

TC Document

I. Basic Information for TC

▪ Country/Region:	PANAMA
▪ TC Name:	Preparation of the complementary feasibility studies and support during the tender process of the West Pan-American Corridor
▪ TC Number:	PN-T1381
▪ 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); Valente Lins Paula (INE/PPP); Menezes Martinelli, Guilherme (PPP/CBR); Bayona Pulido, Mauricio (INE/TSP); Perez Jaime Ariel (PPP/CPN); Landazuri-Levey, Maria C. (LEG/SGO) Luzcando, Mariesther (CID/CPN); Corriols Diaz, Leonor Odilie (VPC/FMP); Valente Lins Paula (INE/PPP); Menezes Martinelli, Guilherme (PPP/CBR); Bayona Pulido, Mauricio (INE/TSP); Perez Jaime Ariel (PPP/CPN); Landazuri-Levey, Maria C. (LEG/SGO) Luzcando, Mariesther (CID/CPN); Corriols Diaz, Leonor Odilie (VPC/FMP); Valente Lins Paula (INE/PPP); Menezes Martinelli, Guilherme (PPP/CBR); Bayona Pulido, Mauricio (INE/TSP); Perez Jaime Ariel (PPP/CPN); Landazuri-Levey, Maria C. (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	01/15/2025
▪ Beneficiary:	Republic of Panama (Ministry of Public Work)
▪ 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:	Productivity and innovation; Environmental sustainability; Sustainable, resilient, and inclusive infrastructure

II. Objectives and Justification of the TC

II.1 **Objectives.** The objective of this Technical Cooperation (TC) is to support the Government of Panama (GoP) in conducting complementary feasibility studies for the structuring of the West Pan-American corridor project under the PPP scheme and provide support to the government until the commercial close and the endorsement of the contract.

- II.2 **Justification.** To meet the Sustainable Development Goals (SDGs), the country must invest US\$19,010 million by 2030 in infrastructure¹. Specifically, in the road transport sector, US\$ 5,110 million is required, with 35.7% should be invested in new roads and 64.3% in 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 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 in transportation 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 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.
- 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 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 of the country’s network, through the Public-Private Partnerships scheme.
- II.6 The MOP has conceptualized a national road PPP program based on Key performance Indicators with the following objectives:
- II.6.1 Include a long-term maintenance policy for the road infrastructure, guaranteeing the conservation of road assets and investments.
 - II.6.2 Raise the quality of maintenance work using a "performance" perspective.
 - II.6.3 Generate medium and long-term sources of employment, taking advantage of financing from the private sector.
 - II.6.4 Plan future flows in terms of road maintenance.
 - II.6.5 Attract financing and capital resources and management capacity from the private sector.
- II.7 The Pan-American Highway is the most important road in Panama, being a kind of "backbone" of the road network, with more than 750 km in length from the Paso Canoas community, at border with Costa Rica, in the province of Chiriquí to the west, to the community of Yaviza in the province of Darién, to the east.

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

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

- II.8 The MOP is currently structuring the East Pan-American Corridor, the West Pan-American corridor, and several by-pass to the West Pan-American Corridor in cities like Santiago, Penonomé, David and Chame.
- II.9 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.
- II.10 In this context, the GoP has originally requested the support of the Inter-American Development Bank (IDB) for the structuring of one road PPP projects in the country, as part of GoP's Performance Based Contract Program for 2000km of priority roads. First, in 2021 and 2022, the GoP requested support to prepare the studies of the West Pan-American Corridor, for the prefeasibility studies and feasibility studies respectively, and then, in 2024, the GoP requested additional support to the IDB to provide support with contingent recovery resources to do the complementary feasibility studies and support of the MOP until the endorsement of the PPP contract.
- II.11 **The West Pan-American Corridor Project.** The West Pan-American Corridor (WPC)'s area of influence is located between the departments of Panamá Oeste, Coclé, Herrera and Veraguas. In the department of Panamá Oeste, the project has its starting point close to the community of El Espino in the district of La Chorrera and ends just at the entrance of Santiago de Veraguas in the Veraguas department. In December 2021, the Ministry of Economics and Finance (MEF) requested the Bank, and the Bank granted, a technical cooperation for the preparation of the feasibility studies for the West Pan-American Corridor project (ATC/KS-19156-RG in the amount of US\$700.000). These feasibility studies covered all the technical, financial, legal, social, and environmental aspects necessary for the structuring of PPP projects. However, new aspects emerged based on the results of these feasibility studies together requests from the Transit Authority of Panama (ATTT), motivated the GoP to request complementary studies that were not foreseeable. These additional complementary studies include analyzing the feasibility of adding video surveillance and the integration of 10 to 20 interchanges on the highway. In its letter MEF-2025-387 of the 3rd of January 2025, the MEF requested the Bank additional technical cooperation of US\$300,000 for this purpose.
- II.12 **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 bolster sustainable regional growth 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. 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

III.1 **Component 1: Preparation of complementary feasibility studies for the West Pan- American Corridor project (US\$300,000 – Contingent recovery).** This component will finance the complementary studies identified during the initial feasibility studies. These complementary studies will cover technical, financial, environmental, social, and legal aspects related to adding video surveillance services and the integration of 10 to 20 interchanges on the highway. Additionally, it will finance an analysis of the current legal framework in Panama regarding early termination formulas, including international best practices promoted by the Bank in this matter, which will be conducted in coordination with the PPP National Secretary of Panama (SNAPP). Also, it includes support in the preparation of roadshows with key stakeholders. Finally, it will provide additional support until the endorsement of the contract by the General Comptroller of the Republic (instead of the commercial close as was requested before). This component complements the financing provided by TC RG-T4004 (ATC/KS-19156-RG) for the same PPP initiative.

III.2 The total cost of the TC is US\$300,000 from the FGI, considered as contingent recovery.

Indicative Budget

Activity/Component	Description	IDB/FGI Financing (Contingent Recovery)	Counterpart Funding	Total Funding
Component 1	Preparation of complementary feasibility studies of the West Pan-American Corridor project	\$300,000.00	US\$0.00	\$300,000.00
Total		\$300,000.00	US\$0.00	\$300,000.00

III.3 The intellectual property rights that may be generated from this TC (such as copyright on the studies and materials produced) belong to the Bank and 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 MOP 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 TSP/INE, ESG/CPN and the MOP, counterpart of the technical cooperation and contracting public entity of the West Pan-American Corridor.
- IV.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; (ii) consulting firms that develop intellectual products will be hired in accordance with the "Corporate Procurement Policy" (GN-2303-33) and its operational 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 This operation has contingent recovery resources. In relation to the contingent recovery resources of component 1, reimbursement to the Bank will be made as follows:
- IV.5.1 When a PPP project successfully reaches financial closure, the costs of FGI-funded activities must be reimbursed, which corresponds to the total amount of Component 1. 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.5.2 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.5.3 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 described in subsection 4.5.2 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.5.4 The disbursement period of the TC will be 18 months, which is proposed to be counted from the effective date of the Contingent Recovery Agreement between the Beneficiary and the Bank.

V. Important risks

- 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 MOP. However, potential delays could arise due to the MOP's timing in providing the necessary inputs required by the consultants. 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 are consistent with

the applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

Required Annexes:

[Request from the Client_26444.pdf](#)

[Results Matrix_84446.pdf](#)

[Terms of Reference_31210.pdf](#)

[Procurement Plan_84189.pdf](#)