

TC Document

I. Basic Information for TC

▪ Country/Region:	PANAMA
▪ TC Name:	Preparation of the prefeasibility studies of the Integral Solid Waste Management Project of the Panama District and San Miguelito
▪ TC Number:	PN-T1361
▪ Team Leader/Members:	Leduc, Denis (PPP/CPN) Team Leader; Siqueira Moraes, Marcos (INE/PPP) Alternate Team Leader; Orellana, Miguel Angel (VPC/FMP); Lopez Luzcando, Mariesther (CID/CPN); Corriols Diaz, Leonor Odilie (VPC/FMP); Barragan Crespo, Enrique Ignacio (LEG/SGO); Correal Sarmiento, Magda Carolina (INE/WSA); Menezes Martinelli, Guilherme (PPP/CBR); Castrosin, Maria Pilar (INE/PPP); Perez Jaime Ariel (PPP/CPN); Arosemena Angulo Aracelis Itzel (INE/WSA); Pereira Dos Santos, Pablo (INE/PPP); Maria Eugenia De La Pena (INE/WSA); Valente Lins, Paula (PPP/CBR)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	01/14/2025
▪ Beneficiary:	Republic of Panama (Urban and Household cleaning Authority)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Global Infrastructure Facility(FGI)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	18 months
▪ Required start date:	3/1/2025
▪ Types of consultants:	Firms
▪ 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):	y
▪ Alignment to the New Institutional Strategy 2024-2030:	Environmental sustainability; Productivity and innovation; Sustainable, resilient, and inclusive infrastructure

II. Objectives and Justification of the TC

II.1 **Objectives.** The objective of this Technical Cooperation (TC) is (i) to support the Government of Panama (GoP) in preparing the pre-feasibility studies of the Integral Solid Waste Management Project of the Panama District and San Miguelito and (ii) present the Initial Technical Report to the PPP Governing body for approval.

II.2 **Justification.** To meet the Sustainable Development Goals (SDGs), Panama must invest US\$19,010 million in infrastructure by 2030¹. In the sanitation sector alone, US\$ 2,148 million is required, with 71% allocated to new infrastructure and 29% to the

¹ IDB (2021). The Infrastructure Gap in Latin America and the Caribbean: Investment Needed Through 2030 to Meet the Sustainable Development Goals.

rehabilitation and maintenance of existing systems. Nonetheless, Panama is facing fiscal challenges in the short and medium term, such as the loss of revenues from the Panamá Canal due to severe dry season linked to “El Niño”, the closure of the copper mine in 2023, ongoing concerns around trends in tax revenue, and the sustainability of the Social Security Fund’s pension system. These factors, combined with other structural issues, constrain the government’s ability to meet infrastructure demands through public financing alone. As a result, attracting private investment and mobilizing additional resources is essential to advancing infrastructure development.

- II.3 In Panama, investment, mainly in transportation and logistics infrastructure, has acted as a catalyst for private investment and has considerably boosted economic activity, through projects such as the Panamá Canal². However, in the context of limited fiscal space, the former administration has decided to develop business models that maximize the impact of public resources and facilitate the mobilization of private resources towards transportation infrastructure projects.
- II.4 In that context, the Republic of Panama has approved the Law 93 on September 19 of 2019, which creates the Public-Private Partnerships Framework. The objective of this norm 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.
- II.5 The recently elected president and its administration (2024-2029) reviewed the pipeline of projects prepared by the former administration (2019-2024) and based on criteria as fiscal constraints and a new country development plan, decided to reduce the pipeline of fund-dependent projects, favoring self-sustainable projects.
- II.6 Panama faces several challenges in solid waste management, influenced by its unique urban dynamics and institutional and financial constraints. The country produces 453 kilograms of waste per capita annually, significantly higher than the regional average of 360 kg/inhabitant (2021). These challenges are compounded by the lack of updated tariffs and financing mechanisms, as well as a fragmented institutional structure. While the creation of the Urban and Household Cleaning Authority (UHCA) in 2010 was intended to centralize waste management in Panama City, other municipalities temporarily assume responsibilities that do not fully align with their legal mandates. The waste management framework is further complicated by a dispersed legal structure, which includes 24 laws, 17 executive decrees and 56 different regulations. To contribute to addressing these challenges, the IDB, through the WSA division, is assisting Panama in improving governance and fostering an integrated approach to solid waste management. This includes developing an Integrated Solid Waste Management Model for the districts of Panama and San Miguelito, as well as updating the National Integrated Solid Waste Management Plan and designing a National Information System to enhance data collection and analysis.
- II.7 Despite these challenges, one positive example of private sector participation is the concession for waste management services in La Chorrera. In this district, the company Veolia obtained a concession for waste management, which includes the

² BID Invest (2018). Infrastructure Investments and Private Investment Catalyzation: The Case of the Panamá Canal Expansion.

operation of one of the few landfills in the country that meets environmental standards. This arrangement has improved waste collection and disposal services, reducing improper waste disposal in the area. The concession model, which integrates the co-billing system for waste management services along with other public services, has proven to be financially sustainable. The introduction of modern technology and efficient operations has significantly improved the local waste management system, providing a successful example of public-private collaboration.

- II.8 In this context, the UHCA is interested in developing the Integrated Solid Waste Management Project for the district of Panama and San Miguelito, through Public-Private Partnerships (PPP). This initiative was confirmed by Decree No. 40-24, issued in October by the Cabinet Council, which approved the project to be considered under the PPP modality. The project seeks to improve waste collection in a comprehensive manner in Panama, address the immediate environmental problems and offer a long-term sustainable solution for efficient solid waste management, promoting the participation of the private sector, which would contribute to creating a cleaner and more sustainable urban environment. It also supports the search for sustainable solutions to the solid waste problem, which affects public health and the environment, and has become an important task for Panamanians, who consider it as the country's second most important problem, after crime and insecurity.
- II.9 To support this initiative, through Notes AAUD-AG-679-2024 and MEF-2024-59354, the UHCA and the Ministry of Economy and Finance (MEF) formally requested the Inter-American Development Bank (IDB or "The Bank") to consider contracting a Consultancy to carry out the Prefeasibility studies for the project. The IDB has expressed interest in developing the initiative.
- II.10 Given that the Bank has a significant knowledge base in the development of this type of projects, and having addressed similar issues in the region under the PPP window, it is considered feasible to support the UHCA in the development of the Project, through the preparation of the Prefeasibility Studies and the preparation of the Initial Technical Report, seeking the fulfillment of its goals in the shortest time possible. To this end, the Bank will provide UHCA with a team of specialists in the different areas of expertise of the project and will hire an international consulting firm (the "Consulting Firm") with extensive experience in structuring solid waste management infrastructure projects under the public-private partnership modality. The above will comply with all the requirements established in the PPP Law and its Regulations, the manuals approved by the Governing Body and the Ministry of Economy and Finance (MEF), as well as IDB policies and safeguards.
- II.11 **The Integral Solid Waste Management Project of the Panama District and San Miguelito.** The project's solutions include waste separation at the source, comprehensive waste collection, treatment and reprocessing (recycling, composting, RDF production, and specific handling of organic waste from major producers), and final disposition. At infrastructure level, it includes establishing transfer stations, constructing of biological mechanical treatment plants (MBT) and implementing an Extended Producer Responsibility (EPR) system for glass, packaging, and construction waste. Lastly, the project envisions stabilizing and closing the Cerro Patacón landfill, currently site used for solid waste disposal in the region without following environmental international standards, and build a new one, which should

contribute to creating a cleaner, more sustainable urban environment and reduce public health risks.

- II.12 The preliminary studies have been conducted by the INE/WSA through RG-T4291, which included an analysis of alternatives. Additional technical studies have been carried out through a KSP cooperation with the Government of Korea with IDB supervision to detail the characteristics of the MBT plants. These studies will be considered as the baseline for the prefeasibility studies.
- II.13 **Strategic Alignment.** The TC is aligned with the IDB Group new Institutional Strategy 2024-2030, Transforming for Greater Scale and Impact (GN-631), through its strategic objective of addressing climate change, as well as with the operational focus areas of sustainable, resilient, and inclusive infrastructure, and productivity and innovation, by supporting well-structured PPPs interventions that seek to promote private sector participation, make better use of available resources, and ensure sustainable infrastructure development over the long term. 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 increase the quality of life, through the encouragement of innovative channels of private financing. 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

- III.1 **Component 1: Preparation of the prefeasibility studies for the Integral Solid Waste Management Project of the Panama District and San Miguelito (US\$270,000 – Contingent recovery).** This component will finance hiring of consulting services to prepare the pre-feasibility studies and the Initial Technical Report (ITR) of the Integral Solid Waste Management Project until its approval in the PPP governing Body of the country. The cost of component 1 is contingent on the decision to advance with the project's feasibility phase, that is, the approval of the ITR by the PPP Governing Body, and the project successfully reaches financial closure. If these conditions are met, the UHCA will reimburse the resources to the Bank. If these conditions are not met, these funds will be considered non-reimbursable. Additionally, the expected results involve validating whether the project can be structured as a PPP, providing the necessary technical, legal, social, and financial analysis to support it, with the aim of ensuring that this initiative proposes sustainable solutions to improve solid waste management in the Panama District and San Miguelito.
- III.2 **Component 2: Generation of support inputs for PPP projects from the preparation of sectoral and strategic studies, pre-feasibility studies, and support in the presentation of the Initial technical Report to the PPP Governing Body (US\$30.000 – Contingent recovery).** This component will finance the hiring of consulting services to support the Government of Panama in the preparation of the necessary inputs for the implementation of PPP projects in the solid waste management sector. The cost of component 2 is contingent on the decision to advance with the project's feasibility phase, that is, the approval of the ITR by the PPP

Governing Body, and the project successfully reaches financial closure. If these conditions are met, the UHCA will reimburse the resources to the Bank. If these conditions are not met, these funds will be considered non-reimbursable. Additionally, the expected results aim to achieve greater efficiency in the government’s internal PPP processes, enabling the structuring of better projects through improved procedures and knowledge creation, ultimately generating greater societal impact at a lower cost to them.

III.3 The total cost of the TC is US\$300,000 from the FGI, considered as contingent recovery.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1	Preparation of the prefeasibility studies for the Integral Solid Waste Management Project of the Panama District and San Miguelito	\$270,000.00	US\$0.00	\$270,000.00
Component 2	Generation of support inputs for PPP projects from the preparation of sectoral and strategic studies, pre-feasibility studies, and support in the presentation of the Initial technical Report to the PPP Governing Body	\$30,000.00	US\$0.00	\$30,000.00
Total		\$300,000.00	US\$0.00	\$300,000.00

III.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. 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

- IV.1 As requested by the GoP, it is proposed that the Bank hires 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. This is in line with the institutional capacity considerations outlined in Annex II of OP-619-4, which highlight the need for external support when the requesting entity lacks the capacity to execute the activities required by the project effectively. However, the Bank will not only lead the hiring process but also coordinate closely with the AAUD to ensure effective collaboration and facilitate transfer of knowledge, strengthening the institution's technical and operational capacity in the long term. The project stands to benefit significantly from the Bank's abundant experience in developing PPP structures and integrating international insights into the hiring process.
- IV.2 INE/PPP will act as UDR for consulting contracts. INE/PPP will carry out the supervision and monitoring activities of the CT. The team will maintain permanent coordination with INE/WSA, ESG/CPN and with the UHCA, counterpart of the technical cooperation and contracting public entity of the Integral Solid Waste Management Project of the Panama District and San Miguelito. Coordination with the the PPP Secretary and the MEF will also be maintained during the term of the consultancy. Additionally, since the UHCA is registered in the Ministry of Health (MINSa), coordination with MINSa and the Ministry of Environment (MiAmbiente) will be maintained, as the project directly addresses critical issues such as reducing the spread of diseases linked to improper waste disposal and mitigating environmental contamination of soil, water, and air caused by the Cerro Patacón landfill.
- IV.3 All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- IV.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 MR results as recorded in the updated Acquisition Plan. It will also provide relevant information to identify areas requiring improvement and lessons learned.

IV.5 In relation to the conditional contingent recovery resources of components 1 and 2, reimbursement to the Bank will be made as follows³:

IV.5.1 The FGI financing for component 1 and 2 will only be considered contingent recovery if the decision to advance with the feasibility phase of the project is made, that is, it has been carried out upon approval of the ITI by the Governing Body of PPPs in Panama and the project successfully reaches financial closure. From this moment, the reimbursement rules described in sections IV.5.3, IV.5.4. and IV.5.5. must be followed.

IV.5.2 If the project does not pass the pre-feasibility stage, these funds will be considered non-reimbursable resources.

IV.5.3 If the project passes the pre-feasibility stage and the project successfully reaches financial closure, the costs of FGI-funded activities, including those in the pre-feasibility stage, must be reimbursed. The winner of the tender process (Tender Winner) will reimburse the IDB, and the IDB will, in turn, reimburse the FGI following the Financial Procedures Agreement signed between them. The bidding documents of the PPP Project will include legal and/or contractual mechanisms to ensure that the Tender Winner reimburses the Bank for Contribution resources within thirty (30) calendar days from the PPP Project's financial closing date. If the Tender Winner fails to make the payment under the Refund Notification terms, the GoP is obliged to refund the Bank within ninety (90) calendar days. This refund must include a success fee of 15% of the FGI-funded activities' costs.

IV.5.4 When the PPP Project fails to achieve commercial /financial closure due to reasons other than the following: (a) the Technical Cooperation feasibility studies identify deficiencies in financial, commercial, environmental, fiscal, or legal aspects, hindering the PPP Project from achieving a satisfactory cost-benefit relationship for the Republic of Panama (unfeasibility of the project); (b) a competitive bidding process, conducted in good faith, concludes without the selection of a successful bidder (tender winner), or (c) the Tender winner did not secure a source of financing, the GoP must reimburse the Bank for the Contribution resources utilized in the structure process of the PPP Project. This reimbursement should take place within ninety (90) calendar days following the expiration of the six (6) months from the disbursement period or any mutually agreed-upon extension in writing between the Parties. The refund must be made in accordance with the Refund Notification.

IV.5.5 When, in the opinion of the Bank, during the disbursement period, any of the following circumstances occur: (a) non-compliance by the GoP of any obligation stipulated in this Agreement; or (b) when the GoP unilaterally requests the Bank to terminate the activities of the PPP Project for reasons other than those

³ These reimbursement arrangements have been authorized by the FGI and in accordance with its Operational Guidelines

described in subsection IV.5.2 above, the GoP must reimburse the Bank for the Contribution resources that have been used by the Bank for the PPP Project, within ninety (90) calendar days following the date of the Bank's notification to the GoP about non-compliance with the Agreement, or the date on which the GoP requests the Bank to terminate the activities of the PPP Project. The refund must be made in accordance with the Refund Notification.

IV.5.6 The disbursement period of the TC will be 18 months, which it is proposed to be counted from the effective date of the Contingent Recovery Agreement between the Beneficiary and the Bank.

IV.6 The Republic will request the Beneficiary to guarantee in its institutional budget for the corresponding fiscal period the amount of the refund to the Bank, in accordance with the Refund Notification.

V. Major issues

V.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 UHCA. However, potential delays could arise due to the UHCA's timing in providing the necessary inputs required by the consultants, as well as due to the rejection or delay in approval by the governing body of PPPs. Additionally, delays may occur in the initial approval of the TC and the agreement, which must be reviewed and approved by the Ministry of Economy and Finance (MEF) and the Comptroller General of the Republic of Panama. The above will be mitigated through periodic coordination meetings with the parties involved.

VI. Exceptions to Bank policy

VI.1 There are no exceptions to the Bank's policies.

VII. Environmental and Social Aspects

VII.1 This Technical Cooperation is intended to finance pre-feasibility or feasibility studies of specific investment projects, and the environmental and social studies associated with them; therefore, the terms of reference and products of this TC will be consistent with the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_182.pdf](#)

[Results Matrix_97397.pdf](#)

[Terms of Reference_46630.pdf](#)

[Procurement Plan_21611.pdf](#)

