

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

EL SALVADOR

**STRENGTHENING OF THE
MARITIME AND PORTS AUTHORITY (AMP)**

(TC-02-11-01-3)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Carlos Trujillo (RE2/FI2), Project Team Leader; José Agustín Aguerre (RE2/FI2); Germán Cruz (COF/CES); Guillermo Villacorta (COF/CES); Javier Cayo (LEG/OPR); Edgardo Gamarra (consultant); and Eduardo Barrientos (AMP); with support from Javier Molina (PRI); Asako Yamamoto (MIF); and Lorena Mejicanos (MIF). Michell Maxwell (RE/FI2) and Yolanda Galaz (RE/FI2) helped to produce this document.

CONTENTS

I.	EXECUTIVE SUMMARY	1
II.	FRAME OF REFERENCE	2
III.	PROJECT OBJECTIVES AND KEY COMPONENTS	9
IV.	COST AND FINANCING	11
V.	EXECUTION AND IMPLEMENTATION MECHANISM	12
VI.	MONITORING AND EVALUATION	13
VII.	BENEFITS AND RISKS	14
VIII.	ENVIRONMENTAL AND SOCIAL FEASIBILITY	14

ANNEXES

Annex I	Logical Framework
Annex II	Similar and/or related MIF and Bank projects
Annex III	Itemized Budget

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE FI2 AND COF/CES FILES

PREPARATION:

- General Maritime and Ports Law (LGMP) – Legislative Decree 994 of 19 September 2002
- Proposed regulations to implement the LGMP
- Consultant's report for the project for the institutional strengthening of the Maritime and Ports Authority, prepared by Edgardo Gamarra (consultant) and Eduardo Barrientos (AMP), July 2005.

EXECUTION:

- Annex IV – MIF Project Performance Monitoring Report (MPPMR)
- Annex V – Terms of Reference for Consulting Assignments
- Annex VI – Terms of Reference for Evaluations
- Annex VII – Execution Timetable
- Annex VIII – Bidding and Procurement Plan

ABBREVIATIONS

AMP	Maritime and Ports Authority of El Salvador
BCR	Central Reserve Bank of El Salvador
CABEI	Central American Bank for Economic Integration
CECOPESCA	National Technical Center for the Conservation of Fishing Products
CEPA	Autonomous Executive Commission on Ports
CESI	Committee on Environment and Social Impact
CIP/OAS	Inter-American Committee on Ports of the Organization of American States
CORSAIN	Salvadoran Investment Corporation
FAL 65	Convention on Facilitation of International Maritime Traffic
GDP	Gross domestic product
ILO	International Labor Organization
IMO	International Maritime Organization
ISPS	International Ship and Port Facility Security Code
LGMP	General Maritime and Ports Law
MARPOL	International Convention for the Prevention of Pollution from Ships
MOP	Ministry of Public Works, Transportation, Housing, and Urban Development
PEC	Project Executing Committee
PNC	Civil National Civil Police
ROCRAM-CA	Operative Network for Regional Cooperation among Maritime Authorities in Central America
SOLAS	International Convention for the Safety of Life at Sea
STP	Technical Secretariat of the Office of the President of the Republic
UNCTAD	United Nations Conference on Trade and Development

STRENGTHENING OF THE MARITIME AND PORTS AUTHORITY (AMP)

(TC-02-11-01-3)

I. EXECUTIVE SUMMARY

Executing agency:	Maritime and Ports Authority (AMP)	
Beneficiary:	Maritime and Ports Authority (AMP)	
Financing plan:	MIF (Facility I):	US\$500,000
	Local counterpart:	<u>US\$215,000</u>
	Total:	US\$715,000
Project objective:	<p>The general objective of the project is to support the Government of El Salvador in strengthening reforms of the maritime and ports subsector, in order to make El Salvador's maritime foreign trade more competitive and facilitate private-sector participation in maritime and port industry activities. More specifically, the project seeks to: (i) develop the institutional capacity and prioritize the functions of the AMP as a regulatory agency; (ii) supplement the legal and regulatory framework for maritime and port activity; (iii) develop the technical and economic aspects of maritime and port activity; and (iv) design and execute the training plan for personnel from the AMP and the maritime and ports community.</p>	
Description:	<p>The project will support the execution of four main components: (i) strategic planning and action framework of the AMP; (ii) organizational development of the AMP; (iii) technical, economic and financial development of the AMP; and (iv) development and implementation of the training and dissemination plan.</p>	
Execution period:	Execution period:	12 months
	Disbursement period:	18 months
Environmental and social review:	<p>The Committee on Environment and Social Impact (CESI) reviewed the initial note for this technical cooperation project at its 20 December 2002 meeting, and its recommendations have been incorporated into this document.</p>	

Coordination with other international agencies:	The strategy for supporting the AMP is being coordinated with other agencies that are supporting the government in establishing the new framework, especially the World Bank, which is financing the development of some of the regulations to implement the General Maritime and Ports Law (LGMP).
Special contractual clauses:	As a condition precedent to the first disbursement of technical cooperation resources, the Project Executing Committee (PEC) must have been established, and its duties and responsibilities assigned.
Exceptions to Bank policy:	None.

II. FRAME OF REFERENCE

- 2.1 The Government of El Salvador has been promoting a development model that emphasizes openness to international markets, which leads to increased trade in goods and services. Maritime shipping and ports are therefore major links in the international physical distribution chain, facilitating the development of foreign trade.
- 2.2 ***Current state of the maritime and ports subsector.*** El Salvador has one of the most advanced and developed infrastructure networks in the region, especially with its road system and air transportation facilities. Historically, El Salvador's access to international maritime cargo transportation has been limited to the Port of Acajutla on the country's Pacific (western) coast, which provides efficient access to Asia and the west coast of the United States, but not to other important markets along the east coast of the United States or in Europe. To reach these markets, Salvadoran companies rely on access to Atlantic ports in Guatemala and Honduras. In an effort to provide more efficient access to these ports and markets, the government undertook initiatives to improve the connecting highway system and reduce costs and logistical barriers by signing trade and customs agreements with neighboring countries.
- 2.3 El Salvador is following a twofold strategy of modernizing existing port facilities and services at the Port of Acajutla and promoting the development of completely new port infrastructure at La Unión, in the eastern part of the country. The Port of Acajutla, developed in 1952, is owned and operated by the public sector through the Autonomous Executive Commission on Ports (CEPA), which was established that same year. Historically, the port has experienced a pattern of operational difficulties, considerable overstaffing and labor turnover, and a growing need for investment in infrastructure. As a result, port operations were plagued by relatively high costs and inefficiency. This, in turn, led an increasing number of companies to

take their business to other, more competitive ports in the region, and the port regularly reported operating losses.

- 2.4 Currently, the port sector in El Salvador is largely owned and operated by the government through the CEPA, which owns and operates the Port of Acajutla. Below are the 2003 and 2004 figures for this port:

	2003	2004
General cargo (in metric tons)	322,584.00	299,060.00
Solid bulk cargo (in metric tons)	1,472,950.00	1,491,296.00
Liquid cargo (in metric tons)	630,282.00	698,589.00
Container cargo (in metric tons)	454,334.00	687,830.01
Twenty-foot equivalent units	65,576.00	92,857.00
Number of ships	459	509

- 2.5 Labor and operational reforms at the Port of Acajutla in 2003 that gave the private sector a stake in the port reversed the pattern of negative earnings. The Port of Acajutla has turned a profit in recent years, with 2004 earnings of US\$5 million.
- 2.6 The CEPA is also developing the megaport project at La Unión, which is expected to be the most modern and efficient port in Central America. The construction contract was awarded to the Toa Corporation / Jan de Nul consortium. Work on the port, begun in early May 2005, is expected to take 36 months and cost US\$132 million. The Port of La Unión will make El Salvador a logistical hub for regional distribution, once the free trade agreement with the United States goes into effect. The Port of La Unión is also part of the dry canal project that will connect this port on El Salvador's Pacific coast to Puerto Cortés on the Atlantic Coast of Honduras, and has already received financing from the Central American Bank for Economic Integration (CABEI). Therefore, an international consulting firm will be commissioned in the first quarter of 2006 to develop the concession model and submit it for approval to the Legislative Assembly, which under Article 120 of the El Salvador's Constitution must approve all port bids.
- 2.7 In addition to the aforementioned ports, the Salvadoran port system includes other port facilities that are currently in operation. The Salvadoran Investment Corporation (CORSAIN) operates the CORSAIN Port Terminal at La Unión, specializing in the fishing industry but also serving as a public-service port for some general cargo and liquid bulk cargo. Also, the Port of La Libertad is predominantly a fishing terminal that is currently operated by two traditional fishing cooperatives—ACOPELE and ACOPP—under the supervision of a government agency, the National Technical Center for the Conservation of Fishing Products (CECOPESCA). The harbormaster's office at this port performs duties related to departure control for fishing vessels and enforcement of minimum safety standards.

2.8 Operations at these ports are as follows:

- At the Port of Acajutla, maritime and port services are provided as follows: (a) services related to infrastructure, including equipment rental services, are provided by the CEPA as owner of the port infrastructure and superstructure, and major maintenance is outsourced to private companies; and (b) services related to operations are provided by private operating companies under an outsourcing contract with the CEPA, setting requirements for vessel operation and cargo handling.
- At the CORSAIN port, maritime and port services are provided as follows: (a) services related to infrastructure are provided by CORSAIN; (b) responsibility for services related to loading and unloading is assumed by the owners of the fishing vessels themselves; (c) on-dock cargo handling services are performed by CORSAIN personnel; (d) operations in the loading and unloading area are unrestricted, and the users themselves determine the method to be used; and (e) ground operations are provided by CORSAIN, although the user may negotiate rates under a loyalty contract.

2.9 ***General Maritime and Ports Law (LGMP)***. Until 2002, El Salvador had no comprehensive, structured system of laws and regulations applicable to all aspects of maritime and port operations. The government therefore sought to create a body of law governing the maritime and ports system, to provide a general framework for regulating all such activity. This would help to coordinate standards among different institutions and define the role to be played by the private sector and the secondary role of the State.

2.10 The LGMP was passed for this purpose. It established a new institutional framework for the maritime and ports subsector, including all activities related to the promotion, development, and defense of maritime interests; the monitoring and supervision of all sea-related issues; and the exercise of sovereignty and jurisdiction in the maritime territory and continental waters of El Salvador, as well as the use of the country's maritime spaces, including its continental aquatic spaces. It also included the provision and development of maritime shipping and port operation services, as well as regulations on the construction, rehabilitation, management, operation, and maintenance of the country's ports.

2.11 The LGMP set the following specific objectives:

- to create an autonomous Maritime and Ports Authority (AMP);
- to create a Salvadoran Maritime Registry;
- to establish a special authorization system for construction of new public-use ports owned by public, private, or semipublic enterprises or operated under concession contracts;

- to establish a modern liability system for maritime carriers and for port operators and concession holders;
 - to establish specific measures to safeguard free competition among ports, consistent with free competition legislation;
 - to strengthen environmental protection standards in the maritime and ports subsector;
 - to establish standards for multimodal transportation.
- 2.12 The LGMP sets the bounds of the CEPA's activities as the local maritime and port authority for the State commercial ports under its jurisdiction, where it will have authority over management, operation, maintenance, and conservation. The port operator will exercise that authority on behalf of the CEPA.
- 2.13 The LGMP also reflected the need to clarify the limits on full economic freedom in relation to the maritime and ports system, since territorial waters, the exclusive economic zone, the coastline, and the ports are assets in the public domain and form a national border subject to special requirements and a legal and administrative framework that should be well defined, especially in matters for which the State may not delegate its authority and play a subsidiary role.
- 2.14 Experiences in other efforts to modernize maritime and port institutions were taken into consideration in designing this body of rules, as were the international conventions promoted by the International Maritime Organization (IMO), the United Nations Conference on Trade and Development (UNCTAD), and the Inter-American Committee on Ports of the Organization of American States (CIP/OAS).
- 2.15 ***The Maritime and Ports Authority (AMP)***. In terms of institutions, the LGMP contains general provisions setting forth its objectives, scope, and who is or is not subject to its provisions. It also establishes a national supervisory body called the Maritime and Ports Authority (AMP) to oversee the entire system. One of the AMP's key roles is government regulation of the subsector's technical operations and financial/rate-setting activities.
- 2.16 The AMP has a Board of Directors that consists of:
- a chairman appointed by the President of El Salvador;
 - one full member appointed by the sector authority;
 - two full members from the private sector, chosen by the President of El Salvador from two short lists proposed by the National Association for Private Enterprise;
 - one regular member designated by the schools of engineering of accredited universities in El Salvador.

2.17 The chairman of the AMP Board of Directors will be the legal representative of the AMP, and the Board's powers will include:

- appointing and removing the executive director of the AMP and all executive personnel needed to fulfill and carry out the duties assigned by the LGMP;
- issuing policies, guidelines, and instructions to the Executive Director in order to effectively exercise the institutional powers specified by the LGMP;
- taking such measures or actions as are necessary to ensure that maritime and port operations are carried out safely;
- approving rules, procedures, and methods for maritime navigation traffic services; for provision of pilotage services; for ship arrival/departure and stay in port; and for services related to proper receipt, delivery, and storage of merchandise;
- ensuring competition in maritime and port operations and preventing monopolistic practices in accordance with the LGMP;
- requesting rulings from the government authority responsible for safeguarding free and open competition where monopolistic conditions are present in maritime transport services or one operator holds a dominant market position, or where there is unfair competition among maritime transportation operators; and, based on these rulings, approving effective regulations to correct the situation;
- approving policies and methodologies to regulate and adjust rates for port services, water navigation and traffic protection, as established in the LGMP;
- approving regulations on the construction, management, operation, use, maintenance, rehabilitation, and expansion of port infrastructure and superstructure;
- ordering the partial or total closure of ports when appropriate safety requirements are not met, pursuant to the LGMP and its implementing regulations;
- proposing amendments to the LGMP and its implementing regulations to the proper internal bodies; and hearing appeals of decisions by the individual responsible for the executive management of the AMP.

2.18 The assets of the AMP consist of:

- personal and real property, funds, liquid securities that it owns or are transferred to it to help it meet its objectives, and such assets as may subsequently be added by transfer, donation, or bequest, or that it purchases with proceeds from its revenues;

- a percentage no greater than 6% of the revenue from fees for port services provided for vessels and cargo at the various public-use or private ports that operate in El Salvador;
- fees for services provided by the AMP and set in the regulations implementing the LGMP;
- any fees that are received by the various registries maintained by the AMP and set in the regulations implementing the LGMP;
- proceeds from monetary sanctions or fines assessed by the AMP;
- proceeds from nonrecurring revenue provided by special allocations from the State or from international or private organizations;
- any other legally obtained revenue.

2.19 The AMP will coordinate with other government entities that provide support for port activities, such as the National Civil Police (PNC) and customs, health, immigration, or other authorities that play a role at these ports. Each must carry out its respective duties in coordination with the AMP. The AMP's primary role is to monitor, supervise, and oversee all maritime transport operations and all operations at national ports. To this end it is authorized to regulate the technical and economic aspects of all such operations, including those of shipping companies and local port authorities, whether these be government agencies or authorized private port operators.

2.20 ***Areas in which the General Maritime and Ports Law calls for technical and economic regulation:*** The LGMP covers a number of issues that require regulation and others requiring technical oversight. The following regulations have been drafted and are pending enactment by the Technical Secretariat of the Office of the President (STP):

- draft regulations for the construction, rehabilitation, renovation, maintenance, and preservation of maritime and port works
- draft regulations for port operations, storage, docking, loading/unloading, and operation of vessels in port
- draft regulations for pilotage and towing operations
- draft regulations for the arrival and departure of vessels
- draft regulations for navigational aids
- draft special regulations for port charges
- draft regulations for integral port security

2.21 The following regulations remain to be drafted:

- regulations for coordination with the Ministry of Defense to monitor the coastline and waters outside ports
- regulations for safe navigation in ports and access channels
- regulations for the technical oversight of maritime operations
- regulations for the certification, accreditation, and promotion of onboard personnel
- regulations for the Salvadoran Maritime Registry
- regulations for supervision and oversight of the award and performance of concession contracts
- regulations on charges and procedures for administrative services provided by the AMP

2.22 The following technical rules and administrative procedures will also have to be drafted:

- technical rules for maritime communications
- technical rules for the oversight of pilotage activities
- rules for providing services and charging fees for navigation aids
- rules for establishing a procedure to approve rates and pricing for port services
- national technical rules for multimodal transportation
- procedures for coordination with other national authorities

2.23 Given the urgent need to have the first seven regulations in place, the STP and AMP have utilized technical cooperation resources allocated by the Bank for them. The regulations that remain to be drafted will be financed with the proceeds of a World Bank loan.

2.24 This technical cooperation operation¹ will support institutional strengthening of the AMP at a critical stage of its development. It has begun operating and performing its functions, even in the absence of complete regulations. A series of regulations are set for approval, while others remain to be drafted, and there are no technical

¹ This technical-cooperation operation was prepared for approval as part of the line of activity to consolidate sector reforms and legal, regulatory and institutional frameworks in infrastructure sectors in the C and D countries (MIF/AT-69). Given that the period to commit resources under that line of activity expired on 27 November 2004, Management is submitting the operation to the Donors Committee as a regular project. Management is evaluating whether to make a recommendation to the Donors Committee to renew the line of activity.

rules, manuals, or administrative procedures and instructions. As a result, the AMP has been operating under the LGMP, which has prevented it from charging fees for its services and operations. One of the main components of this technical cooperation project will support the technical, economic and financial development of the AMP.

III. PROJECT OBJECTIVES AND KEY COMPONENTS

- 3.1 The general objective of the project is to support the Government of El Salvador in strengthening reforms of the maritime and ports subsector, in order to make El Salvador's maritime foreign trade more competitive and facilitate private-sector participation in maritime and port industry activities. More specifically, the project seeks to: (i) develop the institutional capacity and prioritize the functions of the AMP as a regulatory agency; (ii) supplement the legal and regulatory framework for maritime and port activity; (iii) develop the technical and economic aspects of maritime and port activity; and (iv) design and execute the training plan for personnel from the AMP and the maritime and ports community.
- 3.2 **Component 1. Strategic planning and action framework of the AMP** (MIF US\$109,350; Counterpart US\$25,650). This component will support strengthening of the AMP's action capacity through three parallel, interrelated subcomponents: *(i) Strategic planning and priorities*, the main objective of which is to identify and prioritize the areas that should be addressed at various stages as the AMP matures legally, technically, and administratively. This subcomponent should be designed to clarify the scope of the AMP's various functions and propose a set of priorities that will allow the 31 functions under the AMP's jurisdiction to be carried out as soon as possible; *(ii) Review of legal framework, development of rules, and ratification of international conventions*, the main objective of which is to identify and specify the manner and methods of exercising the authority granted to the AMP under the LGMP to issue regulations and make administrative decisions, to support development of pending rules and regulations under the LGMP, and to evaluate whether it would be advisable for El Salvador to join international conventions on maritime and port activities. This includes a stage for evaluating international conventions on maritime and port activity that have been developed by the International Maritime Organization (IMO), the International Labour Organization (ILO), the United Nations Conference on Trade and Development (UNCTAD), the Inter-American Committee on Ports of the Organization of American States (CIP/OAS), and the Operative Network for Regional Cooperation among Maritime Authorities in Central America (ROCRAM-CA); and *(iii) Regulations and procedures for supervision and oversight of the award and performance of concession contracts*, the general objective of which is to have in place the regulatory policies and procedures for the AMP to exercise the powers granted to it the act establishing it—including, but not limited to, monitoring and oversight of procedures for the award and performance

of concession contracts for the country's ports pursuant to Article 120 of the Salvadoran Constitution, and declaring these contracts to be expired pursuant to the relevant provisions of the Government Procurement and Contracting Act.

- 3.3 **Component 2. Organizational development of the AMP** (MIF US\$81,000; Counterpart US\$19,000). This component will support administrative, technical, and human resource management solutions, so that the AMP can effectively perform its functions, through two subcomponents: **(i) Human resource management**, which includes development of an assessment and design of mechanisms and procedures to institute an effective human resource management policy, along with job descriptions and competencies for AMP personnel. Also to be developed are: (a) descriptions of functional skills that technical personnel must have to perform both maritime and port operations; (b) human resource management policies in terms of procedures for selection, performance evaluation, transfers, promotions, career paths, skills development, training, continuing education, professional technical development, and general training; and (c) a system and policy for compensation, incentives, and recognition; and **(ii) Manuals of administrative and technical procedures**, including the design of mechanisms and procedures to help the AMP perform its administrative and technical functions efficiently, so as to ensure that it operates properly and continues to develop as an institution. The consulting assignment will be divided into two areas: administrative, geared toward the exercise of authority for the functioning of the internal horizontal management systems of the AMP as a regulatory body; and technical, geared toward the exercise of the AMP's jurisdictional technical authority, while differentiating between its authority in the maritime sector and in the port sector.
- 3.4 **Component 3. Technical, economic and financial development of the AMP** (MIF US\$167,265; Counterpart US\$39,235). This component will support economic, financial, and information system solutions, to enable the AMP to perform its duties efficiently, through five subcomponents: **(i) Manual of charges and procedures for administrative services provided by the AMP**, which will establish the procedures, requirements, and costs for administrative services provided by the AMP, including navigation, installation, authorizations, concessions, and other related activities; **(ii) Procedures for fee reporting, port costs and performance indicators**, the main objective of which is to provide detailed procedures for financial reporting and reporting on costs, services, etc. required for the four fee-setting methods identified in the LGMP, and to determine the quality standards for these services that will allow the AMP to exercise the powers granted to it by the LGMP; **(iii) Design and development of an information system for the Salvadoran Maritime Registry (REMS)**, including the computerization of REMS mechanisms and procedures, such as policies for the registration of ships and naval equipment, registration of the various contracts mentioned in the LGMP, such as contracts of sale, construction, mortgages and other liens, freight, leases, and any data or information of interest for the registry;

and *(iv) Design of a system of indicators for monitoring and evaluating the AMP's performance*, including the development of indicators to be used to evaluate the performance of the AMP based on its internal operations, its dealings with users, and its impact on the maritime and port environment. This subcomponent will also include development of a methodology to measure each indicator, as well as recommended methods for computerizing them.

- 3.5 **Component 4. Training and dissemination plan** (MIF US\$106,385; Counterpart US\$23,615). This component will support the training of personnel from the AMP and El Salvador's maritime and ports community through two subcomponents: *(i) Plan development*, including, but not limited to, a short-term maritime and ports training program and guidelines for developing the medium-term training program. Training opportunities will also be identified at Salvadoran and foreign educational institutions, organizations, and agencies, their quality evaluated, and recommendations made for maximizing the benefit from these opportunities; and *(ii) Plan execution*, the main objective of which is to carry out the plan within the execution period of this technical assistance operation.

IV. COST AND FINANCING

- 4.1 This nonreimbursable technical cooperation operation will have a budget of US\$715,000, comprising US\$500,000 in MIF contributions and a local counterpart contribution of US\$107,500 in cash and US\$107,500 in kind, as shown in the table below. The operation will have an execution period of 12 months and a disbursement period of 18 months, including the period for disbursing funds for the external audit to be conducted ninety (90) days after the start of month 15. The itemized budget is provided in Annex III.

Cost table (in U.S. dollars)			
Component / Subcomponent	MIF	AMP	Total
Consulting firm for components	326,300	73,700	400,000
1. Strategic planning and action framework			
2. Organizational development of the AMP			
3. Technical, economic, and financial development			
4.1 Development of training and dissemination plan			
4.2 Plan execution	77,100	17,400	94,500
Logistical support and AMP personnel		107,500	107,500
International advisor for the project	72,600	16,400	88,900

Component / Subcomponent	MIF	AMP	Total
Midterm and final evaluations ¹	12,000		12,000
External audit	12,000		12,000
Total	500,000	215,000	715,000
	70.0%	30.0%	100.0%

¹ These resources will be deducted from the total contribution and disbursed directly by the Bank to finance the evaluations.

V. EXECUTION AND IMPLEMENTATION MECHANISM

- 5.1 The executing agency for this project will be the Maritime and Ports Authority of El Salvador (AMP), whose Administrative and Finance Department will serve as project coordinator, responsible for administrative management, and as liaison between the AMP and the Bank. A Project Executing Committee (PEC) will be formed with four (4) members: the Executive Director of the AMP or his representative, who will chair the committee; the manager of the ports section, the manager of the maritime section, and the financial/administrative manager of the AMP. As a condition precedent to the first disbursement, the AMP must have established the PEC and hired the managers of the ports and maritime sections who will serve on it. One or more members of the AMP's Board of Directors or other staff will serve on the PEC, as deemed necessary to address specific issues.
- 5.2 The **PEC** will be responsible for technical implementation of the project; will approve the selection of consultants or consulting firms, the outputs of consulting assignments and project supervision reports, and will provide regular progress reports to the Bank. The **coordinator** will be responsible for: (i) coordinating and monitoring consultants and consulting firms; (ii) reviewing the outputs of consulting assignments and preparing supervision reports; (iii) preparing the necessary action plans and itemized budgets for project components; (iv) preparing regular progress reports for the Bank, which should include financial reports based on records of funds allocated and disbursed by or on behalf of the AMP (both for MIF payments and for cash and in-kind payments from the AMP) for this project; and (v) processing disbursement requests and the corresponding expenditure vouchers in accordance with Bank disbursement procedures.
- 5.3 The AMP will have an independent budget for the project and keep accounting records for project resources to be controlled and handled separately. Project resources may not be used for purposes other than those previously specified. The AMP will open two separate bank accounts at a local bank—one for MIF funds and the other for local counterpart funds—and this account will be used specifically in this MIF project. Funds will be disbursed through payments from the AMP to consultants and providers, based on a regular payment schedule previously set in the contracts for such consultants and providers, subject to Bank approval. Funds

will be disbursed through the establishment of a revolving fund equivalent to 20% of the MIF contribution resources. The amount of the revolving fund will be justified by the number of payments to be made during project execution.

- 5.4 **Accounting.** The AMP will establish and maintain proper accounting, financial, and internal control systems, to identify the sources and uses of project funds, in accordance with Bank policy. The accounting system will be structured to provide the necessary documents, enable the verification of transactions, and facilitate the timely preparation of financial statements and reports. Project records will be kept at AMP headquarters in San Salvador, in such a way as to: (i) identify the amounts received from various sources; (ii) report on project expenditures under the accounting plan previously agreed upon with the Bank, separating MIF contributions from counterpart contributions; and (iii) include the details needed to identify the services that have been commissioned and how these services are used.
- 5.5 **Financial audits.** The AMP will prepare and submit the final financial statements for the project to the Bank within ninety (90) days after the end of the project execution period and prior to the scheduled date of the last disbursement. These financial statements will be audited by an independent external auditor acceptable to the Bank, hired under terms of reference previously approved by the Bank. The audit costs will be financed with funds from the MIF contribution.
- 5.6 **Procurement.** The procurement of goods and selection and contracting of consultants will be governed by the applicable Bank policies set forth in documents GN-2349-4 and GN-2350-4, respectively.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring.** The Maritime and Ports Authority of El Salvador (AMP) will prepare and submit project progress reports to the Bank's Country Office in El Salvador within thirty (30) days after the end of each six-month period, as well as a final report within thirty (30) days after the scheduled date of the last disbursement, except for the disbursement of funds to pay for the audit. These reports will follow the project monitoring format that the Bank will provide to the AMP, and will cover project activities and finances. The reports will also describe project outcomes based on the indicators and parameters specified in the Logical Framework (Annex I). The Bank will use these reports to monitor progress in project implementation and to prepare the project completion report within three months after the end of the execution period. The Bank will monitor the project through its Country Office in El Salvador, in cooperation with the project team.
- 6.2 **Evaluation.** The Bank will contract consultants to carry out two project evaluations: a midterm review and a final evaluation. The midterm review will be conducted once 50% of the MIF disbursements have been made. The purpose of

this review is to determine whether project objectives are being met, to identify the progress made and problems that have emerged in project execution, to incorporate lessons learned, and to suggest any necessary adjustments to the project. Based on the midterm review, the Bank's Country Office, along with the project team, will decide whether the project should be continued, suspended, or canceled. The AMP will compile the project supervision and evaluation indicators during project execution. These indicators are shown in the Logical Framework (Annex I) and will be used by the Country Office and executing agency to measure the project's overall impact and evaluate its outcomes. These initial parameters may be revised by the AMP, with the Bank's approval, within three months after the contract goes into effect and will be adjusted to more accurately reflect actual conditions, so as to provide for better project evaluation.

- 6.3 The final evaluation will be performed within three months after the end of project execution, to evaluate project outcomes and measure the extent to which objectives have been met in accordance with the Logical Framework.

VII. BENEFITS AND RISKS

- 7.1 The project will enable ports and maritime transportation to become more efficient and effective, which will certainly be beneficial for trade, the logistics chain, and consumers at large, by providing the Maritime and Ports Authority of El Salvador (AMP) with the tools it needs to better provide port services. The project will also encourage private investment in the sector.
- 7.2 The project has no major risks. However, it is important to note that the project components may well be executed in parallel with the concession process for the Port of Acajutla. That could affect the private sector's level of interest in participating in the concession, inasmuch as rules potentially affecting the concession are in the process of preparation.

VIII. ENVIRONMENTAL AND SOCIAL FEASIBILITY

- 8.1 The project has no direct environmental or social impact. El Salvador is endowed with living marine and coastal resources that are both ecologically and economically significant. Thus, in the interest of protecting these valuable resources, environmental safety on sea routes, in ports, and along the coastline is a primary concern. The project to strengthen the Maritime and Ports Authority (AMP) and the program to reform the maritime and ports subsector are expected to lead to environmental improvements through a number of activities, such as environmental evaluations of port facilities followed by detailed audits designed to identify environmental responsibilities as a basis for future concessions.

- 8.2 The Committee on Environment and Social Impact (CESI) reviewed the initial note for this technical cooperation project at its 20 December 2002 meeting, and its recommendations have been incorporated into this document.

EL SALVADOR - TC-0211013 – STRENGTHENING OF THE MARITIME AND PORTS AUTHORITY (AMP) LOGICAL FRAMEWORK

Objective	Indicators	Means of verification	Assumptions
Goal			
To help make foreign trade more competitive and strengthen reforms of the maritime and ports subsector.	<ul style="list-style-type: none"> • Increase in foreign trade • Increase in cargo volume handled by Salvadoran ports • Increase in number of vessels handled by Salvadoran ports • Increased efficiency of maritime and port operations 	<ul style="list-style-type: none"> • Annual data on imports and exports, as published by the Central Reserve Bank of El Salvador (BCR) • Annual statistics on cargo volumes handled by ports, as published by the Autonomous Executive Commission on Ports (CEPA) • Annual records on ships handled by ports, as published by the CEPA • Quality and costs of services, as published by the CEPA 	<ul style="list-style-type: none"> • The economic model of openness to international markets is maintained. • The State reform process continues and deepens, particularly in relation to the maritime and ports subsector. • The constitutional system and its legal, regulatory, and operational instruments remain in effect.
Purpose			
To strengthen the AMP by making the maritime and ports subsector more efficient, regulating private-sector participation, and developing effective regulations.	<ul style="list-style-type: none"> • An organizational structure for the AMP is designed within a period of two months • Legislative decrees to authorize port concessions are developed within a period of 12 months • Rules and regulations are developed as required by the General Maritime and Ports Law (LGMP) in accordance with the objectives of the AMP within a period of 12 months 	<ul style="list-style-type: none"> • Relevant reports from the AMP • Publication of the legislative decrees on port concessions in the Diario Oficial (official gazette) • Publication of policies and regulations in the Diario Oficial 	<ul style="list-style-type: none"> • The Legislative Assembly and the administration support the measures implemented by the AMP • The Legislative Assembly passes decrees to authorize port concessions • The President of El Salvador issues the regulations to implement the LGMP • The Ministry of Public Works, Transportation, Housing, and Urban Development (MOP) establishes the policies needed to consolidate the reforms

Objective	Indicators	Means of verification	Assumptions
Components			
1. Strategic planning and action framework of the AMP 1.1 Strategic planning and priorities 1.2 Review of legal framework, development of rules, and ratification of international conventions 1.3 Regulations and procedures for monitoring and oversight of the award and performance of concession contracts	By project month 2: <ul style="list-style-type: none"> Strategic planning and priorities for the development of the AMP's functions are complete By project month 6: <ul style="list-style-type: none"> Legal issues have been reviewed. Regulatory powers to issue regulations and administrative decisions have been identified International conventions related to maritime and port activity have been identified and evaluated The basis for ratifying the international agreements has been prepared The regulations and procedures for monitoring and oversight of the award and performance of concession contracts are ready by project month 8 	<ul style="list-style-type: none"> Terms of Reference (Annex B) Initial, midterm, and final reports from the consultant Monitoring approval report (Project Executing Committee, CEP) 	<ul style="list-style-type: none"> The budget allocated is sufficient to complete the projects The Technical Secretariat of the Office of the President and the MOP support the strengthening of the AMP The Technical Secretariat of the Office of the President and the MOP coordinate and support the regulatory powers and administrative decisions of the AMP The Legislative Assembly ratifies the international conventions The AMP Board of Directors approves the rules of procedure for monitoring and oversight of the award and performance of concession contracts
2. Organizational development of the AMP 2.1 Human resource development 2.2 Manuals of administrative and technical procedures	By project month 3: <ul style="list-style-type: none"> The diagnostic assessment and design of mechanisms and procedures for human resource management are ready By project month 7, the following will have been completed: <ul style="list-style-type: none"> technical manuals administrative manuals and the AMP promotion and marketing program 	<ul style="list-style-type: none"> Terms of Reference (Annex V) Initial, midterm, and final reports from the consultant Monitoring approval report (CEP) 	<ul style="list-style-type: none"> The AMP Board of Directors approves and supports the implementation of mechanisms and procedures for human resource management The maritime and ports community provides support by furnishing information and adapting to the change

Objective	Indicators	Means of verification	Assumptions
3. Technical, economic and financial development of the AMP 3.1 Manual of charges and procedures for administrative services provided by the AMP 3.2 Procedures for fee reporting, port costs and performance indicators 3.3 Design and development of the information system of the Salvadoran Maritime Registry 3.4 Design of a system of indicators for monitoring and evaluating the AMP's performance	By project month 3: <ul style="list-style-type: none"> The manual of charges and procedures for administrative services provided by the AMP has been completed By project month 6: <ul style="list-style-type: none"> Procedures for fee reporting, port costs and performance indicators By project month 5: <ul style="list-style-type: none"> The information system for the Salvadoran Maritime Registry has been designed By project month 12: <ul style="list-style-type: none"> The system of indicators for monitoring and evaluating the AMP's performance has been designed 	<ul style="list-style-type: none"> Terms of Reference (Annex V) Initial, midterm, and final reports from the consultant Monitoring approval report (CEP) 	<ul style="list-style-type: none"> The Technical Secretariat of the Office of the President and the MOP support the decisions of the AMP The maritime and ports community assists by providing information requested by the AMP
4. Training and dissemination plan 4.1 Plan development 4.2 Plan execution	By project month 5: <ul style="list-style-type: none"> The training and dissemination plan has been developed for the AMP and the maritime and ports community By project month 12: <ul style="list-style-type: none"> The training and dissemination plan has been carried out 	<ul style="list-style-type: none"> Terms of Reference (Annex V) Initial, midterm, and final reports from the consultant Monitoring approval report (CEP) 	<ul style="list-style-type: none"> The Technical Secretariat of the Office of the President and the MOP support the training plan The maritime and ports community participates in the training plan
Activities			
Bidding, contracting, and performance of consulting assignments for the various project components	<ul style="list-style-type: none"> Goals in accordance with the Itemized Budget (Annex III) and the Project Timetable (Annex VII in the project technical files) 	<ul style="list-style-type: none"> Project progress report Audit report Monitoring reports 	<ul style="list-style-type: none"> Acceptable bids are received

EL SALVADOR - TC-0211013 – STRENGTHENING OF THE MARITIME AND PORTS AUTHORITY (AMP)

A. Similar or related MIF projects

Project number / date of approval	Project title, sector, executing agency, and MIF amount	Date of signing and disbursement period in months	Percentage disbursed	Comments
TC-030404	Strengthening the legal, regulatory, and institutional framework for road concessions in PPP countries, Transportation sector. Executing agency: SIECA. MIF amount: US\$350,000	Approved on 7 September 2004. Planned execution period 21 months	20%	Project supports the transportation initiative of the Puebla-Panama Plan.
ATN/MT-8426-GU	Guatemala. Institutional strengthening of the Concessions and Divestitures Unit of the Ministry of Communications, Infrastructure, and Housing. Executing agency: MCIV. MIF amount: US\$500,000.	Approved on 9 September 2003. Planned execution period 33 months	4%	Extended by 12 months.

B. Similar or related Bank projects

Project number / date of approval	Project title, sector, executing agency, and MIF amount	Date of signing and disbursement period in months	Percentage disbursed	Comments
	None.			

C. MIF projects related to the same sector or beneficiaries

Project number / date of approval	Project title, sector, executing agency, and MIF amount	Date of signing and disbursement period in months	Percentage disbursed	Comments: satisfactory execution or problems in execution, including delays, extensions, reformulation, change in executing agency, etc.
	None.			

EL SALVADOR – TC-02110`13 – STRENGTHENING OF THE MARITIME AND PORTS AUTHORITY (AMP) – ITEMIZED BUDGET

Description	Execution time	Itemized costs	Total	MIF	Local contribution (AMP)		
					In cash	In kind	Subtotal
Consulting firm for components							
1 Strategic planning and action framework	7 months	10 months of international consultants; 20 months of local consultants; travel, documents, and other expenses	400,000	326,300	73,700		73,700
2. Organizational development of the AMP							
3. Technical, economic and financial development							
4.1 Development of training and dissemination plan							
4.2. Execution of training and dissemination plan	8 months	Speakers' fees, travel expenses, and other necessary expenses (to be determined)	94,500	77,100	17,400		17,400
Logistical support and AMP personnel			107,500			107,500	107,500
International advisor for the project	12 months	6 months of consulting services	88,900	72,600	16,400		16,400
Midterm and final evaluations			12,000	12,000			0
External audit			12,000	12,000			0
TOTAL			715,000	500,000	107,500	107,500	215,000

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

RESOLUTION MIF/DE-__/_

El Salvador. Nonreimbursable Technical Cooperation ATN/___-____-___
Strengthening of the Maritime Port Authority

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Maritime Port Authority, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-_____ with respect to a technical cooperation to support the strengthening of the maritime port authority.
2. That up to the amount of US\$500,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____ 200_)