



Simplified Procedure

On or after: 9 August 2006

PR-3067

25 July 2006

Original: Spanish

To: The Board of Executive Directors
From: The Secretary
Subject: Panama. Proposal for a loan for a multiphase sustainable development program for Chiriquí Province

Basic Information: Borrower Republic of Panama
Amount up to US\$27 million
Source Single Currency Facility of the Ordinary Capital

Inquiries to: Mr. Helí Nessim (extension 3654)

Remarks: This operation was included in the country strategy, approved by the Board of Executive Directors on 26 October 2005 (see document GN-2385-1), and its amount does not exceed the ceiling established for Group C countries.

References: GN-1838-1(7/94), DR-398-5(5/03)

Other distribution: IDB Representative in Panama

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

**MULTIPHASE SUSTAINABLE DEVELOPMENT PROGRAM FOR
CHIRIQUÍ PROVINCE**

(PN-L1005)

LOAN PROPOSAL

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Electronic Links and References	
Basic socioeconomic data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Portfolio in execution	http://ops/approvals/pdfs/PNen.pdf
Information available in the RE2 technical files	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=751707
Procurement plan	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=751552
Operating Regulations	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=751546

ABBREVIATIONS

AMP	Autoridad Marítima de Panamá [Maritime Authority of Panama]
ANAM	Autoridad Nacional del Ambiente [National Environmental Authority]
AWP	Annual work plan
CESI	Committee on Environment and Social Impact
CONADES	Consejo Nacional para el Desarrollo Sostenible [National Sustainable Development Council]
GEF	Global Environment Facility
IPAT	Instituto Panameño de Turismo [Panamanian Tourism Institute]
IRR	Internal rate of return
MEIS	Monitoring, evaluation, and information system
MP	Ministry of the Office of the President
NGO(s)	Nongovernmental organization(s)
NPV	Net present value
PAES	Salvadoran Environmental Program
PIOTF	Plan Indicativo de Ordenamiento Territorial Funcional [Indicative Plan for Functional Land Management]
PRONAT	National Land Administration Program
PTT	Program technical team
SDSP	Sustainable Development Strategy for the Province

MAIN CHARACTERISTICS AND PROBLEMS BY SUBREGION					
	UPPER WESTERN SUBREGION	LOWER WESTERN SUBREGION	CENTRAL SUBREGION	EASTERN SUBREGION	COASTAL ISLAND SUBREGION
DISTRICTS (Poverty; Extreme poverty)	Renacimiento (64%; 31%) Bugaba (36%; 11%) Boquerón (42%; 14%) Boquete (27%; 8%) Gualaca (61%; 27%)	Barú (53%; 21%) Alanje (56%; 25%)	David (22%; 5%) Dolega (28%; 7%)	San Lorenzo (56%; 24%) San Félix (42%; 14%) Remedios (56%; 27%) Tolé (74%; 47%)	
PRIMARY PRODUCTS ECONOMIC AND PRODUCTIVE BASE	Coffee, vegetables, potatoes, onions, dairy products, tourism (residential), aquaculture	Bananas, African palm, artisanal fishing, livestock, rice, sugarcane, border trade	Trade, industry, services	Livestock, forestry, subsistence farming, tourism, fishing	Tourism, mangroves, and artisanal, commercial, and sport fishing
CHIEF PROBLEMS	Traditional products threatened by trade liberalization; pressure on natural resources; soil erosion	Banana crisis; artisanal fishing; contamination; land use conflicts	Urban planning; marginalized population; waste treatment and management	Poverty; latifundia and minifundia; low productivity	Urban strain (tourism); overfishing; contamination
	Land use and environmental planning; limited credit for microenterprises and entrepreneurs; inadequate management of natural and coastal marine resources; lack of training for high-demand activities; limited management capacity; and scant technical assistance for making technological changes				

PROJECT SUMMARY

PANAMA

MULTIPHASE SUSTAINABLE DEVELOPMENT PROGRAM FOR CHIRIQUÍ PROVINCE (PN-L1005)

Financial Terms and Conditions ¹						
Borrower:		Republic of Panama				
Executing agency:		Ministry of the Office of the President (MP) through the Executive Secretariat of the Consejo Nacional para el Desarrollo Sostenible [National Sustainable Development Council] (CONADES)				
Source	Amount (in US\$ million)				Amortization period:	20 years
					Grace period:	5 years
IDB (Ordinary Capital)	27.0	100	30.0	100	Disbursement period:	5 years
Local	0.3		0.3		Interest rate:	Variable
Program total	27.3		30.3		Inspection and supervision fee:	0%
GEF project (grant)	5.0				Credit fee:	0.25%
Program + GEF project total	32.3	100	30.3	100	Currency:	U.S. dollars from the Single Currency Facility of the Bank's Ordinary Capital
Project at a glance						
<p>Project objective: The main objective of the program is to improve living conditions in Chiriquí, based on the province's human and natural resource potential. The specific objectives are to: (i) improve governance (institutional strengthening and local participation); (ii) reduce poverty, boost employment and income (Barú-Divalá, the eastern subregion, and other critical areas), and increase competitiveness and productivity; and (iii) use natural (land and coastal marine) resources sustainably.</p> <p>Special contractual conditions: (i) Special conditions precedent to the first disbursement: (a) entry into force of the Operating Regulations for the program (paragraph 3.14); and (b) creation of the program technical team (PTT) in Chiriquí province and the four subregional committees (paragraphs 3.3 and 3.6); (ii) Special condition precedent to the first disbursement for component 2: signing of participation agreements with at least three national institutions and two local governments (paragraph 3.4); (iii) Special disbursement of loan proceeds: The Bank may authorize a special disbursement of up to US\$300,000 against fulfillment of conditions precedent in the General Conditions for the program (paragraph 3.19); and (iv) Special execution conditions: (a) delivery of the procurement plan (paragraph 3.21); (b) obligations related to maintenance (paragraph 3.24); (c) delivery of program reports (paragraph 3.17); (d) performance of program evaluations (paragraphs 3.17 and 3.23); and (e) entry into force of the Indicative Plan for Functional Land Management (PIOTF) by the National Environmental Authority (ANAM) (paragraph 3.16);</p> <p>Exceptions to Bank policies: None.</p>						
<p>Project consistent with country strategy: Yes [X] No []</p> <p>Project qualifies as: SEQ [X] PTI [X] Sector [] Geographic [X] Headcount []</p> <p>Procurement: All goods, works, and consulting services selected and procured with loan proceeds will be subject to the applicable Bank policies set forth in documents GN-2349-6 and GN-2350-6 (paragraphs 1.1 to 3.21).</p> <p>Verified by CESI on: 26 May 2006 (meeting 21-06).</p>						

¹ The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.*

* With regard to the inspection and supervision fee, in no case will the charge 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. FRAME OF REFERENCE

- 1.1 Chiriquí province lies in the far western region of Panama, on the Costa Rican border. Home to approximately 394,364 people (13% of the country's total), Chiriquí's population has grown at an average annual rate of 1.35% over the past 15 years. Based on its total land area of 6,476.5 square kilometers (8.6% of the country's total land area), the province has a population density of 60.9 people per square kilometer, nearly double the national average. Less than 45% of the population lives in urban areas, and the largest city, at 60,000 people, is David. The province is divided politically and administratively into 13 districts (municipios) and 96 corregimientos. According to the Human Development Index for Panama,¹ Chiriquí province falls short of the national average. In 2000, more than 165,000 people were living in poverty, and 94,000 of them in extreme poverty. Average annual per capita income in Chiriquí is US\$1,730, compared to US\$2,377 for Panama as a whole.

A. Chiriquí's productive potential and problems

- 1.2 Chiriquí is a premier agricultural region. The **primary sector** is the largest in the province (US\$155 million), generating 24% of the gross provincial product. According to data from the 2001 Household Survey, Chiriquí, with approximately 40,000 active jobs, accounts for 14.8% of the country's agricultural jobs and, with 426 people directly employed, 3.6% of all jobs in the fishing industry. In terms of occupational groups, 94% of workers in the primary sector are manual laborers, 0.7% hold professional or technical positions, and 5.3% are in managerial, administrative, office, sales, or related positions. The province's development over the past 50 years has been driven by products such as bananas, the main export product and largest source of jobs. However, due to changes in the international market that have adversely affected the local banana industry, along with a relatively high cost structure, banana companies have had to leave the zone, first moving the point of shipment to the Atlantic and then transferring production to a worker-controlled cooperative. Except for the eastern region, farming is the main activity of many producers, particularly small and medium-sized farmers and cooperatives. Sixty percent of farms are on untitled land.
- 1.3 In the **secondary sector**, and in the specific case of manufacturing, the number of firms and jobs, income, and wages fell precipitously from 1992 to 2001. In 2001, the gross value of production was US\$152.3 million, with 9,340 people employed, but 50% of that value is provided by the primary sector.² Every dollar of goods sold

¹ This indicator measures three basic components of human development: access to knowledge, longevity, and decent standard of living, as determined by average household income, housing conditions, access to basic services, and employment conditions.

² INTRACORP in 2004-2005 for the Chiriquí chapter of the Asociación Panameña de Ejecutivos de Empresa [Panamanian Association of Corporate Executives].

by the secondary sector contains fifty-cents' worth of products from the primary sector, making the two inseparable. The **tertiary sector** is geared towards internal demand, that is, demand within the province, not international demand. The one major exception is **tourism**, which contributes an estimated US\$111.8 million to the gross value of production and employs 5,137 people, mostly in residential tourism.³ The service industry is closely tied to the construction sector, with high demand for skilled labor and construction materials, which has led to land speculation. This production potential also creates opportunities for investment in real estate and land development for shopping centers, vacation and retirement communities, recreational and sports facilities, and new residential projects. Sales in the **commercial sector** total US\$95.4 million, but when the multiplier effect of these sales is factored in, the figure climbs to US\$204.2 million.

B. Description of the province by subregion

- 1.4 Chiriquí province is not a homogenous region. Based on socioeconomic and environmental characteristics, the province can be divided into five **subregions**, so that solutions can be targeted to the types of problems in each one. A brief description of each subregion and its problems follows (see the provincial map with subregional divisions). In the **eastern subregion** of Chiriquí (districts of San Lorenzo, San Félix, Remedios, and Tolé), which borders the indigenous territory to the north, medium- and large-scale producers engage in extensive ranching on vast farms. Other important economic activities include new reforestation initiatives and significant mining potential.⁴ In recent years, some grazing land has been converted for the irrigation-assisted cultivation of rice, watermelon, cantaloupe, and pineapple, the latter two for export. The people in this subregion are spread out in small communities with limited access to basic social services due to their isolation. Locals work as day laborers on cattle ranches and practice subsistence farming. As a result of its lack of socioproductive development, there is widespread impoverishment in this subregion, which drives emigration. Its main problems revolve around poverty, the existence of latifundia and minifundia, and low productivity. With high unemployment (19%-26%), monthly household income (US\$107-US\$180) is far below the province's average (US\$300). The poverty rate (42%-74%) and extreme poverty rate (14%-47%) are extremely high compared to the rest of the province. The Human Development Index is among the lowest, suggesting a high rate of social vulnerability.

³ Residential tourism includes the sale of land to foreigners or Panamanians and the construction of vacation and retirement homes. In the case of residential tourism, earnings are high, but short term, and drop off significantly once the land is sold and the home built.

⁴ In addition, there is the Ngobe-Bugle Indigenous Territory to the north of the province, whose products are sometimes shipped through this zone to the ocean.

- 1.5 The **lower western subregion** (districts of Barú and Alanje) borders Costa Rica and includes the Barú customs-free zone and the Puerto Armuelles fiscal pier. The main productive activity in this subregion is banana, oil palm, rice, sugarcane, plantain, and sorghum farming, and extensive ranching. In addition, there is significant agroindustry for the processing the raw material from oil palms. There are also mills for processing rice (drying, milling, and packaging), a sugarcane processing plant, and a liquor factory. Due to the slowdown in the international banana market and high production costs, socioeconomic conditions in the subregion have deteriorated, which has caused unemployment to rise (roughly 30% of the economically active population) and adversely affected the trade balance and the government's ability to collect revenue. Due to its administrative and operational inefficiency, the employee-owned banana company that was set up when the transnational company left, has not alleviated the income and employment problems. As the banana industry has been on the decline, artisanal fishing has emerged as an alternative subsistence activity. The poverty rate is 53% (extreme poverty of 21%) in the district of Barú and 56% (extreme poverty of 25%) in Alanje. In addition to the foregoing, there are land-use conflicts and natural resource degradation.
- 1.6 The **upper western subregion** (districts of Renacimiento, Bugaba, Boquerón, Boquete, and Gualaca), also bordering Costa Rica, produces coffee, beef and dairy cattle, potatoes, onions, vegetables, beans, and plantains, with the attendant coffee and dairy processing and packaging plants. The subregion has a significant tourism sector, with growth potential, and valuable natural and mineral resources. The subregion's populace, which lives in medium density, is a mix of European immigrants, the Chiriquí campesino farmer, and a large indigenous population during vegetable and coffee harvests that lives in conditions of poverty and extreme poverty. In Boquete, the unemployment rate has plummeted due to the boom in residential tourism. Residential tourism and the cyclical boom and bust nature of hydroelectric projects are changing the dynamic of Boquete and Gualaca, respectively. However, the subregion's production structure is in decline and may be threatened by free trade. Low prices, especially for coffee, and the pressure placed on natural resources by the construction of residential infrastructure have forced producers in Boquete, Bugaba, and Renacimiento to sell their farms for real estate development.
- 1.7 In the **central subregion** (districts of David and Dolega), commerce and services drive the urban economy, while cattle, rice, poultry (chicken), and orange production dominates the rural economy. This subregion also has one of the largest chicken processing plants in the country, a citrus (orange, passion fruit, lime, and pineapple) processing plant, and nonmetallic minerals. It is primarily characterized by unplanned urban growth and few recreational spaces in the city of David, which creates conditions that impede the provision of services. Moreover, many of the workers displaced by the banana industry's pullout emigrated to David, exacerbating service, unemployment, and security problems. The Pedregal port and

the Enrique Malek airport are located in this subregion. The subregion generally has the best standard of living and household income in the province. Nevertheless, there is tremendous concern over the decline in agricultural activity and the impact this is having on the city. The main problems affecting the subregion are related to urban planning, a lack of recreational space, a growing fringe population, and solid waste management.

- 1.8 The **coastal island subregion** (includes the districts with coastline in the lower western, central, and eastern subregions) is characterized by having the conditions needed for beach tourism, sport fishing, and commercial fishing, which creates a need for processing plants. Artisanal fishing supplements ranching and farming, particularly in the eastern and lower western zones. In addition to the Petro Terminales de Panamá pipeline, there is also potential for port activities and the development of an agro-export platform (see paragraph 1.9). There is also a significant recreational, ecological, and residential tourism industry. The subregion has highly environmentally sensitive areas, such as mangroves, and a growing artisanal fishing industry that must be regulated to protect the delicate ecological balance of the area and the rich biodiversity of its marine life. The subregion's main problems are related to the urban pressure of tourism, overfishing, and contamination in the Gulf of Chiriquí and the subregion's watersheds. A failure to adopt development planning measures could lead to the degradation of the subregion's natural resources and coastal marine ecosystems, with the possibility of the subregion becoming a tourist enclave with benefits unconnected to local, regional, or even national development.

C. Infrastructure and basic support services for production

- 1.9 The province has 2,125 kilometers of highway, of which 19% are in good condition, 49% are in fair condition, and 32% are in poor condition. There are four main ports: Pedregal, to the south of David; Puerto Armuelles fiscal pier;⁵ Charco Azul; and Remedios. These ports primarily serve small, artisanal fishing boats, with the exception of Charco Azul, which is operated through a concession by Petro Terminales de Panamá. Based on this infrastructure and in recognition of the advantages conferred by proximity to Costa Rica (Paso Canoas border station), a number of early initiatives are being pursued that would enable the development of an agro-export platform, such as the customs-free zone in Barú, through which attractive incentives could be offered to private investors. Economic reactivation on this order would be expected to justify the rehabilitation of Puerto Armuelles or other ports. Enrique Malek airport has a 2.1-kilometer asphalt runway and a passenger terminal serving business people and tourists traveling between Chiriquí and the rest of the country. In addition, there are plans to build a refinery in the lower western subregion, which would necessitate extensive land use planning due

⁵ Due to the pullout of the banana industry, the port is in very poor condition.

to the potential impact of such a facility. There is good coverage by district of basic services (drinking water, human waste disposal, and power), compared to national averages. However, for the most part, the rates do not cover operating and maintenance costs and must be supplemented with government support, especially in the poorer, more remote communities in the province's highland districts, where services are provided by local governments and organizations. The management and final disposal of solid and liquid waste is the most critical service, due, especially, to new developments for residential and traditional tourism.

D. Potential and limitations of natural and coastal marine resources

- 1.10 **Forest area** covers 18.6% of Chiriquí province and is relatively rich in **natural resources**. The province has nearly 265,000 hectares of protected areas⁶ and five watersheds with significant water potential, with six hydroelectric plants generating 41% of the country's energy. The Pacific coastline is studded with mangroves and coral reefs and has potential for commercial and artisanal fishing and tourism, but is threatened by human activity. Overfishing occurs in both artisanal and commercial contexts (between 1996 and 2000, the number of boats increased from 44 to 812), as a result of improper methods. The coastal island zone is also a potential site for marinas, beach tourism, and ecotourism, with the main sites of interest being the beaches in the bay of Charco Azul and Limones and other protected areas. The Panamanian Tourism Institute (IPAT) has identified six thematic routes to showcase the complexity, diversity, and exclusiveness of the province's natural and cultural resources. However, tourism services are lacking and, in many cases, are informal. There is no estimate of carrying capacity or national or international demand. Economic activity and unplanned urban and tourism growth damage the environment, causing biodiversity losses and changes in the coastline. Given the fragile biological wealth of protected areas and coastal marine ecosystems, management plans must be prepared so that future development does not cause serious damage, and biological corridors linking highland, lowland, and coastal marine ecosystems must be established for their conservation.

E. Political-administrative structure and local management capacity

- 1.11 Chiriquí province has the institutional and operational framework needed to drive sustainable growth. At the national level, **the Ministry of the Office of the President** works with the **National Sustainable Development Council**

⁶ La Amistad International Park (207,000 hectares, shared with Bocas del Toro province), Volcán Barú Park (14,000 hectares), Fortuna Forest Reserve (19,500 hectares), Gulf of Chiriquí National Marine Park (14,740 hectares), Playa de Boca Vieja Wildlife Refuge, and Playa de la Barqueta Agrícola Wildlife Refuge (9,675 hectares).

(CONADES),⁷ which steers the implementation of policies, strategies, programs, and projects, taking a comprehensive approach, and has project management capacity. At the provincial level, the **governor** is the highest executive authority. There is also a **provincial council** of representatives from the 96 corregimientos, which is supported by a **technical board** led by the governor and consisting of the regional offices of the ministries and national institutions with sector authority in the province. The major national entities with regional offices include the Ministry of Agricultural Development, with 14 offices in the various areas of production; the National Environmental Authority (ANAM), responsible for the conservation of the 7 protected areas and 10 watersheds; the Maritime Authority of Panama (AMP), which primarily manages the ports (Pedregal and Puerto Armuelles) and the coastal marine areas; and the Panamanian Tourism Institute, which promotes tourism.

- 1.12 The regulatory framework for the **regional offices** of the ministries and national institutions with responsibilities in the province is dissimilar and does not confer on them programmatic, administrative, or operational autonomy. These offices do not have action plans that have been developed and coordinated regionally with local offices, but must proceed according to guidelines and policies set by the central government, which do not always dovetail with regional realities. Furthermore, the governor's office and technical board do not have the technical equipment or resources needed to perform their many varied duties and responsibilities, including those deriving from the **Binational Border Framework Convention** (Costa Rica–Panama), coordinated by the Ministry of the Economy and Finance through its Executive Secretariat.
- 1.13 The 13 **municipios or districts** are quite dissimilar. Most are classified as subsidized and rural, and 10 of the 13 municipios receive direct government transfers for operations, which contribute between 12% and 40% of their budgets. Heavily represented among this group are municipios that have a large indigenous and campesino population and are predominantly rural and agricultural. Municipal budgets vary from US\$2.6 million, in the case of David, to an average of US\$520,000 for seven municipios, to an average of US\$110,000 for the five remaining municipios (Tolé, Renacimiento, Remedios, San Félix, and San Lorenzo). A percentage of the budget is allocated for operating expenses and payroll (from 56% for David to an average of 84% for the other municipios), with only a small percentage left for investments. The main weaknesses are related to finances and management, a limited capacity for planning and tax collection (per capita income ranges from a high of 38% and a low of 12%), confusing and outdated regulations with limited human resources, excessive resources for

⁷ Led by the president of Panama and made up of representatives from government, private business, nongovernmental organizations (NGOs), unions, and indigenous groups. CONADES also has an executive secretariat that liaises with international, national, and provincial organizations, monitoring sustainable development programs.

administration and few for investments. Only three municipios—David, Barú, and Bugaba, which are taking part in the Municipal Development and Decentralization Support Program (PN-0143)—have municipal action plans. The 96 corregimientos have community councils, led by the representative of the corregimiento, to promote development. These councils may have own resources or allocations from the municipio or national government. However, the communities have expressed reservations about the councils, claiming that in most cases they are not organized and are relatively nonfunctional.

- 1.14 **Communities and civil society organizations** include cooperatives and nongovernmental organizations (NGOs) that provide production assistance, promote small and medium-sized enterprises, engage in environmental issues, etc., as well as farmers', fishermen's, and women's associations. Depending on the subregion, there is a wide range of organizations, some of which work to improve labor conditions and others that focus on rural production, numerous cooperatives, and many associations of independent producers of goods such as coffee, milk, vegetables, etc. In urban areas of the central subregion, there are some NGOs, but traditional civic groups predominate, such as Club 20-30, the Rotary Club, the Lion's Club, etc., as well as stronger business associations (Asociación Panameña de Ejecutivos de Empresa [Panamanian Association of Corporate Executives], the Chamber of Commerce, and the Board of Tourism), producer/business associations (cattle, rice, banana, etc.), transport associations, and savings and loan associations and cooperatives. In the eastern subregion, there is less organization, with campesino settlement organizations and agrarian councils and producers' and women's associations predominating, with artisanal fishermen's organizations along the coastal island area. In general, both the NGOs and the producers' associations, campesino settlements, women's organizations, and artisanal fishermen's organizations must strengthen their operational and strategic planning and improve their administrative, financial, and accounting systems.

F. Recent experiences and lessons learned from similar projects

- 1.15 This operation **draws on lessons learned and experience gained** from natural resource management and rural development projects and programs, as well as sustainable development and rural poverty reduction projects and programs in Panama and Central America.⁸ The outcomes of the completed projects indicate a high degree of ownership by the beneficiaries and communities, who participated in their implementation, and in the case of the PAES project, a high degree of

⁸ Darién Sustainable Development Program (loan 1160/OC-PN); Program for Sustainable Development of Bocas del Toro (loan 1439/OC-PN); Environmental Management of the El Cajón Watershed (loans 918/SF-HO and 787/OC-HO); El Salvador-Environmental Protection Program (PAES) (loan 886/OC-ES); Project for the Management and Conservation of Renewable Natural Resources in the Upper Watershed of the Chixoy River (loan 871/SF-GU); and Sustainable Development Program for Petén (loan 974/OC-GU).

sustainability.⁹ The following lessons have been drawn from the aforementioned experiences and incorporated into this program: (i) the importance of promoting interagency coordination between the co-executing agencies and other donors during project design and implementation (a number of coordination meetings have been held and the implementation plan calls for national, regional, and local activities); (ii) the need to design and implement activities that meet community demand (a preliminary survey of demand has been conducted, and corresponding activities and projects are included for financing in this program); (iii) the importance of strengthening local governments at the beginning of the program (very specific activities are planned for this purpose); (iv) the need to coordinate management tools at all levels, particularly management plans, urban plans, and an Indicative Plan for Functional Land Management (PIOTF) (this plan was developed in a coordinated manner and the implementation plan coordinates national, regional, and local activities); (v) the importance of promoting the sustainable natural resource management at the subregional level (the program was designed around subregional activities); (vi) the positive impact that operational planning has on environmental, social, and institutional considerations (specific action plans are included for the steering institutions); (vii) the importance of decentralizing the technical management of the program and organizing political participation (the agreed implementation plan allows for this); (viii) the need for an efficient services and collections system (the public service projects ensure the program's sustainability and the municipios are getting started with municipal administrative and fiscal strengthening plans); and (ix) the importance of a high degree of involvement on the part of the communities and government authorities (communities, local and regional governments, national institutions, and the private sector have participated actively in the design process).

⁹ Bravo-Ureta, Boris, H. Cocchi, D. Solis, and T. Rivas. "Análisis del Impacto Económico de Tres Proyectos de Manejo de Recursos Naturales en América Central [Analysis of the Economic Impact of Three Natural Resource Management Projects in Central America]." University of Connecticut. August 2003. (Of the six representative properties examined, all had positive gross margins per *manzana*; properties that had adopted conservation-oriented practices and works to a greater degree had higher gross margins; production of corn increased 20%, bean 15%, and sorghum 17%. In the six properties, NPV ranged from US\$434 per *manzana* to US\$1,464, and the IRR from 14.6% to 48.6%). Doribel Herrador, N. Cuellar, S. de Larios, and I. Gómez. "De la Conservación de Suelos y Agroforestería al Fortalecimiento de Medios de Vida Rurales: Lecciones del Programa Ambiental de El Salvador [From Soil Conservation and Agroforestry to Strengthening Rural Livelihoods: Lessons from El Salvador's Environmental Program]." PRISMA, San Salvador, September 2004. (The farmers experienced significant changes. Crop yields for basic grains rose considerably: corn by 20% on average, bean by 35%, and sorghum by 28%. The farmers indicated that their farms were worth more and that the adoption of new practices brought about changes in attitude among many project beneficiaries. They have a new perspective on the sustainable use of resources, and the value they place on those resources has translated into changes such as non-burning).

G. Bank's country strategy with Panama for 2005-2009

- 1.16 The government's policy is to pursue sustainable economic development with social inclusion by making the national productive apparatus more competitive and creating and maintaining a climate conducive to private investment. The medium-term deployment of this policy is tied to four challenges: (i) to speed up a sustainable growth process while incorporating other production options; (ii) to reduce poverty; (iii) to sustainably safeguard the country's natural and cultural wealth; and (iv) to produce public goods more efficiently. To this end, the government has been working very closely with provincial and community councils to learn directly about the actual conditions in each region and be able to address the problems identified. The representatives on the Chiriquí provincial council, in addition to pointing out the usual gaps in rural infrastructure and services, stated the main problem as follows: "There is not enough economic activity and the companies that generated activity are failing as a result of their dependence on the banana monoculture, leading to higher unemployment and socioeconomic insecurity," particularly in Barú and Divalá, on the Costa Rican border. In response, as part of the Bank's country strategy with Panama, the core objective of which is to support sustainable economic development and poverty reduction, the government has made it a top priority to develop a strategy and a multiphase sustainable development program for Chiriquí province (PN-L1005), to comprehensively address the problems identified under the aforementioned policy guidelines. The proposed operation addresses the strategic objectives of the country strategy, particularly as these relate to making the provincial economy more competitive and developing its human and productive capital. The operation will also lend crosscutting support on issues related to the governance and management capacity of local institutions.

H. Possible development scenarios

- 1.17 The region's development problems are the result of diverse economic sectors exerting pressure on the province's institutional, human, and natural resource capacity. These pressures become challenges to increase productivity and agricultural diversification (in response to the decline of the banana monoculture), the haphazard expansion of tourism and the real estate market, the demands of growth in the fishing industry, the possible implications of the siting of intermodal transport systems and oil refineries, and potential growth in the mining sector. The institutional and governance capacity needed to manage the challenges and opportunities associated with these processes is just beginning to be developed, and in the absence of management tools at the regional and local levels, these development processes could adversely impact the province's natural resources. Accordingly, the proposed operation will strengthen management capacity and the implementation of support tools, to help protect the region's natural resources, while spurring competitiveness and creating jobs throughout the province.

- 1.18 To identify the priority activities needed to tackle the problems and to take advantage of the potential of the different subregions, the multiplier effects of the **key sectors** in Chiriquí's economy were analyzed (using an input-output model). These sectors have the greatest multiplier effects on other sectors, both positive and negative, either increasing the value added of the other sectors and associated activities or reducing it due to lack of demand. In workshops with the entities involved, local governments, and provincial and national authorities, the effects of possible changes on key sectors, whether trends or changes resulting from the implementation of the Sustainable Development Strategy for the Province (SDSP), were analyzed based on five potential scenarios or situations, as follows: (i) **tendential**: current trends continue; (ii) **agroexport**: restructuring occurs as a result of growth in key sectors, making them more competitive and creating new employment niches; (iii) **tourism development**: the province becomes firmly established as having multiple tourist destinations and residential tourism gains a stronger foothold; (iv) **intermodal-megaproject system**,¹⁰ and (v) **high oil prices**: favoring energy diversification. Using participatory methods, the corresponding baseline indicators were identified and quantified for the various subregions in the province and the effect of each scenario on the impact indicators was assessed. Based on discussions, the workshop participants combined elements of the foregoing scenarios to create a baseline scenario, identifying strategic lines of activity differentiated by subregion.

I. Synergy and complementarity with other programs

- 1.19 The activities proposed in this operation complement activities and projects under way to reduce the development gap between the most economically robust areas of the country and the countryside, such as: (i) the National Land Administration Program (PRONAT) (loan 1427/OC-PN), a project cofinanced by the Inter-American Development Bank and the World Bank to support land regularization and develop an official land register for the four subregions, a valuable land use planning and management tool for local governments. In addition, PRONAT/World Bank has established a work plan and budgeted US\$800,000 for execution in 2006 and 2007 to complete land ownership mapping in the remaining districts of the province and to proceed with land titling, particularly in the districts of Barú and Alanje; (ii) Program for Municipal Development and Decentralization Support (loan 1522/OC-PN), which, in addition to establishing a methodology for strengthening local governments throughout the country, is providing resources to strengthen three of the 13 municipios covered by the proposed program;

¹⁰ Expansion of the Panama Canal; improvement and expansion of logistical services (improvements of ports and airport, highways, information-fiber optic); customs-free zone; development of mining in the Indigenous Territory; and development of the tuna industry, which would entail larger economies of scale in terms of intermodal transport systems, with Chiriquí and Bocas del Toro playing an important complementary role vis-à-vis the capital, and an increase in aggregate demand in the country.

(iii) Program to Foster Competitiveness (loan 1410/OC-PN), which provides support to enhance the competitiveness of agroindustrial and tourism companies in Chiriquí through existing clusters in the province; (iv) a project of the International Fund for Agricultural Development and the Social Investment Fund in the Ngobe-Bugle Indigenous Territory to improve productive practices and living conditions in the territory; (v) Strengthening the Management Capacity of the Panama Maritime Authority for Integrated Coastal Management (loan 1724/OC-PN), to improve management capacity at the central and regional levels; (vi) Program for the Improvement of the Puebla—Panama Plan's Pacific Corridor (loan 1468/OC-PN), which covers a major portion of the province's road system, in four of the five subregions; (vii) Electrical Power Transmission Expansion Project (loan 1113/OC-PN) to improve rural living conditions in the program's area of intervention; and (viii) Program for Poverty Alleviation and Community Development (loan 1226/OC-PN), which is financing social investments in low-income areas covered by the proposed program. In addition, because this operation will focus on the region bordering Costa Rica, there are important synergies with projects in execution, such as: the Program for the Sustainable Development of Bocas del Toro (loan 1439/OC-PN) and the Integrated Ecosystem Management of the Binational Sixaola River Basin (RS-X1017). The operation also puts into practice the strategic lines set forth in the Puebla-Panama Plan, is consistent with the strategy developed for the Mesoamerican Sustainable Development Initiative, and complements the road and electric power initiatives for Panama's Pacific Corridor.

II. THE PROGRAM

- 2.1 The solution to the problems described can be found in the **Sustainable Development Strategy for the Province (SDSP)**, which includes four different strategic lines of activity, based on the specific characteristics and needs of the each subregion: (i) **strategic line of activity 1, training (social dimension)** at all levels and across all components to prepare program beneficiaries for implementation, to be offered through the province; (ii) **strategic line of activity 2, local capacity building (institutional dimension)**, focused on strengthening the provincial offices of the central government and building the management capacity of the municipios, civil society organizations, the Provincial Technical Board, and the Panama—Costa Rica Binational Commission; (iii) **strategic line of activity 3, productivity and competitiveness gains (production dimension)** in the key sectors that could run into trouble and those with growth and export potential, to remove any bottlenecks that could arise due to gaps in infrastructure and support services; and (iv) **strategic line of activity 4, sustainable management of natural resources (environmental dimension)**, focused on preventing or mitigating any negative impacts of development activities and providing support for environmental management and conservation of the region's coastal marine areas, protected areas, and natural resources.
- 2.2 In addition, because the province is not homogenous, the proposed operation takes a **subregion-based intervention approach** to address the different characteristics (problems, opportunities, conditioning factors) of each **subregion**, as follows: (i) **eastern subregion: *poverty reduction through new productive activities***. Poverty reduction is needed, which calls for new productive activities, improved practices in the primary sector and diversification of the sector to make it more competitive, workforce training, better use of natural resources, improved basic service coverage, and stronger management capacity; (ii) **lower western subregion: *job creation and production diversification***. Activities that create jobs must be promoted, which will require production diversification with an emphasis on developing substitute products that reduce socioeconomic dependency on the banana monoculture, processes that increase the value added of production, the development of an economic-productive infrastructure that improves local-regional competitiveness, land use planning and environmental and land management activities; and workforce training; (iii) **upper western subregion: *productive restructuring and land use planning***. Productive restructuring and land use planning is needed, which calls for improved production practices; diversification of production to include more nontraditional products; valued added to products; environmental management and land use planning; and workforce training; (iv) **central subregion: *planned growth***. This subregion needs planned growth, which will require strengthening of the management capacity of public services; urban improvements; and incentives for the creation of adequate space for

recreation and the pursuit of economic activities; and (v) **coastal island subregion: sustainable environmental management of coastal marine resources, the focus of the Global Environment Facility (GEF) project.** Sustainable environmental management of coastal marine resources is needed, which calls for issuance of the necessary guidelines for tourist development; regulation of the productive practices that impact these resources; and modernization and regulation of the fishing industry.

- 2.3 **The conceptual design of the program** is based on the implementation of these strategic lines of activity in phases, with the understanding that in the first phase, basic management needs and problems must be solved, building capacity from the ground up, protecting the most valuable natural resources, and identifying opportunities for sustainable economic growth. The later phases of this strategy will depend on this initial process of consolidation. Given the desired short-, medium-, and long-term effects in the baseline scenario and the province's limited ability to simultaneously implement all of the necessary activities identified in the SDSP, this operation has been conceived as a multiphase program (five to nine years). During phase I (five years), priority would be placed on investments to boost management capacity and local investment, new productive alternatives would be proposed, and environmental and land management tools would be implemented, before proceeding to phase II, which would draw on the lessons learned in phase I.

A. Objectives and description

- 2.4 The main objective of the program is to help improve living conditions in Chiriquí, based on the human and natural resource potential of each subregion in the province. The specific objectives are to: (i) improve governance (institutional strengthening and local participation); (ii) reduce poverty, boost employment and income (Barú-Divalá, the eastern subregion, and other critical areas), and increase competitiveness and productivity; and (iii) use natural (land and coastal marine) resources sustainably. The program is divided into three components:

Table II.1 – Program Components

Component 1 Strengthening of local management capacity US\$3 million (strategic lines of activity 1 and 2)	Component 2 Productivity and competitiveness gains (US\$17.3 million) (strategic lines of activity 1 and 3)		Component 3 Sustainable management of natural and coastal marine resources (US\$9.2 million) (strategic lines of activity 1 and 4)	
	a. Boost employment in critical areas and productivity in key sectors	b. Infrastructure and competitiveness support services in key sectors	a. Mitigation and prevention of environmental degradation	b. Sustainable use and conservation of coastal marine ecosystems (Global Environment Facility project)

1. Strengthening of local management capacity (US\$3 million)

- 2.5 This component will provide an **enabling framework** to ensure the success of productive activities in the province. It will improve local capacity for the decentralized and participatory implementation of the Sustainable Development Strategy for the Province (SDSP) and increase the level of coordination, complementarity, and consistency of interventions to streamline public investment and guide private investment. In accordance with the SDSP, this component calls for activities to transition from: (i) the limited efficacy of activities pursued by the government to the implementation of strategic activities in a coordinated manner, in line with a comprehensive, consensus vision; (ii) the limited role that regional and local stakeholders play in implementing the SDSP to the empowerment of regional and local stakeholders; and (iii) limited binational coordination to the coordinated management of shared problems in the border area, with the participation of regional and local stakeholders. The **scale** of the component is based on the identified and quantified priority needs of regional and local entities for the management capacity and basic tools that will enable them to deal with the development pressures and the demands on the province and its border region.
- 2.6 The component calls for: technical assistance, training, and investments in institutional strengthening at three levels: (i) **the local level:** to improve the management capacity of the 13 municipal governments, based on a municipal action plan (urban land use plans, planning and preparation of projects and works, public services, administration, finances, and environmental management); and local organizations for the associated management of public services, including local environmental management and interagency coordination; (ii) **the regional level:** to (a) strengthen the Provincial Technical Board as a platform for interagency and multisectoral coordination on technical and operational matters and establish a single portal for public information; (b) harmonize the regulatory framework for the Maritime Authority of Panama (AMP) and the National Environmental Authority (ANAM) and build management capacity by implementing institutional strengthening action plans for regional offices in key sectors (ANAM, AMP, the Panamanian Tourism Institute (IPAT), and the Ministry of Agricultural Development) and the National Sustainable Development Council (CONADES); and (c) create and strengthen the subregional committees by providing technical assistance on administrative and regulatory matters and providing initial financial support for the preparation of subregional action plans; and (iii) **the binational level:** to strengthen the capacity of regional and local organizations, in order to guarantee their participation in the implementation of binational agreements (on culture, tourism, trade, the environment, and security, among others).
- 2.7 The projects and activities to be financed should be consistent with the SDSP, as established in the Operating Regulations (paragraph 3.14), and the **beneficiaries** will be local governments, regional public institutions (ANAM, AMP, IPAT, and the Ministry of Agricultural Development), and civil society organizations. With

the exception of civil society organizations, which will be strengthened based on demand, subregional committees and the program technical team will be created and municipios and offices in key sectors strengthened using specific action plans developed for those purposes. **The full implementation of this component will create the conditions needed to fulfill the program objective related to improved governance, by strengthening local governments with a stronger, more participatory community base.**

2. Competitiveness and productivity gains (US\$17.3 million)

- 2.8 This component **will provide the elements needed to improve the standard of living and quality of life** in Chiriquí. It will boost employment and income among the poorest people in critical areas, increase productivity and competitiveness in key sectors (and in the case of the banana sector, move to other exportable products such as plantains), and minimize negative environmental effects. The component has been divided into two subcomponents: (i) employment and productivity gains; and (ii) infrastructure and support services for competitiveness. The projects to be financed have been chosen based on demand and in accordance with the selection criteria indicated in the Operating Regulations (paragraph 3.14) and must be consistent with the SDSP. The **beneficiaries** will be groups of producers, fishermen, artisans, organized communities, and local governments. The **scale** of the component is based on the demand identified during program preparation.

a. Job creation in critical areas and productivity improvements in key sectors (US\$10.2 million)

- 2.9 This subcomponent has two purposes: (i) to reverse economic, social, and environmental decline through activities targeting the banana-growing regions (Barú and Alanje), the eastern part of the province (San Lorenzo, Remedios, and Tolé), the coastal artisanal fishing sector, and other critical areas (Renacimiento and Gualaca); and (ii) to modernize the productive base of the primary sector, including by restructuring productive activities around the exportation of nontraditional products and adding value to primary production throughout the province.
- 2.10 Eligible activities and projects include replicable and innovative demonstration projects involving farm production systems (technical assistance, information on markets and commercial opportunities, training and improved administration for companies and producer organizations, regulatory and technical improvements, etc.). Among the products and production systems that will receive support are: (i) nontraditional products with export potential (plantains, cantaloupe, watermelon, pineapple, tuber crops, spices, flowers, etc.); (ii) products with high value added (sauces and condiments, soups, jellies, flours, sea products, ornamental plants, oils, fruit products, etc.); (iii) sustainable artisanal fishing and aquaculture; and (iv) forest products and byproducts.

- 2.11 The sample includes one specific project and three replicable pilot projects (paragraph 4.4).¹¹ All production projects have, in their design, a technological package with conservation practices, including soil conservation and the proper use of agrochemicals allowed under the country's laws and the Bank's environmental policy. With regard to investment projects for modernizing the productive base of the primary sector, the sample includes four specific projects (paragraph 4.5) and several indicative projects, to be financed based on demand. **Together, the projects, upon full implementation, will contribute to the fulfillment of three of the program's objectives (production diversification, poverty reduction, and higher household income), particularly in Barú, Alanje, the eastern subregion, and other areas in the upper western subregion, and will contribute indirectly to the governance objectives.**

b. Infrastructure and support services for competitiveness in key sectors (US\$8.5 million)

- 2.12 This subcomponent will improve the provision and coverage of infrastructure and support services for competitiveness and improve the quality of life in Chiriquí. It will complement government investment programs to expand the productive sectors, bringing the benefits of those programs to bear more strongly on the local population. Eligible activities and projects include: (i) water supply; (ii) sanitation (sewerage, latrines, liquid waste treatment, and solid waste management and disposal); (iii) small electrification projects; (iv) small access roads (rehabilitation and/or improvement of overland access to production and tourist areas, rural roads, culverts, and small bridges); (v) development and promotion of warehouse space and other marketing infrastructure; and (vi) preinvestment studies (for roads, water supply and sanitation, energy, etc.). The sample of projects that was analyzed includes three specific projects and three indicative projects (paragraph 4.6). **These projects will all complement the fulfillment of two of the program objectives for subcomponent 2(a).**

3. Environmental and ecosystem management (US\$9.2 million)

- 2.13 This component will **promote the protection and sustainable use** of the province's natural resources, including the development and implementation of instruments to prevent or mitigate any negative impacts resulting from investments in infrastructure and productive development projects and other investments under way. For the purposes of implementation, the component has been divided into two subcomponents: (i) environmental management for the prevention and mitigation of negative impacts and environmental degradation in the province, US\$4.2 million;

¹¹ At the profile level, other indicative projects involving small business initiatives proposed by women's groups or local associations were analyzed. These projects would be financed based on demand, in accordance with the criteria set forth in the Operating Regulations.

and (ii) sustainable use and conservation of coastal marine ecosystems, incremental-cost activities proposed for financing a US\$5 million GEF/Bank project, which would complement this program. The projects and activities to be financed must be consistent with the SDSP, and the **beneficiaries** will include ANAM, AMP, IPAT, local governments, organized community groups, and civil society. The **scale** will depend on the initiatives proposed by the respective institutions—ANAM, AMP, and IPAT—and fishermen’s associations, local governments, and local entrepreneurs.

**a. Prevention and mitigation of environmental degradation
(US\$4.2 million)**

- 2.14 This subcomponent incorporates: environmental management of new and existing economic activities; management of protected areas and watersheds in middle and upper elevation areas; and land use planning tools to conserve biodiversity and mitigate the present and future impact of investments resulting from the program. Eligible activities and projects include: (i) strengthening of institutional and local environmental management capacity to monitor and adopt suitable measures for preventing and mitigating negative impacts; (ii) identification of the primary sources (industrial, farm, urban and rural settlements) of watershed contamination and development of strategies and demonstration projects to reduce it; (iii) implementation of the Indicative Plan for Functional Land Management (PIOTF); (iv) preparation of plans for managing and monitoring protected areas in middle and upper elevation areas and in coastal marine ecosystems; (v) implementation of land use plans in urban, tourist, and environmentally sensitive areas; (vi) support for activities promoting ecotourism in protected areas; (vii) concession and joint management arrangements for protected areas and coastal marine ecosystems; and (viii) design and implementation of a system for monitoring the environment and water quality in the watersheds. The sample includes five projects: (i) technical assistance for developing and implementing the Urban Land Use Plan for the Municipio of Boquete; (ii) management of the Volcán Barú protected area; (iii) management of the second phase of La Amistad International Park; (iv) design and implementation of the first phase of an ecological park in David; and (v) incentives for reforesting critical watersheds and riverbanks. **This subcomponent will contribute to the fulfillment of the program objective related to the conservation of ecosystems.**

**b. Sustainable use and conservation of coastal marine ecosystems
(GEF project) (US\$5 million)**

- 2.15 This subcomponent will help conserve and provide for the sustainable use of coastal marine biodiversity in the Gulf of Chiriquí, promoting operating changes and improvements in the farm and fishing, forest (mangrove), artisanal fishing, and tourism sectors to guarantee environmental benefits locally and globally. The specific objectives of the subcomponent are as follows: (i) to set up procedures for

strategic planning and interagency coordination for the integral management of coastal marine resources in the Gulf of Chiriquí; (ii) to generate and promote measures for the environmental management and sustainable use of ecosystems in productive activities; (iii) to implement joint management mechanisms involving local users and stakeholders to conserve coastal marine resources and protect biodiversity; and (iv) to promote applied research, monitoring, and dissemination of information on the ecosystems and biodiversity of the Gulf of Chiriquí.

- 2.16 Eligible activities and projects include: (i) creation and strengthening of a Commission for the Integrated Management of Coastal Marine Resources in the Gulf of Chiriquí; (ii) implementation of the Indicative Plan for the Planning and Integrated Management of Coastal Marine Resources; (iii) sustainable management of fishing resources; (iv) promotion of ecotourism; (v) awareness-raising and environmental management for contamination mitigation; (vi) development and implementation of plans for the joint management of protected coastal marine areas, the Pedregal mangrove, and priority sea turtle nesting beaches; (vii) design and implementation of a system for monitoring pursue new alternatives and good practices in the sustainable use of coastal marine ecosystems. **This subcomponent complements the Bank-financed program in terms of the global environmental benefits associated with the conservation of coastal marine ecosystems. Implementation of this subcomponent is contingent on GEF approval of the proposed financing.**

B. Scale of program phases

- 2.17 The baseline scenario and the SDSP were the starting point for visualizing the size of the investments planned for the province, and these investments may generate impacts that must be controlled. Given the desired short-, medium-, and long-term effects in the baseline scenario and the province's limited ability to simultaneously implement all of the necessary activities, a decision was made to develop a multiphase program (five to nine years). Phase I (five years) would place priority on investments that should be made in the immediate term, before proceeding to phase II. Phase II will draw on lessons learned and the management capacity created in phase I to tackle the medium-term challenges set forth in the SDSP. For the immediate term (phase I), the following key investment-targeting criteria were set: (i) the need to develop the minimum management capacity tools needed at all levels to tackle the challenges presented; (ii) the pressing need to promote new production models, including implementation of replicable activities for the immediate term; and (iii) the development of essential environmental management activities, including the implementation of management tools that support medium- and long-term conservation. Accordingly, public sector investments currently in execution were analyzed and found to be complementary and key for development. Private investments total more than US\$80 million per year. The investments proposed for phase I of this operation will revolve around financing elements that facilitate sustainable development in terms of allowing for the effective

administration of the province and its natural resources and supporting change in the production models. **Phase I** corresponds to a conservative figure for the identified needs. The purpose of **phase II** is to consolidate the processes begun in phase I and expand the investments in component 2.

C. Cost and financing

- 2.18 Phase I of the program will cost US\$27.3 million and will have an execution period of five years from the entry into force of the loan contract. Phase II will cost US\$30 million. The itemized budget for phase I, broken down by category of investment and source of financing, is presented in Table III-1. For phase I, the Bank will provide financing of US\$27 million from Ordinary Capital, to be disbursed in United States dollars from the Single Currency Facility. The Panamanian government will contribute US\$300,000 for administration and supervision expenses and the credit fee. In addition, the GEF/Bank will provide a US\$5 million grant. The GEF/Bank project will support activities complementary to the program that are related to subcomponent 3(b).

Table II-2 - Preliminary plan of costs and financing for phase I (in US\$ millions)

Investment category	Bank	Local	GEF	Total	%
I. Administration and supervision	2.5	0.2	0	2.7	8.3
1.1 Program technical team (technical team/CONADES)	1.8	0.2		2.0	6.1
1.2 Audits and midterm and final evaluations	0.3			0.3	0.9
1.3 Monitoring and evaluation	0.4			0.4	1.3
II. Direct costs	24.5		5.0	29.5	91.4
2.1 Strengthening of local management capacity	3.0		0	3.0	9.3
2.2 Competitiveness and productivity gains	17.3		0	17.3	53.6
2.2.1 Job creation in critical areas and productivity improvements in key sectors	10.2			10.2	
2.2.2 Infrastructure and support services for competitiveness	7.1			7.1	
2.3 Sustainable management of natural and coastal marine resources	4.2		5.0	9.2	28.5
2.3.1 Prevention and mitigation of environmental degradation	4.2			4.2	
2.3.2 Sustainable use and conservation of ecosystems			5.0	5.0	
III. Financial costs		0.1	0	0.1	0.1
3.1 Credit fee		0.1	0	0.1	0.1
Program and GEF/Bank project total	27.0	0.3	5.0	32.3	100%

D. Phase II triggers

- 2.19 The outputs expected from phase I and the corresponding means of verification and phase II triggers have been agreed on. For phase I, the most important triggers are related to the establishment of management capacity and the implementation of urgent productive projects for the poorest sectors. Phase II triggers will be determined by the following considerations. **Component 1:** evidence that suitable management and governance tools have been developed and are being applied: (i) at least five of the 13 municipios have developed and implemented municipal action plans (administrative and financial systems in operation and engineering and environmental management units with sufficient capacity to review and supervise local projects); and (ii) at least five of the 13 municipios post a 15% increase in municipal revenue. **Component 2:** better positioning for competitiveness and productive restructuring: (i) 50% of the (pilot and specific) projects meet at least 70% of the targets set in their business plans; and (ii) 50% of completed public services projects meet administrative/financial targets (operating and maintenance

costs covered and boards of users established and operating). **Component 3:** Adoption of suitable measures to strengthen environmental protection and natural resource management: (i) 15% of an environmental management plan for coastal marine resources designed and implemented (fishing communities organized, critical areas demarcated, fishing tackle and use of mangroves regulated); (ii) 100% of a system to monitor water quality indicators developed; and (iii) 20% increase in the capacity for effective oversight (number of environmental permits issued in the province; registry of concessions and water extraction); ANAM, AMP, and local government employees trained in environmental supervision.

III. EXECUTION

- 3.1 The proposed decentralized execution and management plan is consistent with positive experiences the **Ministry of the Office of the President (MP)** has had with similar projects in execution, in which initiatives flow from the bottom up through the existing political/administrative structure, to ensure that the various stakeholders are involved in setting and implementing the priorities. The **MP** liaises on behalf of the President of the Republic and the cabinet council with other State entities. The **National Sustainable Development Council (CONADES)** is the MP operating unit responsible for implementing these types of programs and projects.¹²

A. Borrower and executing agency

- 3.2 The **borrower** will be the Republic of Panama, and the **executing agency** will be the MP, through the CONADES Executive Secretariat, with the participation of local ministry offices and governments in Chiriquí. The MP, through the CONADES Executive Secretariat, will assume all administrative, financial, and management coordination responsibilities vis-à-vis the Bank and will manage the coordination, contracting, supervision, and monitoring of program activities.
- 3.3 At the central level, CONADES has sufficient installed capacity to provide administrative support and conduct monitoring and evaluation of the projects for which it is responsible. For this program, MP/CONADES has appointed a program director to manage the program, who will have the assistance of three professionals (an accountant, a procurement specialist, and a specialist in monitoring and evaluation systems). At the provincial level, CONADES will have the support of a **program technical team (PTT)** consisting of a coordinator (who will direct the team, liaise with program participants, and report to CONADES on execution), five professionals (at a minimum, specialists in: infrastructure, agricultural production, and environmental management) and four promoters to support the subregional committees, the minimum administrative personnel needed to fulfill the team's functions, and specialized consulting services as needed. **As a condition precedent to the first disbursement of loan proceeds, the MP must submit evidence indicating that the PTT has been created and that its functions and personnel have been established and defined.**
- 3.4 The **PTT** will have the following functions: (i) to coordinate program execution, including hiring consultants and contractors for all components; (ii) to manage and supervise activities related to program implementation; (iii) to organize product

¹² The Ministry of the Office of the President/CONADES implements IDB-financed projects with an integral approach, such as projects in Darién, Bocas del Toro, and the Canal watershed, as well as projects financed by the World Bank, the Social Investment Fund, and the Government of Taiwan.

presentations for the MP, the Ministry of the Economy and Finance, the provincial technical board, and the provincial council; (iv) to provide ongoing assistance to the subregional committees and other community organizations to help them develop their subregional action plans; (v) to help the provincial technical board develop the **annual work plan (AWP) for the province**; (vi) to draft and supervise the implementation of any agreements, as well as the institutional strengthening action plans agreed on with the coexecuting agencies; (vii) to manage program resources, setting up specific, separate commercial bank accounts for loan proceeds; and (viii) to maintain the original supporting documentation for eligible program expenditures.

- 3.5 The local ministry offices and governments will participate in program execution in accordance with bilateral or tripartite **agreements**, as the case may be, with CONADES for the activities for which they are responsible in their sector, taking advantage of the experience gained from other projects in execution. These agreements will clearly stipulate the duties and responsibilities of the institutions and agencies, including as relates to the supervision of works, which includes the appointment of personnel, maintenance and operation, and the gathering and analysis of information required by the program. **As a special condition precedent to the disbursement of proceeds for component 2, at least five signed agreements (three with institutions and two with local governments) must be submitted, to ensure supervision and implementation of the program.**

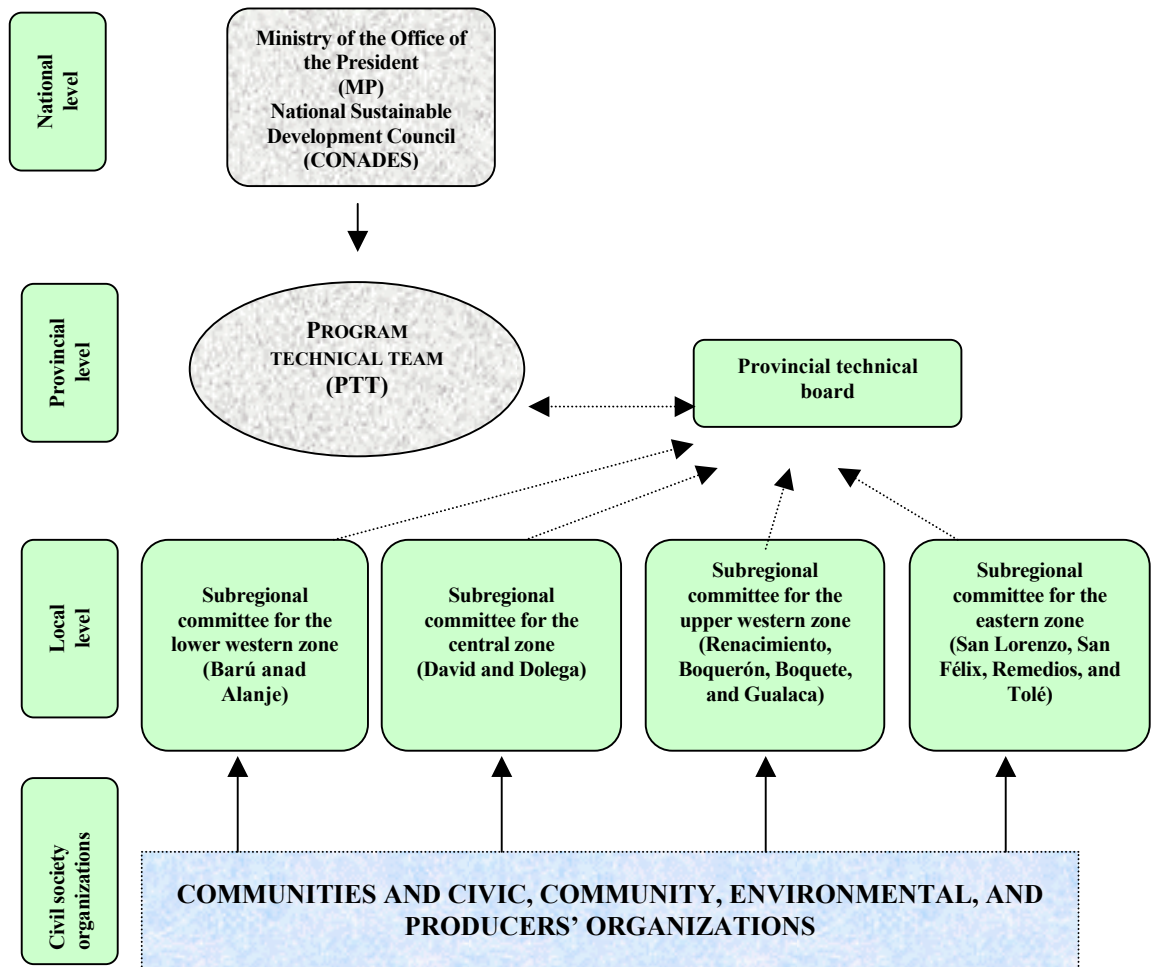
B. Coordination and participation in program execution

- 3.6 CONADES will rely on the **provincial technical board** to ensure that sector policy guidelines are being followed, facilitate interagency integration, and support the implementation of the national plans and the AWP for the program. It will create the **subregional committees** to ensure the participation of program stakeholders in preparing initiatives and overseeing projects (see Program Coordination and Participation Structure chart) in each subregion. The subregional committees will be asked to play an important role both during program implementation, in the development and coordination of the **AWP for the province**, and after program completion, to ensure the sustainability of the investments. **As a special condition precedent to the first disbursement of the loan, evidence that the MP has created and set up four subregional committees must be submitted.**
- 3.7 **The provincial technical board** will have the following functions: (i) to consolidate and coordinate the AWP for the program, based on the regional subcommittees' prioritization of projects; (ii) to monitor the status of the AWP, facilitate coordination with municipios, and help find solutions to implementation problems; and (iii) to report to CONADES/PTT on the presentation and development the AWP for the program. Meetings of the provincial technical board are convened by the governor at the intervals indicated in the respective regulations. For the purposes of this program, the board will meet at least three times per year,

and two delegates from each subregional committee and the PTT coordinator will be invited to participate. This board will allow for the participation of all the institutions with sector responsibilities in the province. Execution will be arranged through contracts with private service providers and the beneficiaries themselves.

- 3.8 **The subregional committees** will be made up of the following individuals from each district in the respective subregion: the mayor; a representative of the community; a representative of the productive sectors (agriculture, commerce, fishing, forestry, or tourism); a representative from a union, academic institution, or nongovernmental organization (NGO); and a representative of the corregimientos in the corresponding district. Each subregional committee will be led by a member elected by the rest of the committee. The committees will operate with the support of the PPT, and members will be selected in each district from the shortlist of candidates submitted to the PTT by the corresponding organizations. The subregional committees' functions include: (i) pursuing an extensive information and consultation process with the community, to hear about their project initiatives and profiles; (ii) receiving projects submitted by the community and previously evaluated by the PTT in accordance with the Operating Regulations; (iii) prioritizing requested projects according to the needs and interests of the community and the Sustainable Development Strategy for the Province (SDSP), for coordination by the provincial technical board; (iv) participating in the monitoring of the program and projects in the respective subregion and making recommendations on their implementation; and (v) recommending, at the subregional and district levels, projects to include in the corresponding municipal investment plans. The subregional committees will meet at least three times per year and will be convened by the committee chairman of his own accord or at the request of eight members, with the support of the PTT.

Program Coordination and Participation Structure



C. Project cycle and structuring of the subregional action plans and the annual work plan

- 3.9 At the beginning of each year, MP/CONADES will prepare, using the guidelines set by the Ministry of the Economy and Finance, an indicative budget with the overall program totals, which will be disseminated to the provincial technical board and the four subregional committees. Based on the indicative budget, preparation of the annual work plan for the program, whether for **technical assistance or investments**, will begin, in accordance with community demand. In the event that the Ministry of the Economy and Finance decides to modify the annual amount set aside for the AWP, whether for budgetary or other reasons, it will notify the subregional committees, through CONADES/PTT, so that they are able to make a

decision about which projects and/or activities to postpone in order to meet the new target in the modified AWP.

- 3.10 **Technical assistance:** In consultation with civic, community, environmental, and producers' organizations; local governments; and the central government institutions represented on the provincial technical board, CONADES/PTT will decide on the technical assistance activities, studies, and specific short- and long-term advisory services to be implemented during the year and will prepare the corresponding profiles and send them to the subregional committees. The committees will then integrate them with the investment projects into subregional action plans and send them back to CONADES/PTT, for review, verification of consistency with the strategy and the Indicative Plan for Functional Land Management, and integration into the program AWP, which, upon approval, will be sent to the PTT. CONADES/PPT will then draw up agreements for the organizations, local governments, and central government institutions to receive technical assistance. Once the agreements have been signed, CONADES will contract providers of technical assistance services, which will be provided with the participation of the beneficiaries.
- 3.11 **Investments based on community demand:** With the support of the technical assistance arranged by CONADES, program beneficiaries, including local governments, will prioritize their needs and interests with regard to productive and infrastructure activities and projects, preparing the respective profiles or complete projects, based on the criteria set in the Operating Regulations. If the evaluation is positive, the technical experts will help the beneficiaries make the project feasible. Feasible projects will be sent to the respective subregional committee for coordination and consolidation with the institutional and environmental management activities planned within the respective subregion and preparation of the corresponding subregional action plan. Unfeasible projects will be returned to the community or municipio so that the necessary changes can be made.
- 3.12 The subregional actions plans will then be presented to CONADES/PTT for technical analysis, verification of consistency with the strategies, and integration with and approval of the AWP for the province (if a project or activity requires revision, it is returned to the subregional committee). The program AWP will be presented to the provincial technical board for review and coordination with the AWP for the province. Once agreed upon, it will be sent to the PTT and the subregional committees, so that implementation of the projects and activities can proceed. CONADES/PTT will draw up agreements with the respective local organizations and governments and will issue a call for bids for the projects. Once approved, the program AWP will also be released to all program participants and will serve as the instrument by which the various beneficiaries will oversee and monitor program implementation and performance. Civil works will be supervised through contracts with private firms or qualified institutions.

- 3.13 **The annual work plan for the first year of the program**, which is in an advanced stage of preparation, addresses the priorities identified by the communities, local governments, and central government institutions during the program preparation process. The sample that was analyzed consists of more than 23 projects, with a total cost of US\$8.2 million, for technical assistance, studies, specific projects (as well as projects emblematic of each subregion), and pilot projects and is structured around the sample that was used to develop the criteria in the Operating Regulations. The pilot projects will not be replicated until an evaluation determines that it was a success, in terms of outcomes and benefits.

D. Operating Regulations

- 3.14 The Operating Regulations include the rules and procedures for implementing the program and its components. Basically, financing will be provided for the following activities: technical assistance (studies, training, and specialized technical assistance) and investments (specific projects, demonstration projects, and production and infrastructure projects) in eligible categories as established in the Operating Regulations, selected based on demand and the SDSP. The Operating Regulations will be adopted based on the Operating Regulations of other Bank-financed projects in execution in Panama, but tailored to the realities of the province. **As a special condition precedent to the first disbursement of the loan, the MP must present evidence that the Operating Regulations previously agreed with the Bank have entered into effect.**
- 3.15 The Operating Regulations will establish, *inter alia*: (i) eligible beneficiaries; (ii) social, environmental, and legal eligibility criteria (legal ownership of the land for the infrastructure projects); (iii) economic feasibility and financial sustainability criteria; (iv) operating and maintenance requirements; (v) procedures for developing and evaluating the subregional actions plans and annual work plans; (vi) procurement procedures; (vii) the project cycle and the methodology for incorporating a project into the respective subregional action plan and annual work plan; (viii) the financing ceiling for each project; (ix) the minimum number of projects and/or program resources to be allocated for each component; (x) different shared-cost financing plans depending on project type (technical assistance, preinvestment, production projects, public services, environmental services, etc.); and (xi) the profile of the technical experts who will make up the PTT. The eligibility and evaluation criteria described in the Operating Regulations were applied during the feasibility analysis of the project sample that was analyzed (paragraphs 4.4 to 4.7 and 4.9 to 4.11e).
- 3.16 The Operating Regulations will include guidelines to ensure the equitable distribution of resources to subregions and the consistency of the projects and activities with the Bank's country strategy with Panama, the SDSP, and the Indicative Plan for Functional Land Management (PIOTF). Although there are no plans to extend credit, the financial sustainability of the program will be guaranteed

by a mechanism by which the communities and organizations will be able to recover the cost of financed activities, based on experiences with other similar programs in the region. In the case of public services, the Operating Regulations will define the evaluation criteria needed to ensure that rates cover at least the operating and maintenance costs of financed works. The Operating Regulations may be modified by CONADES with the Bank's no objection. **As a special execution condition, the MP must present evidence, within 12 months from the date of the special disbursement (paragraph 3.20), that the National Environmental Authority (ANAM) has adopted the PIOTF, under the terms and conditions previously agreed to with the Bank.**

E. Reports and the Monitoring, Evaluation, and Information System

3.17 MP/CONADES will systematically evaluate the program and draft the respective reports, for analysis at monitoring meetings. CONADES will draft a semiannual monitoring report and an annual evaluation report, in addition to the reports required by the Bank, for delivery to the Bank, in accordance with the agreed work plan. For the preparation of reports, at its headquarters, CONADES has a monitoring, evaluation, and information system (MEIS) for all the projects it manages. The MEIS consists of the following subsystems: (i) the project and activity monitoring subsystem, into which information is inputted from the oversight visits conducted by, in this case, CONADES/PTT and the contractors' progress reports; (ii) the project evaluation subsystem, based on the agreed indicators and the logical framework matrix; and (iii) the information and dissemination subsystem, which includes a Web page. To help it handle the new responsibilities created by this program, the CONADES work team will be strengthened by the addition of a new professional with experience in management of georeferenced information systems and project evaluation (paragraph 3.3). To run the MEIS, instruments developed during program preparation will be used, specifically baselines (baselines have already been set for the indicators in the logical framework), the SDSP, the georeferenced information system, the PIOTF, the municipal action plans, and the selected impact indicators. As part of planned program monitoring and evaluation activities, annual evaluations and specific assessments to evaluate the outcomes and impact of the projects, and administrative missions will be conducted to assess progress, verify the impact indicators, and reach agreements on any adjustments that must be made to the program and the system of established indicators.

3.18 **Program impact indicators.** In discussions with the communities, local governments, and government entities, the impact indicators to be monitored, according to relevance by subregion, were identified. These indicators, which are set forth in the Logical Framework, will be measured regularly by the government using the established baselines (current levels without the program). Monitoring the impact of the program's various interventions by component and subregion will provide answers to the following questions: (i) *effect of strengthening local*

capacity to improve governance: Have the municipios' own resources increased? Have communities assumed a greater role in solving their problems?; (ii) *Greater diversification of production*: Has the program led to greater diversification?; (iii) *Increase in household income and decrease in poverty*: Have the projects helped create jobs and boost income?; and (iv) *Improved environmental management*: Has there been an increase in the institutional management capacity for conserving land and coastal marine ecosystems?

F. Execution period and disbursement schedule

- 3.19 Based on the nature of the works to be executed and the institutional strengthening activities to build investment capacity, an execution period of five years is planned. The tentative disbursement schedule is presented in the following table.

Table III-1 - Tentative disbursement schedule (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Bank	1.5	5.5	7	7	6	27
Total	1.5	5.5	7	7	6	27
Percentage	6%	20%	26%	26%	22%	100%

- 3.20 **Special disbursement.** To initiate the identified activities that were given priority, a special disbursement of up to US\$300,000 is recommended, once the following general provisions of the General Conditions (Article 4.01 (a), (b), (c), and (g)) of the loan contract have been fulfilled. These resources are needed for key activities to get the program under way, including: (i) contracting the minimum personnel needed and outfitting the PTT with materials and equipment; (ii) readying the necessary space and equipment for the provincial technical board; (iii) preparing the agreed municipal action plans; and developing the strategic urban development plans for Boquete and Barú; and (iv) actions to support the adoption of the PIOFT.

G. Procurement

- 3.21 Goods, works, and consulting services will be procured in accordance with the Bank policies set forth in documents GN-2349-6 ("Policies for the procurement of works and goods financed by the IDB") and GN-2350-6 ("Policies for selection and contracting of consultants financed by the IDB"). Table III-2 summarizes the procurement methods to be used for the program.

Table III.-2. Procurement thresholds for the program (US\$)

	ICB	NCB	Shopping
Works and related services	>3,000,000	≤3,000,000 and >250,000	≤250,000
Goods	>250,000	≤250,000 and >50,000	<50,000
Consulting services	≥200,000		

- 3.22 For the selection and contracting of consultants, the borrower may use any of the selection and contracting methods provided in the Bank's policies. Pursuant to paragraph 2.7 of document GN-2350-6 ("Policies for selection and contracting of consultants financed by the IDB"), the shortlist of consultants whose estimated cost is less than the equivalent of US\$200,000 per contract may consist entirely of national consultants. The executing agency can directly contract the United Nations Development Programme (UNDP), as provided for under the Bank's policies, to make program payments and for program hiring. Works, goods, and consulting services will be selected and procured in accordance with the procurement plan for the program, which contains: (i) the specific contracts for the works, goods, and consulting services required for the program; (ii) the methods for selecting consultants; (iii) the proposed methods for the procurement of goods and works; and (iv) the type of review to be conducted by the Bank. The procurement plan is available in the program technical files. The borrower will update the procurement plan every year as required or when substantial changes arise. Any proposed change must be submitted to the Bank for approval. **Procurement reviews.** All supporting documentation for the procurement of goods, works, and services and the corresponding disbursements will be subject to ex ante review, performed in accordance with Annex I to document GN-2349-6 and Annex I to document GN-2350-6.
- 3.23 **Midterm and final evaluation.** Using program resources, a midterm evaluation of phase I will be performed when 70% of the loan has been committed or 50% has been disbursed, in order to review fulfillment of the agreed phase II triggers. Financing will also be provided for a final evaluation of phase I, to assess the targets achieved and review lessons learned, when 80% of the funds have been disbursed. The MEIS will provide the inputs needed to make decisions about expanding successful pilot projects and make changes to the evaluation systems.
- 3.24 **Operation and maintenance of works and equipment.** In its agreements with participating institutions and beneficiaries, CONADES will establish the obligation that works executed and equipment procured with program resources be operated and maintained in accordance with generally accepted technical standards; that the Bank and the oversight entities be permitted to carry out inspection visits; and that, if operating and maintenance levels are found to be unacceptable, the appropriate measures be taken to fully remedy any problems.

H. Accounting/financial management and audits

- 3.25 The MP, through CONADES/PPT, will be responsible for the accounting/financial management of the program, for which it will: (i) keep specific accounting and budgetary records for the administration of loan proceeds and local counterpart resources; (ii) establish adequate internal control systems; (iii) set up a detailed accounting and reporting system for the management, registration, and payment of contracts for works, goods, and consulting services; (iv) submit consolidated financial statements for the program as scheduled and make available to the Bank and external auditors accounting information and any other documentation required by the Bank; (v) keep adequate records of disbursement requests; and (vi) maintain an adequate filing system for documentation supporting eligible expenditures, for verification by the Bank and external auditors. A revolving fund equal to 5% will be set up. The MP will deliver program financial statements to the Bank within 120 days after the end of each fiscal year. It will also deliver a final report within 120 days after the date of the last disbursement. These financial statements will be audited by an independent external auditing firm acceptable to the Bank, based on the terms of reference previously approved by the Bank (AF-400) and following the standard procedures for selecting external auditing services (AF-200).

IV. FEASIBILITY AND RISKS

A. Institutional feasibility

- 4.1 One of the purposes of this program is to strengthen Panama's institutional structure at the three levels of government (national, provincial, including provincial authorities, and local, including municipios and communities) to enhance communication and coordination in the planning of municipal and provincial investments and step up the role and participation of civil society in this process. Institutional feasibility is based on three elements: (i) lessons learned from similar projects in Central America, including Panama, particularly those in which the National Sustainable Development Council (CONADES) has participated; (ii) the strengthening and participation of line institutions and municipios; and (iii) the direct participation of communities and beneficiaries. Lessons learned were helpful in establishing the structure for program implementation and particularly in setting up the beneficiary participation mechanism, so that decisions about activities would be made by consensus.
- 4.2 Project identification starts with the communities, which are called on to participate and take the lead in finding solutions and presenting and requesting projects, but even more important is the coordination and dialogue the communities engage in, first with the mayors in the subregional committees, then with the provincial technical board, and lastly at the national level, through CONADES. It is this transparent consolidated process at the three levels of government, which does not yet exist, that will strengthen governance and enhance dialogue, communication, and coordination between the three levels of government, with community involvement. The strengthening of municipios and line institutions will make the program more feasible, inasmuch as these institutions will provide technical oversight of works in their sector. To this end, the institutions (the National Environmental Authority (ANAM), the Maritime Authority of Panama (AMP), the Panamanian Tourism Institute (IPAT), the Ministry of Agricultural Development, and the provincial CONADES office) will be strengthened through training and with the tools that will enable them to provide more information and improve their systems, which, in turn, will streamline oversight of the various activities on the ground, improving responsiveness to the community and lending greater technical support to the program. The program technical team (PTT) will draw on the experience and installed capacity within the Ministry of the Office of the President (MP) for the management and administration of Bank projects. This process is expected to begin in phase I and become consolidated during phase II.

B. Socioeconomic feasibility

- 4.3 The real province-wide economic effect that a program of this type will have is impossible to pinpoint, which is why a cost-benefit analysis was not used to

evaluate the program as a whole. The feasibility analysis of **components 1 and 3** is based on a cost-effectiveness justification of program activities, with a view to ensuring that the proposed management and strengthening tools are the best suited for creating a minimal framework of governance and management capacity, as well as guaranteeing the protection and sustainable management of the province's coastal marine resources and the protection and appreciation of its protected areas and biodiversity. For **component 2**, an indicative sample of high-priority projects (pilot, specific, and indicative projects) requested by the communities and local governments in consultation workshops and during program preparation was identified and analyzed. The projects prioritized and financed under component 2 must have a social and economic return, measured as the internal rate of return (IRR), of over 12%, as stipulated in the Operating Regulations. A summary of the evaluation of the return yielded by an indicative sample of eligible projects is presented below.

- 4.4 The sample of projects targeting critical, depressed areas (banana zone, eastern zone, and the coastal artisanal fishing sector) includes four production projects with a high demonstration value at the sectoral-local level that would require a US\$1.2 million investment.

Table IV-1 Sample of projects targeting critical, depressed areas

Project	Budget	NPV	Benefit/ Cost	IRR	Beneficiaries
Specific project: Improved productivity and diversification in rural settlements (29 hectares of nontraditional products)	402,000	24,645	1.03	17.0%	56 direct beneficiaries in 5 subprojects. Potential beneficiaries: 250 families in 12 settlements
Pilot project: Production of seeds and eight hectares of pineapple on former banana farms	154,000	24,870	1.21	24.0%	20 direct jobs. Potential beneficiaries: 250 direct jobs.
Pilot project: Demonstration farm (30 hectares) of plantains for export in Barú	280,000	25,315	1.04	15.6%	21 direct jobs and training for 200 farmers. Potential beneficiaries: 500 member producers
Pilot project: Modernization and sustainability of artisanal fishing	335,000	89,103	1.02	21.2%	120 fishermen. Potential beneficiaries: Fishermen's associations in Barú and San Lorenzo (400 members)

- 4.5 The sample of projects to promote regional competitiveness includes five investment projects with a total estimated cost of more than US\$1.3 million. The summary of the sample evaluation is presented below.

Table IV-2 Sample of projects to promote competitiveness

Project	Budget	NPV	IRR	Beneficiaries
<i>Specific project:</i> Special coffee processing plant (Renacimiento)	427,000	47,215	16.6%	<i>Direct:</i> 80 members of the cooperative <i>Potential:</i> 500 producers in the cooperative
<i>Specific project:</i> Processing plant for coffee beans for marketing (Renacimiento)	151,000	122,627	21.0%	<i>Direct:</i> 250 active producers in the cooperative <i>Potential:</i> 500 producers
<i>Specific project:</i> Strengthening the production and marketing of turbinado sugar	200,000	162,351	25.0%	<i>Direct:</i> 300 producers (farms) <i>Potential:</i> Turbinado sugar producers' association: 1,000 producers
<i>Specific project:</i> Genetic improvement of cattle	128,000	23,051	23.0%	<i>Direct:</i> 300 specialists and 200 producers (100-hectare farms) <i>Potential:</i> 1,000 to 1,500 small producers (Asociación Nacional de Ganaderos de Panamá [National Ranchers' Association of Panama])
<i>Pilot project:</i> Sustainable ranching systems	424,410	844,130	30.0%	<i>Phase I:</i> 30 producers/300 hectares; <i>Potential:</i> 1,500 producers

- 4.6 For the **infrastructure and support services for competitiveness subcomponent**, investment projects in water and sanitation, solid waste, and transport infrastructure were analyzed, the results of which are presented in Table IV-3.

Table IV-3 Projects for the infrastructure and support services for competitiveness subcomponent

Project	Budget	NPV	IRR	Unit cost	Beneficiaries
Specific project: Expanding and improving the Sereno River water system (Renacimiento) and new water treatment plant	1,200,000	41,690	12%	US\$327/ connection	15,000 people (3,500 homes)
Indicative project: Compact water treatment plant and improvement of the Remedios water supply system	350,000	147,398	18%	US\$795/ connection	3,000 people 700 homes
Indicative project: Construction of rural aqueduct and sanitary sewer system for Boca Chica	150,000	170,262	22%	Sewerage network: US\$1,000/home; Water treatment: US\$1,000/home	291 people (70 homes)
Indicative project: Water and latrine services for 15 isolated homes in rural Tolé	12,000			Latrines: US\$500/home; Individual water system: US\$200/home; Labor: US\$100/home	15 homes (70–80 people)
Specific project: Expanding the Bugaba sanitary landfill and improving the solid waste collection and management service in the area of influence (Bugaba-Alanje-Border)	155,000				80,000 people
Specific project: Rehabilitating and paving the Boca Chica – Horconcito highway (15 kilometers)	1,100,000	13,846	12%	US\$73,000/km	1,000 people

- 4.7 Based on conservative assumptions and the results of the socioeconomic analyses of the sample projects, the program is expected to yield the following benefits: (i) *Diversification of the productive and economic base*, with the introduction of 1,000 hectares of nontraditional products for export, which will constitute significant progress in terms of agricultural diversification and less dependence on bananas (3,800 hectares at present) in the lower western zone; (ii) *Creation of jobs*, with the sample projects leading to the creation of approximately 1,500 new jobs on average; and (iii) *Income gains*, with project beneficiaries likely to see their income grow by at least 25%. This analysis does not quantify benefits derived from the *reduction of the impact of human activities*, because all the projects to be implemented under the program provide for the dissemination/promotion of sustainable practices, and thus, environmental impacts are expected to be

minimized. Conversely, indirect positive effects associated with the multiplier effect are expected in the form of indirect jobs created in the farm and tourism sectors (an estimate of these impacts can be obtained from the regional input-output tables). Furthermore, *expansion of the export sector* is anticipated.

4.8 Rationale for the social equity and poverty targeting classification (PTI/SEQ).

This operation qualifies as a poverty-targeted investment based on the geographic targeting criteria. According to the Human Development Index for Panama, the province falls short of the country average (0.692), and the “probability of being poor” in Chiriquí is 0.60, while in the province of Panamá, it is 0.28. The highest rates of poverty and extreme poverty are in the districts of Tolé, Renacimiento, and San Lorenzo. In the Barú-Divalá district, poverty is higher due to the loss of jobs in the banana sector, the province’s main economic activity.

C. Financial feasibility and sustainability and cost recovery

- 4.9 The government has assigned high priority to the province’s development and has committed US\$2.5 million in the 2006 budget to initiate the various program activities, particularly the pilot projects. At the producer, small entrepreneur, and local community level, support is conditioned on environmentally and financially sustainable practices and activities, this being one of the purposes of the program. Once new conservation-oriented production practices are introduced, based on the planned pilot projects, producers and entrepreneurs are expected to maintain or improve on them since they are financially attractive. The financial sustainability of production projects is guaranteed, first, by the application of the selected models, ensuring marketing facilities and that the products have a market, are financially profitable, and generate income for the producer. Second, for the projects that need one or two years before they generate a return, bridge financing will be provided under the program in a shared arrangement with the beneficiary. Technical assistance and financing will be provided under shared-cost arrangements by type of activity and beneficiary. In the case of production activities and projects, a range of positive and negative experiences was analyzed of similar projects in the region (paragraph 1.15). The analysis of the indicative sample of production projects indicated that future income would be able to cover the cost of the business plan after an initial period of two to three years, according to project type, with initial technical assistance provided through the program. In the specific case of this program, the following criteria will be applied to projects with environmental benefits: (i) the program will finance up to 50% (up to 60% for initiatives with a gender or indigenous component) of the cost of the technical assistance and investment required during the initial period (maximum of two years) until the project is able to generate a return, in accordance with the agreed business plan; (ii) the remaining amount will be covered by the producer or entrepreneur through an assessment of labor, farm materials or inputs, or cash; and (iii) producers who benefit from these incentives will promise to reimburse the value of the incentives in kind, labor, or cash to their community by the end of the agreed period and

according to the conditions established in each case, so that the incentives can be recycled within the community.

- 4.10 In the case of community- or local government-managed projects that contribute to the public good, including environmental conservation projects, the sustainability mechanisms will be built in during the participatory design process, guaranteeing the community's willingness to cover maintenance by paying the necessary fees or rates, through strengthened existing collection systems or new systems implemented with the support of specialized technical assistance services financed under the program. Up to 80% of the cost of feasible studies and projects will be financed with nonreimbursable resources, with the beneficiary covering the remaining 20% with own resources (labor, materials, or own cash). The sustainability of public service projects, including their operation and maintenance during the design period, will be guaranteed by the strengthening of administrative and financial capacity and the capacity to collect revenue for the services provided by community organizations, and the capacity of the local government that assumes this responsibility. For projects that call for the procurement of equipment, a mechanism will be agreed on for the recovery of the respective costs. As with incentives for production projects that incorporate conservation-oriented practices, there are no plans for a cost recovery mechanism for the program itself, but mechanisms to provide for repayment to the communities themselves will be explored.

D. Environmental and social feasibility

- 4.11 The program supports implementation of the Sustainable Development Strategy for the Province (SDSP) agreed on with the government, which identifies key sectors of the economy to promote. From a feasibility perspective, the program's environmental and social strategy is based on the following lines of activity, which have been fully incorporated into the program:
- a. **Strengthening of environmental management capacity**, as well as the policy-setting and regulatory framework at the national, regional, and local levels. The operation calls for specific activities to strengthen environmental monitoring capacity and the environmental licensing procedures for which ANAM and its decentralized regional offices are responsible.
 - b. **Environmental management and mitigation in component 2 investments.** The program will not finance major infrastructure works that require relocating people or adversely affect ecologically fragile areas. However, there are potential direct and indirect negative environmental impacts associated with component 2 investments from pushing back the agricultural frontier, the use of agrochemicals, aquaculture waste, over-exploitation of forest resources, and small infrastructure works. To identify and mitigate environmental impacts, CONADES/PTT will evaluate the projects to ensure

that they meet the selection and evaluation criteria in the Operating Regulations (paragraph 3.3), in compliance with the guidelines of the Bank's new environmental policy and ANAM regulations. This eligibility verification will be conducted before the respective project is incorporated into the annual work plan. Each project financed under the program will include verification of the following: (i) environmental and social feasibility; (ii) compliance with the country's and the Bank's environmental and social regulations; (iii) sufficient resources to implement measures to mitigate potential environmental impacts; and (iv) consistency with the strategic lines of activity established in the SDSP.

- c. **Land use planning instruments.** Prior to program startup, key instruments and tools will be provided for selecting the activities to be supported under component 2 and for environmental management, such as a georeferenced information system and the Indicative Plan for Functional Land Management (PIOTF), which identify areas as suitable for different economic activities in a manner that is consistent with environmental protection.
- d. **Sustainable management and conservation of coastal marine areas, protected areas, and biodiversity.** Component 3 was specifically included in the program to support the sustainable management of natural resources, including coastal marine resources, which will allow for an integral approach to conservation and decrease the environmental vulnerability of such ecosystems and protected areas (Bank program + Global Environment Facility (GEF)/Bank project). These activities will finance information systems, environmental monitoring, community organization, management plans, conservation investments, and activities that raise the social, economic, and environmental value of the ecosystems, including, for example, the sustainable management of mangroves and artisanal fishing, ecotourism, and the appreciation of protected areas.
- e. **Social and community participation.** Stakeholder involvement in discussions about the diagnostic assessments, objectives, impact indicators, scenarios, and strategic guidelines has enriched the process and provided important inputs for empowering all interested groups. This participatory process will be strengthened during program implementation, since the direct beneficiaries are part of the implementation structure.

E. Program benefits

- 4.12 **Benefits and principal expected outcomes.** The program is expected to help generate conditions for more balanced development in the province, supporting economically, socially, and environmentally beneficial activities and projects to sustainably improve the quality of life of the local population. In the immediate term, the benefits will be focused on creating jobs and generating income for the

poorest segment of the population affected by the banana crisis, in Barú and Divalá, the eastern region of Chiriquí, and other critical areas. Phase I activities will seek to generate the following outcomes: (i) improved decentralized management for better governance; (ii) better income-generating and market access opportunities; and (iii) greater possibilities for conserving and enhancing the province's attributes and natural resources.

F. Identified risks and mitigating factors

- 4.13 The major risks associated with this type of operation are related to: (i) the complexity of taking an integral approach to development, as opposed to the standard sectoral approach, in response to the demands of the various stakeholders and program participants, both in the public and the private sector. This risk will be mitigated through the establishment of a permanent link between the stakeholders and the entities involved in implementation, especially in the form of the provincial technical board, in which government institutions are represented, and by the availability of a sample of priority projects ready for implementation in the first year of the program. Also, the activities under component 1 and the participatory execution structure, which takes advantage of the experience gained in similar projects implemented by the same executing agency, will facilitate program implementation; (ii) another major risk is related to land titling. This risk will be mitigated by actions taken under the National Land Administration Program (PRONAT)/World Bank to help program beneficiaries acquire legal ownership of property on which the projects will be carried out. The government has given the province high priority in terms of land titling. (To date, real estate surveys have been conducted in four of the 13 municipios, and the rest are expected to be surveyed in 2006 and 2007) (paragraph 1.19); and (iii) a third risk is related to the proposed financing for the GEF project (subcomponent 3b) aimed at achieving global environmental benefits, which may run into financing problems. The Panamanian government has endorsed the GEF project as a priority and formulated the PDF-B for the project for formal delivery to the GEF, in order to determine the availability of the financing. If there is a lag in the approval times or if the financing for the GEF project is not there, the activities indicated in that subcomponent would not be executed as presented, and the government could decide on the scope of the activities.

PROGRAMA MULTIFASE DE DESARROLLO SOSTENIBLE PARA LA PROVINCIA DE CHIRIQUÍ (PN-L1005)

MATRIZ DE MARCO LÓGICO DEL PROGRAMA

PROGRAMA	REFUERZO DE CAPACIDADES DE GESTIÓN LOCAL	AUMENTO DE LA PRODUCTIVIDAD Y COMPETITIVIDAD	MANEJO SOSTENIBLE DE LOS RECURSOS NATURALES
FIN del Programa: Contribuir a generar las condiciones para un desarrollo sostenible de la Provincia de Chiriquí apoyando acciones de beneficio económico, social y ambiental.	Dos años después de finalizado el Programa: <ul style="list-style-type: none"> Plan de Inversiones de la Provincia formulado y supervisado en forma participativa 90% Aumento en los ingresos propios de los municipios en un 30% en promedio 	Dos años después de finalizado el Programa: <ul style="list-style-type: none"> 40% aumento en la superficie cultivada con nuevos productos competitivos Índice de pobreza disminuye en 20 % en las subregiones Oriente y Occidental Baja 	Dos años después de finalizado el Programa: <ul style="list-style-type: none"> El PIOTF implementado en un 70% como instrumento de manejo en la Provincia La cobertura boscosa y de manglares se mantiene (LB manglares: 386 km² en 2005)
PROPÓSITO del Programa : Mejorar las condiciones de gobernabilidad, competitividad y conservación de los recursos naturales de la Provincia de Chiriquí.	Al final del tercer año del Programa <ul style="list-style-type: none"> POA del Programa ejecutado a un 80% y consolidado con el Plan de Inversiones de la Provincia en un 100% (LB: POA financiados por otros Proyectos inician con 25% primer año y no integrados con resto inversión pública) Al menos 5 de los 13 municipios han aumentado sus ingresos propios respecto al total de ingresos municipales en un 15 % (LB: 12%-38% ingreso por capita. Se ajustará cuando los municipios entran en el Programa) 	Al terminar el Programa: <ul style="list-style-type: none"> Al menos 1.000 h. diversificadas con productos no tradicionales orientados a la exportación (LB: 3800 h con productos tradicionales) Al menos 1500 nuevos empleos generados con los proyectos de la muestra Al menos un 25% de aumento en los ingresos de los beneficiarios de los proyectos 	Al terminar el Programa: <ul style="list-style-type: none"> 90 % de los nuevos emprendimientos y proyectos de construcción de infraestructura cuentan con su licencia ambiental supervisada por ANAM (LB: 10% de los proyectos)
	ACTIVIDADES <ol style="list-style-type: none"> Fortalecimiento de los Gobiernos Locales Instituciones públicas regionales claves fortalecidas Organizaciones de la Sociedad Civil Fortalecidas. Fortalecimiento de la Secretaría Binacional 	ACTIVIDADES <ol style="list-style-type: none"> Aumento del Empleo en áreas críticas Aumento de la Productividad y Competitividad en sectores claves Infraestructura de Apoyo a la competitividad 	ACTIVIDADES <ol style="list-style-type: none"> Mitigación y prevención del deterioro ambiental. Gestión Ambiental en Ecosistemas Marino Costeros.

PANAMÁ
PROGRAMA MULTIFASE DE DESARROLLO SOSTENIBLE PARA LA PROVINCIA DE CHIRIQUÍ (PN-L1005)
MATRIZ DE MARCO LÓGICO PARA EL PROGRAMA

COMPONENTE 1: REFUERZO DE CAPACIDADES DE GESTION LOCAL (US\$3 millones)			
RESUMEN NARRATIVO	INDICADORES	MEDIOS DE VERIFICACIÓN	SUPUESTOS
PROPÓSITO Capacidad de gestión de los agentes públicos, privados y comunitarios fortalecida, a fin de impulsar la implementación y gestión descentralizada de la Estrategia de Desarrollo y su Plan de Acción.	<ul style="list-style-type: none"> 5 Municipios de los 13 con planes de mejoras administrativas y financieras (PAM) implementados en un 50% y con aumento de ingresos de 15% al año tres. 10 % del monto de las inversiones con participación municipal, organizaciones de la Sociedad Civil y grupos de mujeres, al año tres. 	<ul style="list-style-type: none"> Presupuestos de inversión Indicadores de Línea de Base. Informes de seguimiento y evaluación. Informes y visitas de campo de CONADES. 	<ul style="list-style-type: none"> Consejo Municipal aprueba los Planes de Acción Municipal Consejo Provincial apoya la formulación de los Planes Operativos Anuales. Convenios con los co-ejecutores funcionando conforme a los PAFL. Programa de Fortalecimiento Municipal (MEF) se ejecuta satisfactoriamente en Chiriquí
(a) Fortalecimiento de los Gobiernos Locales Juntas Comunales fortalecidas Organizaciones de la Sociedad Civil y asociaciones comunitarias fortalecidas y en capacidad de formular y ejecutar proyectos productivos y de servicio a la comunidad.	<ul style="list-style-type: none"> 10 Planes de Acción Municipal (PAM) elaborados y aprobados al final de la ejecución del Programa 6 Municipios, Organizaciones de la Sociedad Civil y asociaciones comunitarias capacitadas y enviando proyectos al respectivo Comité Subregional al tercer año del Programa. 2 PAS elaborados por los Comités Subregionales (CSD) en un 100% y 2 en un 50% para el año tres de ejecución. 6 proyectos de inversión ejecutados por los gobiernos locales, en las categorías elegibles de infraestructura y equipamiento urbano al año 4. 	<ul style="list-style-type: none"> Estados Financieros municipales Informes municipales de ejecución presupuestaria y monitoreo de Programas Informes de ejecución de los PAM Informes de seguimiento y evaluación. Informes de visitas de campo de CONADES. 	<ul style="list-style-type: none"> Organizaciones de la Sociedad Civil mantienen su interés por participar en el Programa.
(b) Nivel regional Junta Técnica Provincial como mecanismo de coordinación entre instituciones vinculadas al desarrollo sostenible local fortalecido Capacidades de gestión de las oficinas regionales de las instituciones claves de gobierno fortalecidas	<ul style="list-style-type: none"> Plan de acción de apoyo a la Junta Técnica Provincial elaborado y acordado al primer año del Programa e implementado en un 70% al final del Programa. Plan Operativo Anual del Programa (POA) revisado por la Junta Técnica y coordinado con el Programa de inversiones de la Provincia en función a la EDSP para el año tres de ejecución. Planes de acción de fortalecimiento de las oficinas regionales de ANAM, AMP, IPAT, MIDA; refrendados por CONADES e implementados en un 70 % al final del Programa 	<ul style="list-style-type: none"> POA provinciales. Actas del Consejo Provincial y Junta Técnica e informes del MEF Informes de las oficinas regionales de las instituciones indicadas Informes del CONADES 	<ul style="list-style-type: none"> Consejo Provincial apoya la formulación de los Planes Operativos Anuales.
(c) Nivel binacional Capacidad en la Secretaría del Convenio Binacional y en las organizaciones regionales y locales para apoyar la implementación de acuerdos binacionales, fortalecida	<ul style="list-style-type: none"> Plan de acción de apoyo a la Secretaría Binacional elaborado e implementado en un 100% al final del Programa. 	<ul style="list-style-type: none"> Informes de seguimiento y evaluación de la Secretaria Binacional Informes de CONADES 	<ul style="list-style-type: none"> Voluntad política de las partes del Convenio Fronterizo para implementar los acuerdos binacionales.

COMPONENTE 2: AUMENTO DE LA PRODUCTIVIDAD Y COMPETITIVIDAD (US\$17,3 millones)			
RESUMEN NARRATIVO	INDICADORES	MEDIOS DE VERIFICACIÓN	SUPUESTOS
PROPÓSITO Generar las oportunidades para diversificar y dinamizar la base económica productiva, integrando actividades productivas con infraestructura de apoyo al desarrollo socioeconómico sostenible de la Provincia.	<ul style="list-style-type: none"> 70% de los proyectos pilotos terminados cumplen con sus metas y son replicables al final del tercer año 70% de proyectos de servicios públicos terminados cumplen metas administrativas y financieras al final del cuarto año . 	<ul style="list-style-type: none"> Datos de la Línea de Base. Informes de seguimiento y evaluación. Informes y vistas de campo del CONADES. 	<ul style="list-style-type: none"> PIOTF aprobado por la ANAM para su implementación PRONAT/Banco Mundial ejecuta los mapas tenenciales de la Provincia de acuerdo al Plan de trabajo acordado con gobierno para 2006 y 2007 .
(a) Aumento del empleo en áreas críticas (b) Aumento de la productividad en sectores claves	<ul style="list-style-type: none"> Dos iniciativas productivas sustitutivas del banano en Subregión Occidental Baja (proyectos piloto, demostrativos y de inversión) para el año tres. Dos iniciativas productivas sustitutivas de los productos tradicionales amenazados por la apertura comercial en Subregión Occidental Alta (Renacimiento y Guanaca, proyectos piloto, demostrativos y de inversión) para el año 4. Una iniciativas productivas de nuevos productos no tradicionales en la Subregión Oriente Chiricano (proyectos piloto, demostrativos y de inversión) para el año tres. 50 pescadores artesanales con nuevas artes de pesca en la zona costera, al año 4. Un proyecto piloto, uno demostrativo y uno productivos del subcomponente b) ejecutados al año 4 50 productores capacitados en nuevas tecnologías y comercialización, al año tres. 200 desplazados de las bananeras capacitados para otras actividades, al año tres. 5 fincas con asistencia técnica, al año dos. 2 circuitos de turismo ecológico en áreas protegidas desarrollado al final del Programa 	<ul style="list-style-type: none"> Actas del Consejo Provincial y Junta Técnica Informes de los extensionistas Informes de seguimiento y evaluación. Informes y vistas de campo del CONADES. Encuestas entre beneficiarios llevadas a cabo por el CONADES. 	<ul style="list-style-type: none"> Comunidad de la Subregión Occidental Baja incorpora la diversificación productiva.
(c) Infraestructura y servicios de apoyo a la competitividad en sectores claves Estudios de preinversión y proyectos de inversión ejecutados en las subregiones.	<ul style="list-style-type: none"> Tres estudios de preinversión elaborados, al año 4. Tres de proyectos de inversión ejecutados, en las categorías elegibles, al año cuatro. Dos proyectos de manejo de desechos sólidos implementados al final del Programa. Un proyecto de tratamiento de desechos líquidos implementados al final del Programa. 	<ul style="list-style-type: none"> Informes de seguimiento y evaluación. Informes de la supervisión y de los contratistas. Informes y visitas de campo del CONADES. 	

COMPONENTE 3: MANEJO SOSTENIBLE DE LOS RRNN Y COSTERO-MARINOS (US\$9,2 millones) (incluye el Proyecto GEF/BID US\$5 millones)			
RESUMEN NARRATIVO	INDICADORES	MEDIOS DE VERIFICACIÓN	SUPUESTOS
<p>PROPÓSITO:</p> <p>Dotar y/o implementar de instrumentos de gestión ambiental para aumentar las capacidades de las instituciones claves en el manejo de los recursos naturales y el ambiente.</p>	<ul style="list-style-type: none"> Sistemas de monitoreo de indicadores de calidad ambiental establecidos en un 60% en ANAM Aumento en un 20% en la capacidad de fiscalización efectiva de ANAM, AMP y gobierno local 	<ul style="list-style-type: none"> Estadísticas de ANAM y AMP Informes de toma de pruebas y monitoreo de la calidad de agua Imágenes satélites. 	<ul style="list-style-type: none"> ANAM y AMP coordinan la gestión de las zonas marino costeras
<p>(a) Mitigación y prevención del deterioro ambiental</p> <p>Gestión ambiental de nuevos y existentes actividades económicas; manejo de áreas protegidas y cuencas hidrográficas en las zonas media y alta; y implementación de instrumentos de ordenamiento territorial a fin de conservar la biodiversidad y mitigar los impactos presentes y futuros de las inversiones a efectuar como consecuencia del Programa</p>	<ul style="list-style-type: none"> Los proyectos productivos financiados por el Programa cuentan con una aprobación ambiental y 10 entidades productivas existentes han obtenido aprobación por ANAM de su Plan de Adecuación y Manejo Ambiental al final del Programa. Sistema de Monitoreo Ambiental y de Calidad de Agua en dos cuencas operando al final del Programa. Por lo menos 4 contaminantes claves y las fuentes principales de contaminación de las cuencas identificadas 4 proyectos demostrativos de mitigación de contaminación municipal, industrial y/o agrícola implementados al final del programa El PIOT armonizado con los Planes de Ordenamiento Territorial Municipal al 2do año del Programa 4 áreas protegidas con planes de manejo aprobados y en implementación al final del Programa Plan de Ordenamiento Territorial de Boquete elaborado y vigente al 2do año del Programa 2 proyectos implementados de co-manejo e impulso al turismo ecológico en áreas protegidas al final del Programa. 	<ul style="list-style-type: none"> Informes de seguimiento y evaluación Verificaciones de campo. Informes de ANAM y AMP Informes del CONADES Encuestas del CONADES entre ONG locales 	<ul style="list-style-type: none"> PIOTF adoptado y utilizado como instrumento de manejo. ANAM, AMP, IPAT, y gobiernos locales mantienen su interés por colaborar en la ejecución Comunidades y ONG colaboran y se involucran en las actividades de conservación y co-manejo de las áreas protegidas.
<p>(b) Gestión ambiental en ecosistemas costero-marinos (Proyecto GEF)</p> <p>contribuir a la conservación y uso sostenible de la biodiversidad costero-marina del Golfo de Chiriquí, promoviendo cambios operativos y mejoras en los sectores productivos agrícola y pecuario, forestal (manglar), pesca artesanal y turismo a fin de asegurar beneficios ambientales al nivel local y global.</p>	<ul style="list-style-type: none"> Gestión de las áreas costero-marinas armonizada entre ANAM y AMP al 2do año del Programa 4 proyectos de uso sostenible de los recursos y prevención de la contaminación ejecutados al final del Programa 3 proyectos de co-manejo de las áreas protegidas y ecosistemas (manglares, pesca, tortuga) y turismo ecológico ejecutados al final del Programa. 2 proyectos de investigación aplicada sobre el manejo de los ecosistemas marino-costeros implementado en un 70 % al final del Programa. 	<ul style="list-style-type: none"> Informes de seguimiento y evaluación Verificaciones de campo. Informes de ANAM y AMP Informes de CONADES Encuestas de CONADES entre ONG locales 	<ul style="list-style-type: none"> PIOTF adoptado y utilizado como instrumento de manejo. ANAM, AMP, IPAT, y gobiernos locales mantienen su interés por colaborar en la ejecución de las actividades Comunidades y ONG colaboran y se involucran en las actividades de conservación

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/_

Panama. Loan ____/OC-PN to the Republic of Panama
Sustainable Development of the Province of Chiriquí

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 program for the sustainable development of the Province of Chiriquí. Such financing will be for the amount of up to US\$27,000,000, 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 __ _____ 2006)

LEG/OPR/RGII/IDBDOCS#770083
PN-L1005