Loan Agreement

(Support for the National Indigenous Peoples Development Plan Project)

between

REPUBLIC OF PANAMA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
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) apply to and form 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 the amount of eighty million Dollars ($80,000,000), as such amount may be converted from time to time through a Currency Conversion ("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 III of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to 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 Schedule 3 to this Agreement.
ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through MINGOB, shall: (a) cause the PEA to carry out Parts 1 and 2 of the Project with the assistance of MINSA and MEDUCA; and (b) carry out Part 3 of the Project, all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following, namely, that the PEA shall have failed to comply with any of its obligations under the PEA Agreement.

4.02. 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 sixty (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 Borrower has adopted the Operational Manual in a manner acceptable to the Bank.

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. For purposes of Section 10.01 of the General Conditions:

(a) 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; and
(b) the Borrower’s Electronic Address is:

E-mail:
ridcp@mef.gob.pa

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile: E-mail:
248423(MCI) or 64145(MCI) 1-202-477-6391 ysakho@worldbank.org
AGREED as of the Signature Date.

REPUBLIC OF PANAMA

By

Authorized Representative

Name: DULCIDIO DE LA GUARDIA
Title: MINISTER OF ECONOMY AND FINANCE
Date: JUNE 13, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: JORGE FAMILIAR
Title: VICE PRESIDENT LATIN AMERICA AND THE CARIBBEAN REGION
Date: JUNE 13, 2018
SCHEDULE 1

Project Description

The objective of the Project is to strengthen: (a) the capacity of Indigenous Authorities and the Borrower to jointly plan and implement development investments for Indigenous Territories; and (b) the delivery of selected public services in those Indigenous Territories, as identified in the National Indigenous Peoples Development Plan.

The Project consists of the following parts:

**Part 1: Institutional Strengthening and Governance Capacity for the Borrower’s Authorities and Indigenous Authorities**

Enhance the capacity of the Borrower and the Indigenous Authorities to carry out key governance functions necessary to improve the opportunities and living conditions in Indigenous Territories, including:

1.1 The institutional strengthening of VMAI to effectively plan and coordinate public policies, investments, dialogue and conflict resolution with indigenous peoples, through: (a) the carrying out of an institutional assessment and the implementation of an action plan to strengthen VMAI’s capacity to deliver effectively on its institutional and legal mandate with indigenous peoples; (b) the coordination and establishment of consultation platforms with indigenous peoples and with other actors to promote the implementation of the National Indigenous Peoples Development Plan; (c) the provision of support for the design and operation of information systems to monitor public investments in Indigenous Territories; and (d) the provision of support for the implementation of relevant sector laws for indigenous peoples.

1.2 The carrying out of capacity building activities and strengthening of Indigenous Authorities for effective governance within their territories, through: (a) the carrying out of an institutional assessment and the implementation of an action plan to strengthen the Indigenous Authorities; (b) the purchase of equipment and the provision of support for the carrying out of small-scale infrastructure investments; (c) the provision of support for territorial planning processes; and (d) the design and implementation of a leadership program for male and female indigenous peoples’ representatives, including youth.

1.3 The institutional strengthening and the provision of support for selected Borrower’s authorities to enhance public planning and investments in Indigenous Territories, through: (a) the design and consultation of methodologies for the carrying out of selected censuses in Indigenous Territories; (b) the improvement
of the SINIP system to track public investment projects for Indigenous Territories and their relevant consultation processes; (c) the carrying out of an institutional assessment and the implementation of action plans to strengthen both MINSA and MEDUCA’s capacity to deliver effectively on their institutional mandates with indigenous peoples; (d) the preparation and consultation of regulations for relevant sector laws for indigenous peoples; and (e) the provision of support for the participation of Indigenous Authorities in municipal developing planning processes mandated under Law No. 66.

Part 2: Improved Quality and Cultural Pertinence of Select Public Service Delivery in Education, Health, and Water and Sanitation in Indigenous Territories

Improve the quality and cultural pertinence of service provision in the health, education, and water and sanitation sectors in the Indigenous Territories based on indigenous peoples’ vision and priorities for said sectors, including:

2.1 (a) The design and construction of new, or rehabilitation or expansion of existing, educational centers; (b) the design and expansion of the intercultural bilingual education curriculum in Indigenous Territories; (c) the provision of technical assistance to improve school management; and (d) the design and implementation of a program to promote access, retention and pertinence of higher education for indigenous peoples.

2.2 (a) The design and construction of new, or rehabilitation or expansion of existing, health posts and centers; (b) the design and implementation of an intercultural health system, including the development of intercultural health protocols; and (c) the carrying out of capacity building activities for health care providers working in Indigenous Territories.

2.3 (a) The design and construction of new, and rehabilitation of existing, water and sanitation systems; and (b) the design and implementation of a capacity building program to improve the operation and maintenance of water and sanitation systems and promote behavioral change in basic hygiene and sanitation practices among indigenous communities.

Part 3: Project Management, Monitoring and Evaluation

Provision of support for Project supervision, planning, coordination, social management, communication, monitoring and evaluation, including the carrying out of the Project’s audits and the hiring of the PEA.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower shall: (a) operate and maintain, throughout Project implementation, the project coordinating unit ("PCU") within VMAI, responsible for the management, coordination, implementation, monitoring and evaluation of the Project; and (b) 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. Not later than (3) three months after the Effective Date the Borrower shall establish, and thereafter operate and maintain, throughout Project implementation, a committee (the "Project Steering Committee"), chaired by MINGOB and a representative of the Indigenous Peoples Roundtable and comprised of representatives of MINGOB, the Indigenous Peoples Roundtable, MEF, MEDUCA and MINSA, with functions and responsibilities acceptable to the Bank and defined in the Operational Manual, including, inter alia: (a) the endorsement of annual operation plans ("AOPs"); (b) the review of the progress of Project implementation based on information in each pertinent Progress Report and AOP; (c) the provision of political and strategic guidance; and (d) the carrying out of general oversight of the Project and of inter-institutional coordination, to facilitate the participation, cooperation and resolution of high-level outstanding issues among, inter alia, MINGOB, MEDUCA, MINSA, the PEA, the Indigenous Peoples Roundtable, and/or other external actors.

3. (a) For purposes of carrying out Part 1 and 2 of the Project, and prior to the carrying out of any activity under said Parts of the Project which falls under the administrative jurisdiction of MINSA or MEDUCA (as the case may be), the Borrower, through MINGOB, shall enter into an arrangement with each MINSA and MEDUCA (the "Inter-institutional Arrangements"), all under terms and conditions acceptable to the Bank, which shall include, inter alia, the obligation of MINSA and MEDUCA to: (i) assist the Borrower, through MINGOB and with the assistance of the PEA, in the carrying out of the corresponding activities under Parts 1 and 2 of the Project; (ii) appoint a representative to the Project Steering Committee; and (iii) provide the necessary counterpart resources to operate and maintain Project investments.
Except the Bank shall otherwise agree, the Borrower, through MINGOB, shall not assign, amend, terminate, abrogate, waive or fail to enforce any Interinstitutional Arrangement or any provision thereof.

4. (a) The Borrower, through the PCU, shall: (i) carry out Part 3 of the Project; and (ii) carry out and cause PEA to carry out Part 1 and 2 of 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 below; (IV) the safeguard instruments referred to in Section I.D of this Schedule; (V) the institutional and administrative mechanisms established to ensure inter-institutional coordination; and (VI) the eligibility criteria for the investments to be carried out under Part 2 of the Project.

(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. PEA Agreement.

1. For purposes of carrying out Parts 1 and 2 of the Project, the Borrower, through MINGOB, shall: (a) not later than four (4) months after the Effective Date, select and hire an entity acceptable to the Bank (the "PEA") under terms of reference acceptable to the Bank, and in accordance with Section 5.13 (Procurement) of the General Conditions; and (b) immediately thereafter, make the proceeds of the Loan allocated to finance said Parts of the Project available to the PEA under an agreement (the "PEA Agreement"), to be entered between the Borrower, through MINGOB, and the PEA, under terms and conditions acceptable to the Bank and as set forth in the Project Operational Manual, including the PEA's obligation to comply with the pertinent provisions of this Schedule as applicable to said Parts of the Project.

2. The Borrower shall exercise its rights and carry out its obligations under the PEA Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive, terminate or fail to enforce the PEA Agreement or any of its provisions.
Without limitation to the provisions in Section 3.01 of this Agreement, and Section 1.B.1 of this Schedule 2, in exceptional circumstances, and subject to the Bank’s prior written approval, the Borrower, through the PCU, shall directly implement selected activities under Parts 1 and 2 of the Project, all in accordance with the pertinent provisions of this Agreement.

C. Action Plan.

1. The Borrower, through MEF and MINGOB, shall: (a) not later than thirty six (36) months after the Effective Date (or such other date as the Bank shall establish by notice to the Borrower), carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project and the achievement of its objective (the “Midterm Review”) in accordance with terms of reference acceptable to the Bank, which shall include, inter alia, a review of the results of the report mentioned in paragraph 2 below and an assessment of the conditions for potentially downsizing the PEA or terminating the PEA Agreement (as the case may be), or alternatively continuing with the extension of the duration period of the PEA Agreement; (b) not later than four (4) weeks (or such other date as the Bank shall establish by notice to the Borrower) after the conclusion of the Midterm Review: (i) prepare and furnish to the Bank, an action plan (including a timetable), acceptable to the Bank, which shall include, inter alia, the recommendations and actions to be undertaken by the Borrower resulting from the Midterm Review; and (ii) immediately thereafter, implement or cause to be implemented said action plan in accordance with its terms.

2. Without limitation to the provisions of paragraph 1 of this Section, the Borrower, through MEF and MINGOB, shall, not later than thirty (30) days prior to the Midterm Review (or such other date as the Bank shall establish by notice to the Borrower), prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request (which report shall be consulted with the Indigenous Peoples Roundtable and agreed upon with the Project Steering Committee) concerning the readiness for the transfer of Project implementation responsibilities of the PEA in respect of Parts 1 and 2 of the Project to the Borrower, through the PCU.

D. Safeguards.

1. The Borrower, through MINGOB shall, and shall cause PEA to, carry out the Project in accordance to the provisions of the ESMF.

2. The Borrower, through MINGOB, shall, and shall cause PEA to, ensure that the terms of reference for any consultancy in respect of any Project activity shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguards.
Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<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) Goods, works, non-consulting services, consulting services, Operating Costs and Training under the Project</td>
<td>80,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date

2. The Closing Date is June 30, 2023.
SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

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").

**Level Principal Repayments**

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td>2.56%</td>
</tr>
<tr>
<td>Beginning February 15, 2024 through August 15, 2042</td>
<td></td>
</tr>
<tr>
<td>On February 15, 2043</td>
<td>2.72%</td>
</tr>
</tbody>
</table>
APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. “AOP” means any given annual operation plan, acceptable to the Bank, which details the Project activities to be implemented during each calendar year of Project implementation.

3. “Bank’s Safeguard Policies” means the Bank's operational safeguard policies and procedures, set forth in the Bank's Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36 and 4.37, or such policies and procedures then in force.

4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s framework dated January 8, 2018 acceptable to the Bank, which was disclosed to the public on MINGOB’s website on January 8, 2018, and on the Bank’s website on January 8, 2018, which contains, inter alia: (a) the social risk management measures in respect of the Project, including, inter alia: (i) mechanisms and procedures for ensuring free, prior and informed consultation; (ii) participation of indigenous peoples in the design, implementation, monitoring and evaluation of Project investments at relevant levels, when applicable; (iii) procedures for documenting broad community support for Project investments; (iv) protocols for voluntary land donation; and (v) grievance redress and conflict resolution mechanisms; (b) the environmental protection measures in respect of the Project, including, inter alia (i) measures for chance findings of physical cultural property; (ii) protection of natural habitats; (iii) guidelines for the identification of existing environmental conditions and potential direct and indirect environmental impacts resulting from the carrying out of the Project; (iv) guidelines for the carrying out of environmental assessments and the preparation of environmental management plans, when applicable; (v) the recommendation of mitigation measures for each negative impact identified; and (vi) measures for enhancing each identified positive impact; and (c) the eligibility criteria for the investments to be carried out under Part 2 of the Project, as said framework may be updated and/or amended from time to time with the agreement of the Bank.

7. “Indigenous Authorities” means the representatives of the Indigenous Territories selected by the corresponding governing traditional system of each Indigenous Territory for the purpose of ensuring their internal governability and coordinating with the Borrower’s authorities regarding the development and wellbeing of the indigenous peoples’ communities.

8. “Indigenous Territories” means the communities, collective lands, and semi-autonomous territories (Comarcas) that subscribe to the following twelve (12) traditional governance congresses (Congresos) and councils (Consejos) within the Borrower’s territory: (i) Congreso General de la Comarca Emberá Wounaan; (ii) Consejo General del Pueblo Bribri; (iii) Congreso General de la Comarca Ngäbe Buglè; (iv) Consejo General del Pueblo Naso Tjer-dí; (v) Congreso General de la Comarca Kuna de Wargandi; (vi) Congreso Nacional del Pueblo Wounaan; (vii) Congreso General de la Comarca Kuna de Madungandi; (viii) Congreso General Emberá de Alto Bayano; (ix) Congreso General de la Comarca Kuna Yala; (x) Congreso General de Tierras Colectivas Emberá y Wounaan; (xi) Congreso General Kuna de Dagargunyala; and (xii) Congreso General Buglè.

9. “Indigenous Peoples Roundtable” means a political coordination platform conformed by Indigenous Authorities and MINGOB which purpose is to promote dialogue, coordination and consensual decision-making within the framework of the National Indigenous Peoples Development Plan.

10. “Inter-institutional Arrangements” means any of the arrangements referred to in Section I.A.3 of Schedule 2 to this Agreement.


12. “MEDUCA” means the Borrower’s Ministry of Education, or any successor thereto.

13. “MEF” means the Borrower’s Minister of Economy and Finance, or any successor thereto.

14. “MINGOB” means the Borrower’s Ministry of Governance, or any successor thereto.

15. “MINSA” means the Borrower’s Ministry of Health, or any successor thereto.

16. “National Indigenous Peoples Development Plan” means a framework document prepared through a participative process lead by the Indigenous Authorities, which presents an integral development model based on three (3) strategic pillars: (a) political and legal (governance and land rights); (b) economic (productive
activities and food security); and (c) social (access to basic infrastructure and services), reflecting the indigenous peoples’ own views and priorities for development, and published in the following website: [http://www.pa.undp.org/content/dam/panama/docs/documentos/undp_pa_final_plan_desarrollo_pueblos_indigenas.pdf](http://www.pa.undp.org/content/dam/panama/docs/documentos/undp_pa_final_plan_desarrollo_pueblos_indigenas.pdf)

17. “Operating Costs” means the incremental expenses incurred 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 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.4(a) 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 unit referred to in Section I.A.1 of Schedule 2 to this Agreement, or any successor thereto, acceptable to the Bank.

20. “PEA” means a Project executing agency procured in accordance with the Section 5.13 of the General Conditions and referred to in Section I.B.1(a) of Schedule 2 to this Agreement.

21. “PEA Agreement” means the agreement referred to in Section I.B.1(b) of Schedule 2 to this Agreement.


23. “Project Steering Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

24. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this 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 consulting 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. “VMAI” means the Vice Ministry of Indigenous Affairs established within MINGOB.