Loan Agreement

(Burunga Wastewater Management Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

Agreement dated as of the Signature Date, between REPUBLIC OF PANAMA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixty-five million Dollars, ($65,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and provided furthermore that, upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; and (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through the PCU, in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that the Cooperation Agreement or any of its provisions has been assigned, amended, abrogated, suspended, or waived so as to affect materially and adversely, in the opinion of the Bank, the implementation and/or the sustainability of the Project.

4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is July 1, 2017.

4.03. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Operational Manual has been adopted by the PCU.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Economy and Finance.

6.02. The Borrower's Address is:

Ministerio de Economía y Finanzas
Viceministerio de Economía
Dirección de Financiamiento Público
Edificio Ogawa, Vía España y Calle 52E
Corregimiento de Bella Vista
Apartado postal: 0816-02886
Ciudad de Panamá
República de Panamá

6.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Panama City, Republic of Panama, on behalf of the Bank on June 7, 2017, and on behalf of the Borrower on 14 de Julio de 2017.

REPUBLIC OF PANAMA

By

Authorized Representative

Name: Dolcidio De la Guardia

Title: Minister of Economy and Finance

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Anabela Abreu

Title: Country Manager for Panama

COUNTERSIGNED

General Comptroller of the Republic of Panamá

By:

Authorized Representative

Name: 

Title: 

Date: 22 de Agosto de 2017
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve access to sewerage services in selected areas of the Borrower’s province of Panama Oeste; and (b) strengthen wastewater pollution management capacity in key sector institutions of the Borrower.

The Project consists of the following parts:

Part 1. Construction of a New Sewerage System in Burunga

1.1. Construction of a sewerage system throughout the township of Burunga in the Borrower’s district of Arraijan, including the carrying out of detailed construction designs and a sewerage network for wastewater.

1.2. Construction of long inter-domiciliary connections from households to the main sewerage network, and closure and decommissioning of existing septic tanks or latrines.

1.3. Carrying out of minor drainage works, road access improvements and other ancillary hydraulic works to protect infrastructure from flash floods.

Part 2. Institutional Strengthening for Sustainable Wastewater Management

2.1. (a) Carrying out of technical capacity building activities for the PCU and provision of management tools to control water pollution in the Panama Bay, including: (i) the carrying out of a water quality baseline study, including an assessment of the expected environmental and economic impacts of the PSP; (ii) the carrying out of a technical audit of the sewer and drainage system in Panama City; (iii) the design and implementation of a real-time hydrological/water quality monitoring system to serve as a basic decision support system; (iv) the design and implementation of a hydrodynamic model to measure transport of pollutants into the Panama Bay; (v) the preparation of a map locating and classifying sensitive coastal and river areas; and (vi) the preparation of an action plan for the intervention of critical sewerage areas.

(b) (i) Development of an integrated urban water management plan for an urban river basin in the Borrower’s province of Panama Oeste, including: (A) a diagnostic of the urban river basin; (B) the identification of the key stakeholders; and (C) the participatory identification of river basin interventions; and (ii) the implementation of selected activities identified in the plan referred to in paragraph 2.1 (b) (i) of this Schedule in pilot areas of the basin for demonstrative purposes.

2.2. Strengthening of the PCU’s and IDAAN’s technical capacity to supervise the operation, maintenance and management of wastewater infrastructure in the Panama Bay area, through the provision of technical training, short courses, workshops, technical assistance, and carrying out of study tours to exchange technical knowledge with experienced operators from other geographical regions.
2.3. Strengthening of PSP’s social interventions by raising awareness, training and encouraging commitment to the Project’s investments among the community-based organizations in the township of Burunga, including: (a) the creation and strengthening of socio-environmental community management committees; (b) the development of monitoring exercises to evaluate the sanitary conditions of the population; and (c) other community initiatives such as sweeping campaigns and cultural and sport events.

Part 3. Project Management and Administration

3.1. Carrying out of Project management and administration, including, *inter alia*:

(a) supervision, quality control, monitoring, inspection and procurement support for the works under Part 1 of the Project; and

(b) Project management and administration activities by the PCU, such as fiduciary management (including financial audits), procurement, reporting, monitoring and evaluation, implementation of the safeguard instruments referred to in Section I.C of Schedule 2 to this Agreement and of the social management strategy referred to in Section I.A.2 (a) (v) of Schedule 2 to this Agreement.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Borrower shall maintain, throughout Project implementation, the PCU within MINSA, responsible for the management, coordination, implementation, monitoring and evaluation of the Project.

(b) The Borrower shall ensure that the PCU shall have a structure, responsibilities and key staff with functions, experience, responsibilities, qualifications and financing acceptable to the Bank as set forth in the Operational Manual.

2. (a) The Borrower, through the PCU, shall carry out the Project in accordance with the provisions of a manual ("Operational Manual"), which shall include, the rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including but not limited to the following: (i) a detailed description of Project implementation activities and the detailed institutional arrangements for the Project; (ii) the Project’s administrative, budgeting, accounting, auditing, reporting, financial, procurement and disbursement procedures; (iii) the monitoring indicators for the Project referred to in Section II.A.1 below; (iv) the safeguard instruments referred to in paragraph C of this Section; (v) the social management strategy for the Project; and (vi) the institutional and administrative mechanisms established to ensure inter-institutional coordination.

(b) In the event of conflict between any provision of the Operational Manual and this Agreement, the terms of this Agreement shall prevail.

(c) Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Borrower shall carry out the Project in accordance with the provisions of the EIA and the RPF, including carrying out the specific EMPs included in the EIA and the RAPs derived from the RPF, and ensure that the same obligations are appropriately upheld and shared under any pertinent contract further entered into for purposes of the Project.
2. The Borrower shall establish and implement, throughout Project implementation, an easily accessible grievance redress mechanism, acceptable to the Bank, to address feedback and grievances related to the Project.

3. The Borrower, through the PCU, shall ensure that the terms of reference for any consultancies related to the technical assistance provided under the Project, shall be acceptable to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirement of the Bank’s Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank and set forth in the Operational Manual and also including the information referred to in Section V.A.3 of this Schedule regarding the WWTP. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall prepare and furnish to the Bank as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent calendar semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the
requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(a) National Competitive Bidding, subject to the following additional provisions:

(i) foreign bidders shall not be required to be registered with the Borrower’s authorities as a prerequisite for bidding;

(ii) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;

(iii) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and

(iv) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid;

(b) Shopping;

(c) Framework Agreements, acceptable to the Bank, implemented by the DGCP, according to procedures set forth in paragraph 3.6 of the Procurement Guidelines; and

(d) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods, consultants' services, and non-consulting services under Part 1 of the Project</td>
<td>47,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works, goods, consultants' services, non-consulting services, Training and Operating Costs under Parts 2 and 3 of the Project</td>
<td>18,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>65,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

(b) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed twelve million Dollars ($12,000,000) may be made for payments made prior to this date but on or after the date that falls one year prior to the Signature Date, for Eligible Expenditures.

2. The Closing Date is December 31, 2021.

Section V. Other Undertakings

A. The WWTP

1. The Borrower shall carry out the construction of the WWTP with due diligence and efficiency, and in conformity with appropriate technical, financial, economic, environmental and social standards and practices, including with the provisions of the applicable EMP and the WWTP Action Plan, all in a manner acceptable to the Bank.

2. Without limitation to the provisions of: (a) Section 5.03 of the General Conditions, the Borrower shall provide or cause to be provided, promptly as needed, the funds required for the construction and operation of the WWTP; and (b) Section 5.11 (b) of the General Conditions, the Borrower shall enable the Bank’s representatives to visit the construction site in which the WWTP is being constructed.

3. The Project Reports referred to in Section II.A.1 of this Schedule shall also include information concerning the progress made in the construction of the WWTP, including the pertinent supervision reports prepared by the Borrower from time to time covering technical, social and environmental aspects as provided in the applicable EMP.

B. Household Bathroom Facilities

1. The Borrower shall ensure that CONADES, in close coordination with MINSA, and in a manner acceptable to the Bank, promptly provides bathroom facilities to an estimated number of eight hundred poor households in the township of Burunga during Project implementation to ensure that they can benefit from the sewerage works carried out under Part 1 of the Project.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15 Beginning August 15, 2022 through August 15, 2035</td>
<td>3.57%</td>
</tr>
<tr>
<td>On February 15, 2036</td>
<td>3.61%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall
be repayable on each Principal Payment Date commencing with the second
Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any
time the Bank adopts a due date billing system under which invoices are issued on
or after the respective Principal Payment Date, the provisions of such sub­
paragraph shall no longer apply to any withdrawals made after the adoption of such
billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency
Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency,
the amount so converted in the Approved Currency that is repayable on any Principal
Payment Date occurring during the Conversion Period, shall be determined by the Bank by
multiplying such amount in its currency of denomination immediately prior to the
Conversion by either: (i) the exchange rate that reflects the amounts of principal in the
Approved Currency payable by the Bank under the Currency Hedge Transaction relating
to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion
Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the
provisions of this Schedule shall apply separately to the amount denominated in each Loan
Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


2. “Bank’s Safeguard Policies” means the Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.07, 4.09, 4.10, 4.11, 4.12, 4.36 and 4.37, as said manual is published under www.WorldBank.org/opmanual”.


4. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of eleven million five hundred thousand United States Dollars ($11,500,000) to be provided by CAF to assist in financing the Project.

5. “Co-financing Agreement” means the agreement to be entered into between the Borrower and CAF providing for the Co-financing.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

7. “Co-financier” means CAF.

8. “Cooperation Agreement” means the agreement between MINSA and IDAAN, dated June 18, 2015 which sets forth the respective roles and responsibilities of the parties with regard to PSP, including, but not limited to, the conditions for the transfer of PSP’s goods, works, and services to IDAAN.

9. “CONADES” means Consejo Nacional de Desarrollo Sostenible, the Borrower’s National Council for Sustainable Development, an administrative organ created by the Borrower’s Executive Decree No. 163 of November 25, 1996 of the Ministry of the Presidency, as amended to the Signature Date.


11. “DGCP” means Dirección General de Contrataciones Públicas, the Borrower’s General Directorate of Public Procurement, created pursuant to the Borrower’s Law No. 22, dated June 27, 2006, as such law may be amended from time to time in a manner acceptable to the Bank, or its successor, acceptable to the Bank.

12. “EIA” means the Borrower’s environmental impact assessment for the Project and associated infrastructure, which was disclosed to the public in the PCU’s website and in the Bank’s website on May 31, 2016, and approved by the Borrower’s Ministry of the
Environment, through Resolution No. IA-122-2016 of July 15, 2016, as such environmental impact assessment may be amended from time to time only with the express prior consent of the Bank. The EIA includes, inter alia: (a) the plans for the management of environmental aspects of the Project and associated infrastructure such as the WWTP; (b) the procedures for “chance findings” to protect physical cultural resources; and (c) measures to address any impacts on natural habitats.

13. “EMP” means each of the Borrower’s environmental management plans for the Project and its area of influence, which are included in the EIA.


15. “IDAAN” means Instituto de Acueductos y Alcantarillados Nacionales, the Borrower’s national water and sewerage agency established by Law No. 98 of December 29, 1961, as amended to the Signature Date, including through Law No. 77 of December 28, 2001 which reorganized it as an autonomous public entity with legal personality and patrimony.


17. “Operating Costs” means the incremental expenses incurred by the PCU on account of Project implementation, supervision, monitoring and evaluation, which may include office supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, operation and maintenance of office equipment, office administration costs, utilities, travel, and per diem, and remuneration of locally contracted PCU employees, none of which would have been incurred in the absence of the Project.

18. “Operational Manual” means the Borrower’s manual, acceptable to the Bank, and referred to in Section I.A.2 of Schedule 2 to this Agreement, as the same may be amended from time to time in a manner acceptable to the Bank.

19. “PCU” means the coordination unit under MINSA responsible for the implementation of the PSP, as established by the Borrower’s Executive Decree No. 144 of June 20, 2001, as amended by Executive Decree No. 18 of March 3, 2016, or any successor thereto acceptable to the Bank.


21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 25, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “PSP” means Programa de Saneamiento de Panama, the Borrower’s Sanitation Program under MINSA.

23. “RPF” means the Borrower’s resettlement policy framework for the Project, acceptable to the Bank, which was disclosed to the public in the PCU’s website on May 27, 2016, and in the Bank’s website on May 17, 2016, as the same may be amended from time to time only with the express prior consent of the Bank.

24. “RAP” means each of the Borrower’s resettlement action plans prepared in accordance with the RPF.

25. “Signature Date” means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement, and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

26. “Training” means reasonable expenditures (other than for consultants’ services and non-consulting services) incurred by trainers, trainees and workshop participants for reasonable travel, room, board, and per diem expenses in connection with training and workshops under the Project, including registration fees, facility and equipment rentals.

27. “WWTP” means the Borrower’s Arraiján Este wastewater treatment plant, where the sewerage from the township of Burunga is expected to be constructed.

28. “WWTP Action Plan” means the Borrower’s action plan dated January 16, 2017, satisfactory to the Bank for the construction of the WWTP, specifying the dates for bidding, contracting, completion of final design, start and completion of works, including commissioning for the operation and maintenance phase, as such action plan may be amended from time to time with the agreement of the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the Signature Date to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account
or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each
Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs
are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition
of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan
Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition
of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01
(a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition
of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank
pursuant to the Legal Agreements or these General Conditions, including (but not limited
to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the
Commitment Charge, interest at the Default Interest Rate (if any), any prepayment
premium, any transaction fee for a Conversion or early termination of a Conversion, the
Variable Spread Fixing Charge (if any), any premium payable upon the establishment of
an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the
Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition
of “Payment Date” is modified by deleting the word “is” and inserting the words “and
Commitment Charge are” after the word “interest”. 