

TC Document

I. Basic Information for TC

▪ Country/Region:	PANAMA
▪ TC Name:	Strengthening the Panama's institutional capacity in preparing and supervise PPP contracts
▪ TC Number:	PN-T1357
▪ Team Leader/Members:	Leduc, Denis Team Leader; Astesiano, Gaston Alternate Team Leader; Siqueira Moraes, Marcos Alternate Team Leader; Orellana, Miguel Angel (VPC/FMP); Lopez Luzcando, Mariesther (CID/CPN); Corriols Diaz, Leonor Odilie (VPC/FMP); Castrosin, Maria Pilar (VPC/002); Landazuri-Levey, Maria C. (LEG/SGO); Perez Jaime Ariel Corriols Diaz, Leonor Odilie (VPC/FMP); Castrosin, Maria Pilar (VPC/002); Landazuri-Levey, Maria C. (LEG/SGO); Perez Jaime Ariel (INE/PPP)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	15/04/2024
▪ Beneficiary:	Republic of Panama (Ministry of Public Works, PPP Secretary)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Global Infrastructure Facility(FGI)
▪ IDB Funding Requested:	US\$60,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	18 months
▪ Required start date:	06/15/2024
▪ Types of consultants:	Firms, individuals
▪ Prepared by Unit:	INE/PPP-Public Private Partnerships Single Window
▪ Unit of Disbursement Responsibility:	INE/PPP-Public Private Partnerships Single Window
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the updated 2010-2020 institutional strategy with 2020-2023:	Environmental sustainability; Productivity and innovation

II. Objectives and Justification of the TC

2.1 **Objectives.** The objective of this Technical Cooperation (TC) is to strengthen the Government of Panama (GoP) in preparing and supervising PPP contracts. The specific objectives include: (i) delivering training on the APMG International CP3P course (PPP Certification program) to Panamanian public officials¹; and ii) supporting the Ministry of Public Works in aspects related to PPP projects, including the preparation of sectoral and strategic studies, evaluating pre-feasibility studies of the Costanera II Road project, and providing support during the presentation of the Initial Technical Report to the PPP Governing Body.

¹ <https://ppp-certification.com/certification>

- 2.2 **Justification.** The impact of the COVID-19 pandemic slowed the rapid economic expansion that Panama was experiencing in recent years. The GoP increased public spending to respond to the COVID-19 crisis, which generated a notable increase in the fiscal deficit in 2020 but has been reduced in the following years as public spending has stabilized ². Investment in infrastructure is key to Panama's economic recovery after the COVID-19 pandemic. To meet the Sustainable Development Goals (SDGs), the country must invest US\$19,011 million by 2030 in infrastructure ³. Specifically, in the road transport sector, the study shows that US\$ 5,110 million is required in investment to meet the SDGs, of which 35.7% should be invested in new roads and 64.3% in rehabilitation and maintenance of existing ones. The existing infrastructure gap generates great opportunities for the development of new projects; however, the reduced fiscal space limits public investment in infrastructure and the Government faces the challenge of attracting investment and mobilizing resources towards infrastructure development.
- 2.3 In Panama, investment in transportation infrastructure has acted as a catalyst for private investment and has considerably boosted economic activity, through projects such as the Panama Canal ⁴. However, in the context of limited fiscal space, the Government of Panama has decided to develop business models that maximize the impact of public resources and facilitate the mobilization of private resources towards transportation infrastructure projects.
- 2.4 In that context, the Republic of Panama approved Law 93 on September 19, 2019, which creates the Public-Private Partnerships Framework. The objective of this law is to regulate the institutional framework and the processes for the development of investment projects under the Public-Private partnerships scheme, in order to promote the development of infrastructure and public services in the country.
- 2.5 The Ministry of Public Works of the Republic of Panama (MOP for its acronym in Spanish) is interested in developing a program for the improvement of road projects in the country's network, through the Public-Private Partnerships modality.
- 2.6 The MOP has conceptualized a national road PPP program based on Key Performance Indicators with the following objectives:
- 2.6.1 Include a long-term maintenance policy for the road infrastructure, guaranteeing the conservation of road assets and investments.
 - 2.6.2 Raise the quality of maintenance work using a "performance" perspective.
 - 2.6.3 Generate medium and long-term sources of employment, taking advantage of financing from the private sector.
 - 2.6.4 Plan and ensure future road maintenance.
 - 2.6.5 Attract financing and capital resources, and management capacity from the private sector.

² IMF (2021). Panama 2021 Article IV Consultation

³ IDB (2021). The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals

⁴ BID Invest (2018). Infrastructure Investments and Private Investment Catalyzation: The Case of the Panama Canal Expansion.

- 2.7 The MOP is currently structuring the East Pan-American Corridor, the West Pan-American Corridor, and several bypasses to the West Pan-American Corridor in cities like Santiago, Penonomé, David, and Chame.
- 2.8 These projects arise as a response to the request made by the user population of the Western Pan-American Highway, due, among other reasons, to the poor condition of its road surface and structures, having a direct impact on various sectors of the society and the economy.
- 2.9 In this context, the GoP has requested the Bank, in its letter MEF-2024-11605 of March 12, 2024, to provide technical cooperation of US\$20,000 for supporting the Ministry of Public Works in aspects related to PPP projects, including the preparation of sectoral and strategic studies, and the evaluation of pre-feasibility studies for the Costanera II Road project.
- 2.10 Finally, in its letter MEF-2024-9246 of February 28, 2024, the GoP requested additional US\$ 40,000 to hire consultants for delivering the CP3P© level course and preparing 30 public employees for the exam that would get them the Certification by APMG International.
- 2.11 **The Costanera Road II Project.** The Costanera Road II project consists of a bypass of the West Pan-American Highway with a length of 21km from the city of Chame to the city of San Carlos, in the West Panama department. It is a greenfield-type work of 21km and includes the following works: (i) the construction of a bypass in the Chame-Punta Barco area with a length of 13.6 km, which is planned with a cross section that includes 3 lanes in each direction, and (ii) the construction of two interchanges. The projects will improve connectivity to the west side of the Pan-American Corridor, which is the transit backbone of the country, and will thus support improved access to social and economic opportunities for both households and firms. This TC will finance the hiring of consultants for supporting the MOP in aspects related to PPP projects, including the preparation of sectoral and strategic studies and evaluating the pre-feasibility studies.
- 2.12 **CP3P Level Certification.** The APMG Public-Private Partnerships (PPP) Certification Program is a well-known program in the PPP sector. The certification is aimed at individuals who are involved in the development or implementation of PPP structures and PPP projects. This course will be delivered by a certified trainer in PPP matters to a group of public employees selected by the PPP National Secretary of Panama (SNAPP) who are involved in PPP project in their daily work. The eligible participants will be from the Ministry of Public Works, Ministry of Economics and Finance, the SNAPP, and the National General Comptroller Agency. The TC will finance the hiring of a consulting firm specialized in carrying out PPP training and accredited by the APMG International group.
- 2.13 **Strategic Alignment.** The TC is aligned with the IDB Group new Institutional Strategy (Transforming for Scale and Impact) through the following operational focus areas: (i) sustainable, resilient, and inclusive infrastructure, by supporting well-structured PPP interventions; and (ii) gender equality and inclusion of diverse population groups, by promoting the provision of infrastructure that gives the population access to services and better living conditions. In addition, the TC is aligned

with the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (GN-2710-5), to support the construction and maintenance of a socially and environmentally sustainable infrastructure, contributing to increasing the quality of life, through the encouragement of innovative channels of private financing. This TC is also consistent with the Transport Sector Framework (GN-2740-12) to promote private sector participation in transportation and where it is stated how infrastructure quality improves with the involvement of the private sector in construction and operation. Furthermore, this TC is aligned with the FGI eligibility criteria, as it generates development impact, contributing to the improvement of service quality and increased coverage (GN-2841). Finally, the TC is aligned with IDB Group Country Strategy with Panama 2021-2024 (GN-3055), in the strategic objective of developing quality infrastructure services with criteria of inclusion and environmental sustainability.

III. Description of activities/components and budget

3.1 Component 1: Generation of support inputs for the PPP projects from the preparation of sectoral and strategic studies, pre-feasibility and feasibility studies, and support in the bidding phase of the projects until the signing of the PPP contracts. (US\$20,000 – non-reimbursable). This component will finance the hiring of consultants to provide comprehensive support for PPP projects of the MOP, from pre-feasibility to contract signing and overseeing project activities throughout the life cycle. This includes collaborating with stakeholders, ensuring the quality of project documentation, generating critical issue reports, and conducting monthly monitoring reports, as well as organizing technical discussions and leading a sectoral feasibility study for PPP in the infrastructure sector. Additionally, the expected results involve achieving greater efficiency in MOP's internal PPP processes, enabling the structuring of better PPP projects through improved processes and knowledge creation, leading to a greater impact on society at a lower cost for the government.

3.2 Component 2: Providing the CP3P Level training to Panamanian public employees (US\$40,000 – non-reimbursable). This component will finance the hiring of a consulting firm accredited by the APMG International Group, specialized in delivering a bootcamp-style PPP course (CP3P) for 30 Panamanian public officials involved in the country's PPP program. An official exam will be organized by the APMG International Public-Private Partnerships Certification Program, the body that grants the international certificate. Additionally, the expected results from this initiative are that Panama will be able to develop better PPP projects that lead to improvements in public infrastructure and, consequently, enhance the quality of life for its citizens.

3.3 The total cost of the TC is US\$60,000 from the FGI, considered as non-reimbursable.

Indicative Budget

Activity/Component	Description	IDB/FGI Funding	Counterpart Funding	Total Funding
Component 1	Generation of support inputs for PPP projects	US\$20,000.00	US\$0.00	US\$20,000.00

	from the preparation of sectoral and strategic studies, pre-feasibility study and during the presentation of the Initial Technical Report of the Costanera II Road project to the PPP Governing Body			
Component 2	Providing CP3P training to Panama public employees	US\$40,000.00	US\$0.00	US\$40,000.00
Total		US\$60,000.00	US\$0.00	US\$60,000.00

- 3.4 The intellectual property rights that may be generated from this TC (such as copyright on the studies and materials produced) belong to the Bank. Therefore, the Bank may copy, reproduce, distribute, disseminate, publish and/or display the materials in any format or medium currently known or to be developed, in any publication, website, blog, catalog, event, exhibition, archive, as well as any IDB material.
- 3.5 Except for component 2, where the rights are the property of the course provider, the IDB will grant the beneficiary a non-exclusive, worldwide, royalty-free license, perpetual and irrevocable, on the products produced in the context of the Cooperation (“Materials”), for unlimited use, in any format or medium currently known or to be developed. The license includes the right to create derivative works, including for commercial purposes, and to sublicense them, including on the same terms.

IV. Executing agency and execution structure

- 4.1 As requested by the GoP, it is proposed that the Bank hire the consultants financed by this TC. This is justified because PPPs are still in their early stages in Panama, with public institutions currently in the process of learning and adapting to this approach of public contracting. Consequently, the requesting entity does not have the necessary technical, operational, or institutional capacity to duly and timely execute the activities provided in the respective project. The project stands to benefit significantly from the Bank’s abundant experience in developing PPP structures and integrating international insights into the hiring process.
- 4.2 INE/PPP will act as UDR for consulting contracts. INE/PPP will carry out the supervision and monitoring activities of the TC. The team will maintain permanent coordination with TSP/INE, ESG/CPN, the MOP (counterpart of the component related to the Costanera II Road), and the SNAPP (counterpart of the PPP CP3P course).
- 4.3 All activities to be executed under this TC have been included in the Procurement Plan (see Annex IV). The Bank will follow its policies and guidelines for contracting consultancies: (i) individual consultants will be contracted with the AM-650 Guideline;

and (ii) consulting firms that develop intellectual products, or other services other than consulting, will be hired in accordance with the "Corporate Procurement Policy" (GN-2303-33) and its operational guidelines. However, considering the distinctive training-oriented nature of Component 2, particularly as it involves a specialized certification, the need for alignment required with the beneficiary's specified dates, and the high expertise of the instructors, Component 2 activities will be executed through a single-source selection.

- 4.4 Reporting, Monitoring, and Evaluation: The progress of this TC will be monitored through its expected results, as defined in the Results Matrix (RM). The RM also defines the indicators and their expected schedule. The team will be responsible for monitoring the evolution of these indicators and reporting their physical and financial progress by Product and Component. The required information will be recorded in Convergence. The annual reports to be submitted will describe progress towards completion of each of the TC Components over their duration, presenting the degree of achievement of output indicators and progress towards RM results as recorded in the updated Acquisition Plan. They will also provide relevant information to identify areas requiring improvement and lessons learned.

V. Major issues

- 5.1 No major risks have been identified related to the execution of this TC, which will be executed by the Bank in close collaboration with the MOP and SNAPP. However, there is a risk of delay in the approval of technical cooperation products, due to delays in the approval process by the MOP or other competent entities such as the SNAPP or the Ministry of Economy and Finance. (MEF). This will be mitigated through periodic coordination meetings with the parties involved.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to the Bank's policies.

VII. Environmental and Social Aspects

- 7.1 The proposed TC will have no environmental or social impacts, as it will not finance direct investments in infrastructure, nor will it fund pre-feasibility and feasibility studies. Therefore, it does not have applicable requirements from the Bank's new Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_41360.pdf](#)

[Results Matrix_40203.pdf](#)

[Terms of Reference_53324.pdf](#)

[Procurement Plan_8976.pdf](#)