

**INTERNATIONAL FINANCE CORPORATION**

**MANAGEMENT  
PROGRESS REPORT**

**ON IMPLEMENTATION OF THE  
MANAGEMENT ACTION PLAN IN RESPONSE TO  
CAO INVESTIGATION REPORT**

**FOR THE**

**PANAMA ELECTRICITY TRANSMISSION LINE  
IV PROJECT NO. 602084**

**PANAMA – LATIN AMERICA AND THE  
CARIBBEAN**

**DECEMBER 16, 2022**

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## ABBREVIATIONS AND ACRONYMS

CAO	Compliance Advisor Ombudsman
CEO	Chief Executive Officer
E&S	Environmental and Social
ESIA	Environmental and Social Impact Assessment
ESRP	Environmental and Social Review Procedures
ETESA	<i>Empresa de Transmisión Eléctrica</i> (Electric Transmission Company)
FPIC	Free, Prior and Informed Consent
IFC	International Finance Corporation
IP	Indigenous Peoples
MAP	Management Action Plan
PPP	Public-Private Partnership
PS	Performance Standard

## **I. MAP IMPLEMENTATION OVERVIEW**

1. This Management Progress Report constitutes an update from the International Finance Corporation (IFC) on the implementation of the Management Action Plan (MAP) and the commitments undertaken by IFC in the June 8, 2022 Staff Statement to the Board, in response to the Compliance Investigation Report of the Compliance Advisor Ombudsman (CAO) on the Complaint concerning the Panama Electricity Transmission Line IV, Project No. 602084 (the “Project”). The Project is an Advisory Services project in support of the state-owned enterprise, *Empresa de Transmisión Eléctrica* (ETESA).

### **A. MAP Implementation Status**

2. IFC’s Management Report, dated May 10, 2022, included a MAP that was consulted with the complainants and client alike. The MAP included actions for IFC to support ETESA in the application of the Performance Standards (PSs), particularly for PS1 and PS7. In addition, as stated in the Staff Statement to the Board dated June 8, 2022, as part of IFC’s ongoing advisory mandate IFC committed to: (i) review various outputs of the Environmental and Social Impact Assessment (ESIA) process and recommend actions to close PS gaps; and (ii) continue advising ETESA and its environmental and social (E&S) consultant, as part of IFC’s regular mandate activities, on stakeholder engagement, PS7 and Free, Prior and Informed Consent (FPIC), including reviewing the design documentation for the FPIC process for consistency with the PSs. IFC also committed to send a response to the Complainants within 30 days of approval of the MAP by the Board and propose a follow up meeting.

3. To implement the MAP actions, IFC advised ETESA’s Chief Executive Officer on PS requirements through a letter dated July 19, 2022, which was delivered electronically. The letter presented detailed measures to align the ongoing stakeholder engagement process, which focused on consultations within and outside the Comarca region, with the PSs, specifically PS1 and PS7 requirements. This included advising ETESA and its E&S consultant on how to develop a methodology for stakeholder engagement in an effective, inclusive manner which must be based on an identification and analysis of stakeholders (inside and outside the Comarca), along with information disclosure to all applicable indigenous communities. Additional advice provided related to the inclusion of traditional authorities, fostering gender-inclusiveness, and use of indigenous languages in the consultation process through local translators, with a focus on female consultants to support engagement with indigenous women. On November 8, 2022, ETESA confirmed receipt of the IFC’s letter, referencing the 2-day workshop described below. The letter was shared with CAO on the same day. In fact, IFC has established an active link, offering access to CAO of all documents and communication as they become available.

4. The Updating Social & Environmental Issues Workshop, a key MAP action, was carried out on July 20-21 by IFC E&S specialists and experts. Participants included IFC, ETESA and the E&S consultant. IFC was able to outline the PSs in detail, focusing attention on PS requirements pertinent to this project and highlighting the importance of a bottom-up approach to stakeholder consultations, specifically in the context of indigenous communities. In the workshop, IFC also focused on the need for gender-inclusive assessments and the mapping of, and consultation with, stakeholders across the project area of influence. The workshop covered and expanded on advice provided in the July 19, 2022 letter to ETESA, including the need to ensure disclosure of information in local languages, the importance of involving translators and hiring indigenous staff from the local areas of consultation. The workshop agenda, list of participants and presentations, and detailed agreements reached between IFC, ETESA and its E&S consultant by the end of the workshop were shared with CAO on Nov. 8, 2022. For example, some of these written agreements include recognizing that: (i) the PSs seek to complement Panamanian law on stakeholder consultations and indigenous peoples; (ii) it is important to coordinate the E&S issues in the ESIA so as not to overburden communities during the outreach process; and (iii) ETESA will share its documentation from previous consultations with the E&S consultant so that they are fully informed of prior contacts and discussions with

members of the consulted communities. These agreements reflect a strong commitment on the part of all actors.

## **B. Implementation of IFC commitments in the Staff Statement to the Board**

5. With regard to the commitments complementary to the MAP that IFC made in the Staff Statement to the Board, IFC sent a written response to the Complainants and held an explanatory meeting with them on August 4, 2022, to follow up on their suggestions for the MAP. The first 6-month feedback meeting with the Complainants is pending to allow their feedback on the ESIA, which was delayed due to delays in the approval of the E&S consultant contract by the National Comptroller General's Office. In a meeting held on September 24, 2022 with the client (and confirmed by email on September 29, 2022), IFC further recommended that ETESA strengthen the E&S consultant's technical capacity in applying the PSs, particularly PS7. As part of its on-going support to ETESA, IFC will provide detailed technical advice, including additional workshops with experts, to ETESA and its E&S consultant on how they can fulfill the requirements of all relevant PSs. On IFC's commitment to monitor ESIA outputs, IFC has reviewed the E&S consultant's first deliverable, the work plan methodology and timeline. IFC sent its written recommendations to ETESA on October 25, 2022, advising an enhancement of the deliverable's alignment with IFC's PSs and incorporation of the agreements reached at the workshop. These communications were shared with CAO through the established link.

## **C. Implementation of Systemic Recommendations**

6. CAO's systemic recommendations in its investigation related to: (i) providing guidance to staff on the scope of IFC's role when a client implements project development activities with E&S risks or impacts during an Advisory Services engagement; and (ii) incorporating the need for contextual risk analysis in Advisory Services projects in the Environmental and Social Review Procedures (ESRP).

7. On July 12, 2022, IFC delivered its third update to the Board on its commitments to non-policy actions in response to the *External Review of IFC/MIGA E&S Accountability, including CAO's Role and Effectiveness*. As part of that update, IFC provided a report on progress in the development of the ESRP and the accompanying ESRP Handbook to the Board, which includes detailed implementation guidance to specialists on new business processing, portfolio monitoring and advisory services, as well as an update on mainstreaming contextual risk screening. The next update is due at the end of Q3 FY23.

8. The Advisory Services section of the ESRP also includes specific guidance on IFC's role in the review of E&S activities throughout the advisory project cycle. Where the review results in the identification of E&S risks, IFC will provide advice to the client consistent with the PSs. Drafting of the Advisory Services section of the ESRP and internal consultation have been completed, with a final review due in Q3 FY23.

9. Contextual risk analysis is being mainstreamed across project appraisal and supervision of advisory activities and reflected in the ESRP and the ESRP Handbook. In April 2022, IFC released for public consultation its Good Practice Note on contextual risk screening. The consultation is now closed and IFC is in the process of collating the feedback received, with a public launching expected in FY23 (Q4). A central repository of country contextual risk analyses for due diligence was also developed and an updated contextual risk data portal is available to all World Bank Group users.

## **D. Next Steps**

10. IFC will continue supporting ETESA by reviewing the E&S deliverables for consistency with IFC's PSs, especially on stakeholder engagement (PS1) and the FPIC process. Specifically, IFC will follow up with ETESA and its E&S consultant on IFC's recommendations on the consultant's work plan.

11. IFC will also be coordinating with ETESA to implement additional training sessions on IFC's PSs with the client's E&S consultant.

12. IFC will follow up with the complainants to hold the 6-month feedback meeting once the ESIA is underway, so as to have sufficient material for discussion. The meeting is expected to be held in the third quarter of FY23.

13. Regarding the tender for the transmission line, this is still in a preparatory stage, with the review of draft bid documentation. The process, which will be through a public-private partnership (PPP) contract and approved by Panama's PPP unit, is planned for the first quarter of 2023 and bids are expected by the third quarter.

14. IFC will continue reporting on the commitments in the MAP and the Staff Statement, as well as on additional actions as part of IFC's advisory mandate. Another progress report will be submitted to the Board in six months.

15. IFC also will continue to update CAO on actions undertaken to address its recommendations from the Investigation Report. Further to the materials already shared with CAO over the past period and the active link to documents, a meeting with CAO was held on December 14, 2022.

## II. UPDATE ON IMPLEMENTATION OF MAP ACTIONS

Area of Improvement	Action / Activity	Responsibility	Deliverable / Expected Outcome	Timeframe	Status	Summary of Implementation
A. Enhance advice on the consultation process with IPs inside and outside the Comarca in line with IFC PSs.	<b><u>Action A.1</u></b> <b>IFC will advise ETESA on measures to be undertaken to align the ongoing stakeholder engagement process with PS1 and PS7 requirements.</b>	IFC	1. Letter to ETESA's Chief Executive Officer (CEO) with IFC recommendations.	1. As soon as MAP is approved by the Board.	<b>Completed on July 19, 2022</b>  ETESA's confirmation of IFC's letter and MAP, including PS requirements for the ESIA received on November 8, 2022.	The letter was delivered to ETESA's CEO in person on July 18 and sent electronically on July 19, 2022.  Advice focused on a methodology for stakeholder identification and analysis, disclosure, and inclusive consultation. It specified engaging traditional leaders, promoting the use of indigenous languages and culturally appropriate communication. IFC also advised ETESA to use translators from the IP region and female consultants to improve engagement with indigenous women.
	<b><u>Action A.2</u></b> <b>IFC will advise ETESA to undertake an engagement process with IPs outside the Comarca consistent with IFC PS.</b>	IFC	2. Letter to ETESA's CEO with IFC recommendations.	2. As soon as MAP is approved by the Board.	Letter delivered on July 19, 2022 with ongoing advice to be provided as part of IFC's advisory role.  ETESA's confirmation of IFC's letter and MAP, including PS requirements received on November 8, 2022.	The above-referenced letter to ETESA's CEO included advice on the engagement process with IPs outside the Comarca, consistent with IFC PS.

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<p>B. Enhance the advice on the development of the ESIA to be in line with IFC PS.</p>	<p><b>Action B.1</b>  <b>IFC will hold a 2-day workshop with ETESA and its selected E&amp;S consultant to explain in more detail the requirements of PSs to be used in the ESIA.</b>  The workshop will cover the requirements of the 8 IFC PSs, and will include, among other points, a discussion of: (a) a bottom-up approach to stakeholder consultations and decision-making, especially in the context of IP communities living inside and outside the Comarca; (b) the importance of gender-inclusive assessment and consultations covering the Project’s area of influence; and (c) the need for information disclosure</p>	<p>IFC</p>	<p>1. A 2-day workshop with ETESA and its E&amp;S consultant. Minutes of workshop and agreements on workshop conclusions by ETESA.</p> <p>2. Inclusion of key outcomes of workshop in ETESA’s E&amp;S consultant work plan for the ESIA.</p>	<p>1. First month after ETESA’s E&amp;S consultant is selected, expected by Q3 2022.</p>	<p>Completed on July 21, 2022.</p> <p>Advice completed.</p> <p>Follow up ongoing with ETESA and the E&amp;S consultant.</p>	<p>1. On July 20-21, 2022, IFC, ETESA and the E&amp;S consultant participated in an “Updating Social &amp; Environmental Issues Workshop,” which covered the eight IFC Performance Standards.</p> <p>The workshop included a discussion of a bottom-up approach to stakeholder consultations, specifically in the context of indigenous communities, both inside and outside the Comarca.</p> <p>Gender-inclusive assessments and consultations covering the Project area of influence and the need to ensure disclosure of information in local languages were also discussed, as was the importance of involving translators and hiring indigenous staff from the areas of consultation.</p> <p>The workshop was documented through a list of all participants, presentations made, a summary and agreed next steps.</p> <p>2. IFC reviewed the E&amp;S consultant’s first deliverable, which included the work plan. It provided its recommendations to ETESA to align the work plan with IFC’s PSs on October 25, 2022. The incorporation of IFC’s recommendations and agreements from the July 2022 workshop into the consultant’s first deliverable is under discussion with ETESA.</p>



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	<p>in local indigenous languages.</p> <p>The workshop will be documented through minutes, including list of all participants, presentations made and agreed next steps. Key outcomes of the workshop will be included in ETESA's E&amp;S consultant work plan for the ESIA, which will be reviewed by IFC.</p>					

### III. UPDATE ON IMPLEMENTATION OF STAFF STATEMENT COMMITMENTS

Area of Improvement	Action / Activity	Responsibility	Deliverable / Expected Outcome	Timeframe	Status	Summary of Implementation
C. Feedback to Complainants.	<p><b><u>Action C.1</u></b> To provide feedback to the Complainants, IFC will send a letter within 30 days after MAP approval, outlining which suggestions have been taken on board and explaining the reasons why others cannot be incorporated.</p>	IFC	<p>1. IFC's written response to Complainants' suggestions on the MAP.</p> <p>2. IFC meeting with the Complainants to explain IFC response to Complainants' suggestions on MAP.</p>	<p>1. Within 30 days of MAP approval.</p> <p>2. Within 30 days of MAP approval.</p>	<p>1. Completed on July 11, 2022.</p> <p>2. Completed on August 4, 2022.</p>	<p>IFC's written response was sent on July 11, 2022.</p> <p>The meeting with the Complainants was held on August 4, 2022.</p>

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	IFC will also propose a follow-up meeting, within 30 days after sending the letter, to go over its contents with the Complainants.		3. IFC meeting with Complainants to request feedback.	3. Every six months, at the time of reporting to the Board.	3. Delayed.	The meeting with Complainants to seek feedback on ESIA implementation has been delayed due to delay in approval of the contract for the E&S consultant.
D. Review the various outputs of the ESIA process.	<b>Action D.1</b> As part of IFC overall engagement, IFC will review the various outputs of the ESIA process, starting with the consultant's work plan, to provide recommendations on closing PS gaps, including recommending supplemental consultant expertise and/or resources as necessary to carry out the ESIA in accordance with the PSs and achieve FPIC.	IFC	1. IFC recommendations on first deliverable, E&S consultant's work plan.  2. IFC advice to ETESA on E&S consultant technical capacity.  3. IFC review and advice on additional outputs of the ESIA process.	1. After submission by the E&S consultant.  2. As soon as required.	1. Completed on October 25, 2022, with ongoing advice as per IFC's advisory role.  2. Completed on September 24, 2022, with ongoing advice as per IFC's advisory role.  3. Ongoing.	IFC sent its recommendations to ETESA on October 25, 2022. ETESA is reviewing them and will discuss implementation with IFC.  IFC recommended that ETESA strengthen the E&S consultant's technical capacity on the PS, in a meeting held on September 24, confirmed by email on September 29, 2022. As part of our ongoing support to ETESA, we also plan to hold additional workshops focused on individual PSs in the coming few months with ETESA and its E&S consultant.
E. Continue to advise ETESA on engagement and FPIC.	<b>Action E.1</b> As part of IFC overall engagement, IFC will continue advising ETESA on stakeholder engagement, PS7, and FPIC, and review the design documentation for, and outputs of, the	IFC	1. IFC recommendations on E&S consultant's first deliverable.	1. After submission by the E&S consultant.	Completed on October 25, 2022 with ongoing advice as per IFC's advisory role.	The letter was delivered to ETESA's CEO electronically on July 19, 2022.

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	FPIC process, for consistency with the PSs.		<p>2. IFC advice to ETESA on E&amp;S consultant technical capacity.</p> <p>3. IFC request to ETESA to continue the discussion on engagement with indigenous groups.</p>	<p>2. As soon as required.</p> <p>3. As soon as required.</p>	<p>Ongoing advice as per IFC's advisory role.</p> <p>Ongoing advice as per IFC's advisory role.</p>	<p>On July 20-21, 2022, IFC held the "Updating Social &amp; Environmental Issues Workshop."</p> <p>IFC sent its recommendations to ETESA, including on the FPIC process, on October 25, 2022.</p> <p>IFC recommended that ETESA strengthen the E&amp;S consultant's technical capacity on the PS in a meeting held on September 24, and confirmed by email on September 29, 2022.</p> <p>On October 26, 2022, IFC requested ETESA to provide updates on the status of the mapping of indigenous groups outside the Comarca and to discuss its engagement with IPs inside and outside the Comarca.</p>

#### IV. UPDATE ON SYSTEMIC RECOMMENDATIONS

Area of Improvement	Action / Activity	Responsibility	Deliverable / Expected Outcome	Timeframe	Status	Summary of Implementation
Providing guidance to staff on the scope of IFC's role when a client implements project development activities with E&S risks or impacts	IFC provided an update to CODE on the development of the ESRP and the accompanying ESRP Handbook, which provides detailed implementation guidance to specialists on new business processing,	IFC	Delivered third update to Board on its commitments to non-policy actions in response to the <i>External Review of IFC/MIGA E&amp;S Accountability</i> ,	Next update expected Q3 FY23.	On-going.	<p>Drafting of the Advisory Services section of the ESRP and internal consultation has been completed, with a final review due in Q4 FY23. The ESRP Handbook sections on advisory services are expected to be completed in FY24.</p> <p>IFC will continue to update the Board on</p>

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during the Advisory Services engagement.	portfolio monitoring and advisory services, as well as an update on mainstreaming contextual risk screening.		<i>including CAO's Role and Effectiveness.</i>			the ESRP and the accompanying Handbook through its reporting on non-policy actions.
Incorporating the need for contextual risk analysis for Advisory Services projects in the ESRP.	Contextual risk analysis has been mainstreamed across project appraisal and supervision as well as advisory services and is being reflected in the ESRP and the ESRP Handbook.	IFC	Drafted Advisory Services section of the ESRP.	A final review of the ESRP section for Advisory Services is expected by Q4 FY23.	Ongoing	The Draft Advisory Services section of the ESRP includes a contextual risk analysis that is incorporated in the review of all PPP projects.