

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

OPERATIONS PLAN

BUSINESS PLAN AND STRATEGY FOR THE CITY OF KNOWLEDGE

(TC-98-08-00)

NOVEMBER 13TH, 1988

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LIST OF APPENDICES

Technical Cooperation proposed resolution

TECHNICAL MATERIAL AVAILABLE IN THE PROJECT FILES

For preparation:

1. Statutes and Regulations of the Foundation
2. Decree-Law No. 6 of 1998
3. AED Feasibility Study of 1996
4. UNESCO Report of 1996
5. EU Report of 1996
6. Letters of interest received by the Foundation

For execution:

Terms of reference

ABBREVIATIONS

AED Academy for Educational Development
ARI Interoceanic Region Authority
EU European Union
GOPN Government of the Republic of Panama
UNESCO UN Education, Scientific, and Cultural Organization

BUSINESS PLAN AND STRATEGY FOR THE CITY OF KNOWLEDGE

(TC-98-08-00)

EXECUTIVE SUMMARY

REQUESTER: Government of Panamá

EXECUTING AGENCY: City of Knowledge Foundation

FINANCING: Japanese Trust Fund for Consultancy
Services US\$750,000
Local counterpart funding: US\$100,000
Total: US\$850,000

TERMS: Execution period: 6 months
Disbursement period: 12 months

OBJECTIVES: The objective of the proposed Technical Cooperation (TC) is to finance activities to assist the City of Knowledge Foundation (the Foundation) develop a business plan and strategy for the immediate as well as longer terms for the City of Knowledge Project. The City of Knowledge Project is oriented toward international provision of demand driven services in technology, education and science. Based on a very concrete evidence of demand, the business plan will provide the Foundation with an implementable strategy for making investments, identifying sources of revenues, defining goods and services, organizing itself accordingly, and marketing the goods and services.

DESCRIPTION: The Technical Cooperation will contract a major consulting firm to carry out studies and analyses leading to a business plan and strategy that could subsequently be readily implemented by the City of Knowledge Foundation. The business plan will include: (i) identification of the supply of science and technology services, as well as of the effective demand (institutions and private firms) and the Latin American context of science and technology; (ii) a definition of a full marketing strategy; (iii) a definition of the investment program to upgrade and adapt the military facilities to scientific and educational uses, (based on expected demand); (iv) an assessment of the environmental and social impacts of implementing the investment program; (v) recommendations on the key points for negotiating strategy vis-à-vis the parties interested in setting

up operations in the City of Knowledge; (vi) a design of a viable financial plan that would aim to make the Foundation self-sustaining within the 10-year period agreed with the GOPN; (vii) a definition and a draft of all the legal documentation (contracts, lease agreements, tenders, etc.) necessary to contracting prototype operations; (viii) establish that the proposed project would be acceptable in economic terms for Panama, including its contribution to the GNP in replacement of the lost revenue due to the exit of the American presence in the former Panama Canal Zone; (ix) recommend the organizational architecture that the Foundation should adopt for a successful implementation of the Project; and (x) recommend tools and systems for the monitoring of project execution and the evaluation of the activities of the Foundation.

**ENVIRONMENTAL
AND SOCIAL
REVIEW:**

The Business Plan will analyze and provide recommendations about environmental and social impacts. Specifically, the consultancy will investigate how the implementation of the Business Plan may disturb, if at all, the presence of clean air, soil and water, or the fauna. It will also describe how the Business Plan is likely to promote and disseminate the application of "clean technologies," and will include also a description of how will the Business Plan improve awareness and active participation of the population at large, by incorporating environmental issues into formal and informal education systems.

BENEFITS:

The TC will structure its research agenda so as to determine, in no uncertain terms, the demand for potential services of the City of Knowledge. The proposed TC would yield both short- and long-term benefits. In the short term (six months), the TC would lead to sound investment and marketing strategy, including a sound identification of competitive advantages. In the long run, it will allow the Foundation to generate acceptable rates of returns, as well as sound guidelines for Panamanian and regional access to knowledge-based competitive products that can be sold in the increasingly science and technology-based world markets.

RISKS:

The main risks derive from the novel character of this type of project. In addition, there is the considerable lack of track record in Panama for doing science-based technological work, research or innovations. However, the novelty and absence of entrenched interest groups attached to science and technology is likely to facilitate the emergence

conditions necessary to attract the best external human and physical resources within a well-conceived system of strategic alliances.

**THE BANK'S
COUNTRY AND
SECTOR STRATEGY:**

The Bank's strategy for the country is guided by four general goals: (i) to spread the benefits of social policies to more people; (ii) to foster sustainable development; (iii) to promote economic growth; and (iv) to strengthen technologies and diffusion of knowledge. It is consequently essential for the Foundation to have a sound Business Plan based on well-researched, structured, and coordinated set of inputs that can best guarantee such contributions. The operation is also consistent with the draft of the Bank's sector strategy for science and technology which proposes that programs in this sector should be determined by the demand for S&T services, and should focus on comparative advantages in determining strategic alliances.

PROCUREMENT:

At least 50% of the funds of this TC will be used for contracts with firms based in Japan.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

None.

**EXCEPTIONS
TO BANK'S POLICY:**

None.

I. BACKGROUND

- 1.1 The Torrijos-Carter agreements of 1977 between the United States of America and the Republic of Panama, provided a phasing-out framework for devolving lands and infrastructure under the jurisdiction of the United States for the use and protection of the Panama Canal. The government of Panama (GOPN) has already received a considerable portion of, and will receive, by noon-time December 31, 1999, the remainder of all lands, hydrographic resources and infrastructure (including the military bases) which were needed for the administration, operation, and defense of the Panama Canal.
- 1.2 Included in the facilities are the Panama Canal College and other schools built to educate the thousands of U.S. military dependents stationed in Panama since the Canal opened at the turn of the century. Included within these facilities, there are also marinas, ports, theaters, bowling alleys, extensive recreational facilities, golf courses, dormitories and some 4,000 family housing units. All the facilities are contained in what once was the Panama Canal Zone, with the majority of the development at the Atlantic and Pacific entrances to the Canal.
- 1.3 In order to administer and find economically sound uses for these resources, the Government created the Interoceanic Region Authority (ARI). One window of opportunity identified as strategic by the ARI is that of complementing the Latin American efforts to improve diffusion and access to science-based technology needed to compete effectively in today's global markets. To that end, an international center of excellence in technology, addressing strategic niches, was proposed by the private sector and academia, and the City of Knowledge Project was born.
- 1.4 To carry out the Project, the Fundación Ciudad del Saber (the Foundation) was created in 1995, and was registered legally on February 3, 1997. The Foundation, as a private, not-for-profit organization, is responsible for the strategic management and operation of the City of Knowledge Project. In early 1998, the GOPN endowed the Foundation with 120 hectares of lands and buildings located in Fort Clayton, that will be available for use by mid-1999. The Project has been conceived as a Latin American hub for innovation, technology adaptation (R&D), and academic research and education. A Board of Trustees directs the Foundation. This Board is comprised of representatives from the academic, business, labor, and government sectors. The Board is directed according to written statutes and regulations. The Foundation is empowered to receive both private and public donations, and is responsible, among others, for fundraising activities in pursuit of the City of Knowledge's mission. The main objective of the Foundation is the promotion and establishment of education, research and development centers in the "niche" fields of science, technology, humanistic and cultural affairs, transfer of knowledge for productive purposes and programs (technoparks),

and recreational theme parks striving to achieve the highest levels of excellence in its activities.

- 1.5 The Academy for Educational Development (AED, Washington, D.C.) completed a Feasibility Study on behalf of the Foundation on August 27, 1996. Later that year UNESCO delivered a report entitled "Towards a Strategic Plan for the City of Knowledge." These two studies conclude that the proposed Project, that is the creation of a City of Knowledge, seems viable in terms of estimated supply and demand factors. The AED report states that the proposed project is financially and economically viable. To date, several interested parties have approached the Foundation on their own initiative. Some institutions have shown serious interest in participating in the City of Knowledge and a few have already entered into short-term leasing agreements with the Foundation. However, the GOPN recognizes that there is an urgent need to establish a strategic framework for the execution of the overall mandate given to the City of Knowledge Foundation.
- 1.6 The Foundation entered into a Contract with the GOPN as established in the Decree-Law No. 6 of February 10, 1998. **The Foundation is obligated to** carry out the Project. The Project, which is to attain the objectives of the Foundation has been called City of Knowledge ("Ciudad del Saber"). The Foundation has two years from the date of the Decree-Law to initiate implementation of the Project and become self-sustaining within 10 years. This period coincides with the transfer of the Clayton military base. The concept of the City of Knowledge is built upon the following synergistic components:
 - (a) Technology and Innovation Park: It would encourage the close cooperation and integration of research with small- and medium-sized enterprises, focusing initially on fields that use the competitive advantages of the local environment of Panama.
 - (b) Research and Technology Development Component: It would promote research activities by both national and international scientists, in the fields of applied sciences.
 - (c) Academic Component: It would establish education and knowledge as the key elements fostering the development of the Latin American region. It is expected that it would concentrate on the postgraduate level of education, and be framed within the context of continuous education.
 - (d) Forum: It would create a permanent location for carrying out international seminars and conferences which would cover all areas related to education and research, with a special emphasis in the humanities, the cultural and the scientific fields.

- 1.7 On its part, the Government of Panama obligates itself to transfer to the Foundation, without charge, a land endowment consisting of 120 hectares located in Fort Clayton. It declares the Foundation a tax- and duty-exempt institution with the sole objective of developing the above-mentioned components. It also creates special migratory status for those participating in the City of Knowledge.
- 1.8 In July 1997, a technical assistance from the European Union (EU) found grounds for the development of a Technology and Innovation Park in the City of Knowledge. A second team of consultants (during 1999 and 2000) will be engaged in the preparation of a proposal to design a Technology and Innovation and identifying European demand for the Park. EU's plans do not include identifying global demand and supply, nor does it address the overall organizational framework required. It does include a financial analysis of what may be required to implement their design of a Technology and Innovation Park. Their work in progress will be provided to the Japanese Consultant Firm that undertakes the Business Plan.

II. OBJECTIVES AND DESCRIPTION

- 2.1 The objective of the proposed Technical Cooperation (TC) is to finance activities to assist the Fundación Ciudad del Saber (the Foundation) develop a business plan and strategy for the immediate as well as longer terms. A consulting firm will be contracted to carry out very concrete and down-to-earth analyses for capturing an adequate portion of the market for knowledge. The business plan will provide the Foundation with an implementable strategy for making investments, identifying sources of revenues, defining goods and services in light of an estimated international demand, organizing itself accordingly, and marketing the goods and services.
- 2.2 The business plan will include:
 - (i) identification of very concrete and specific information about the supply of science and technology services, as well as of the existing and potential demand (institutions and private firms); and a profile of the Latin American market for science and technology;
 - (ii) a definition of a comprehensive marketing strategy;
 - (iii) a definition of the investment program to upgrade and adapt military facilities to scientific and educational uses, including investment plans according to expected demand;
 - (iv) an assessment of the environmental and social impacts of implementing the investment program;
 - (v) recommendations on the key points for negotiating strategy vis-à-vis the parties interested in setting up operations in the City of Knowledge;

- (vi) a design of a viable financial plan that would aim to make the Foundation self-sustaining within the 10-year period agreed with the GOPN;
- (vii) a definition and a draft of all the legal documentation (contracts, lease agreements, tenders, etc.) necessary to contract specific operations;
- (viii) establish that the proposed Project would be acceptable in economic terms for Panama, including its contribution to the GNP in replacement of the lost revenue due to the exit of the American presence in the former Panama Canal Zone;
- (ix) recommend the organizational architecture that the Foundation should adopt for a successful implementation of the Project; and
- (x) recommend tools and systems for the monitoring of Project execution and the evaluation of the activities of the Foundation.

III. PROPOSED EXECUTING ARRANGEMENTS

- 3.1 The Bank, through the Social Programs Division (RE2/SO2), will have responsibility for selecting and contracting the Japanese consulting firm that will elaborate the business plan. The activities of contracting and supervising will be coordinated with the Foundation and the Representation in Panama.
- 3.2 The Foundation will serve as local counterpart to provide timely information, interviews with local key stakeholders and Government officials. The Foundation will provide office space for the consultants that will work on the project, as well as coordination of documentation and files that will be developed through the execution. The Foundation will also participate in key international events, as required in the strategy, to assist in the marketing of the City of Knowledge.
- 3.3 The Consulting Firm on its part, will make written presentation of progress reports to the Bank, who will in turn regularly review the reports in consultation with the Foundation (and its Board of Directors), to make sure that the project is on the right track and that it meets with the expectations of the Foundation.

IV. BANK'S STRATEGY

- 4.1 The Bank's strategy for the country is guided by four general goals: a) to spread the benefits of social policies to more people; b) to foster sustainable development; c) to promote economic growth; and d) to strengthen governance. The City of Knowledge will significantly contribute to each of these through research, transfer of technologies and diffusion of knowledge. It is consequently essential for the Foundation, to have a sound Business Plan based on well-researched, structured, and coordinated set of inputs that can best guarantee such contributions.

V. ISSUES, BENEFITS AND RISKS

- 5.1 The proposed Technical Cooperation (TC) would yield both short- and long-term benefits. In the short term (six months), the TC would lead to a sound investment and marketing strategy, including a sound identification of competitive advantages. It will also pave the way for the Foundation to seek further financing. In the long run, it will allow the Foundation to generate acceptable rates of returns, as well as surer guidelines for the provision of a basis for Panamanian and regional access to knowledge-based support for competitive products that can be sold in the ever increasing science-based technologies of world markets.
- 5.2 The proposed TC would also lay the groundwork for the development of internationally coordinated strategic alliances among important economic clusters and S&T. The ensuing synergy and competitive edge will boost other efforts to increase knowledge and education levels, and in so doing improve economic growth and alleviate poverty.
- 5.3 The main risks derive from the TC's novel character. That it is a new type of project without enough previous experience to base it on. In addition, the considerable lack of previous experience in Panama for doing science based technological work, research or innovations does not allow for analyzing trends. However, the novelty and absence of entrenched interest groups attached to science and technology is likely to facilitate the emergence of conditions necessary to attract the best external human and physical resources within a well-conceived system of strategic alliances. This is in fact what is expected to emerge from the Business Plan. Additionally, it may be that the conditions are not ripe for the type of City of Knowledge envisioned by the Foundation, leading to low rates of returns on investments. The Business Plan should recommend alternatives for the resources entrusted to the Foundation, so as to allow it to reevaluate and adjust its vision during the implementation phase.

VI. COST AND FINANCING

- 6.1 The total cost of the proposed operation is US\$850,000 of which the Bank will finance US\$750,000 charged to the Japanese Trust Fund for Consultancy Services, and US\$100,000 will be contributed in kind by the Beneficiary.

BUDGET CATEGORY	JCF	LOCAL	TOTAL	%
PROJECT EXECUTION				
1. Consultancy Services	260,000	28,000	288,000	33.88
2. Support	70,000	48,500	118,500	13.94
3. Overhead	308,000		308,000	36.24
4. Travels	46,000	23,500	69,500	8.18
SUBTOTAL	684,000	100,000	784,000	92.94
5. External Audit	25,000		25,000	2.94
6. Incidental Expenses	41,000		41,000	4.83
TOTAL	750,000	100,000	850,000	100.00

VII. RECOMMENDATION

- 7.1 The Social Programs Division (RE2/SO2) with its basic and technical responsibility for this technical cooperation recommends the approval and use of resources from the Japanese Trust Fund for Consultancy Services (JCF) to finance the activities described in this Memorandum-Plan of Operations.

(original signed by Charles Richter) 10/20/98

Lionel Y. Nicol, Chief/RE2/SO2

Date

VIII. CERTIFICATION

- 8.1 I certify that resources from the Japanese Trust Fund for Consultancy Services are available for up to US\$750,000 (seven hundred and fifty thousand US dollars) in order to finance the activities described and budgeted in the present Plan of Operations.

(original signed)

10/20/98

Takeo Shinde, RE1/CEP

Date

PROPOSED RESOLUTION

**PANAMA. NONREIMBURSABLE TECHNICAL COOPERATION FOR A BUSINESS
PLAN AND STRATEGY FOR THE CITY OF KNOWLEDGE**

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank as administrator of the Japanese Trust Fund for Consultancy Services, to enter into such agreement or agreements as may be necessary with the Fundación “Ciudad del Saber” and to adopt such other measures as may be pertinent to cooperate in the financing of a business plan and strategy for the “Ciudad del Saber”, referred to in Document AT-_____.

2. That up to the sum of US\$750,000 is authorized for the purposes of this Resolution, chargeable to the resources of the Japanese Trust Fund for Consultancy Services.

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