONSULTING SERVICES</b>										
1	MINISTRY OF FINANCE – PREINVESTMENT FUNDS ARE FINANCING THIS ACTIVITY.	350	QCBS	Ex ante		100%			II-2009		
2	Agreement with Banco Nacional de Panamá for services as part of the agricultural productivity component.  Note: the direct support for technological innovation is described under Nonconsulting Services.	100	CPIF			100%	No		II - 2008		
3	Provincial management contract (PMC). Support for IDAAN water and sanitation operations in the central provinces.	10,000	ICB	Ex ante	100%		Yes	IV-2008	I -2012		
4	Implementation of demonstration plots as part of the agricultural productivity component.	100	NCB		80%	20%	No		IV – 2008		
5	Implementation of public awareness campaign on solid waste	100	PC			100%	No		I – 2009		
<b>VI</b>	<b>OPERATIONAL COSTS</b>										
1	Contracting of executive director	192	Comparison of CVs	Ex ante	100%		No				
2	Contracting of 4 sector specialists	480	Comparison of CVs	Ex ante	100%		No				

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
3	Contracting of 4 provincial coordinators	480	Comparison of CVs	Ex post		100%	No				
4	Contracting of 10 administrative support personnel (secretaries and messengers)	240	Comparison of CVs	Ex post		100%	No				
5	Computer and office equipment for the program coordination unit (3 lots)	120	PC	Ex post		100%	No				
6	Furniture for the program coordination unit	62	PC	Ex post		100%	No				
9	Purchase of 12 vehicles for the program coordination unit (3 lots)	300				100%	No				
11	Contracting of personnel for evaluation of results (SESI)	72	Comparison of CVs	Ex ante	100%		No				
12	Contracting of planning personnel	72	Comparison of CVs	Ex ante	100%		No				
13	Contracting of administration, finance, and procurement personnel.	144	Comparison of CVs	Ex ante	100%		No				
14	Contracting of independent auditor	60		Ex ante	100%		No				
15	Contracting of small fund administrator	100	DC	Ex ante	100%		No				

Ref. No.	Contract category and description	Estimated cost (US\$ thousands)	Procurement method	Review (ex ante or ex post)	Source of financing and percentage		Prequalification (Yes/No)	ESTIMATED DATES		Status (pending / in progress / awarded / canceled)	COMMENTS
					IDB%	Local/other %		Publication of specific procurement notice	Completion of contract		
	Furniture and equipment (computers, programs, etc.) for CONADES (2 lots)	100	PC								
	<b>GRAND TOTAL US\$XXXXXXXXXXXXX</b>										

Goods and Works: **ICB**: International competitive bidding; **LIB**: Limited international bidding; **NCB**: National competitive bidding; **PC**: Shopping; **DC**: Direct contracting; **FA**: Force account; **PSA**: Procurement through specialized agencies; **CA**: Contracting agencies; **IA**: Inspection agencies; **PLFI**: Procurement by loans to financial intermediaries; **BOO/BOT/BOOT**: Build-Own-Operate/Build-Operate-Transfer /Build-Own-Operate-Transfer (BOO/BOT/BOOT); **PBP**: Performance-based procurement; **PLGB**: Procurements under loans guaranteed by the Bank; **CPP**: Community participation in procurements.

Consulting Firms: **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.

Individual consultants: **CQSNI**: Selection based on consultant's qualifications, national individual; **CQSII**: Selection based on consultant's qualifications, international individual.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

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

Panama. Loan \_\_\_\_/OC-PN to the Republic of Panama. Sustainable  
Development Program for the Central Provinces

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a sustainable development program for the central provinces. Such financing will be for the amount of up to US\$43,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2008)

LEG/SGO/CID/IDBDOCS#1502797  
PN-L1019