

INTERNATIONAL FINANCE CORPORATION

**FOURTH MANAGEMENT
PROGRESS REPORT**

ON

**IMPLEMENTATION OF THE
MANAGEMENT ACTION PLAN**

FOR

PANAMA ELECTRICITY TRANSMISSION LINE IV

**PANAMA – LATIN AMERICA AND THE CARIBBEAN
PROJECT NO. 602084**

July 9, 2025

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ABBREVIATIONS AND ACRONYMS

AS	Advisory Services
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	Empresa de Transmisión Eléctrica (Electric Transmission Company)
FPIC	Free, Prior, and Informed Consent
FY	Fiscal Year
GoP	Government of Panama
IFC	International Finance Corporation
IPs	Indigenous Peoples
Km	Kilometer
MAP	Management Action Plan
MoE	Ministry of Environment
MPR	Management Progress Report
PPP	Public-Private Partnership
Project	Panama Electricity Transmission Line IV (Project No. 602084)
PSs	IFC's Performance Standards
TASA	Transaction Advisory Services Agreement

I. OVERVIEW OF MAP IMPLEMENTATION AND RECENT DEVELOPMENTS RELATED TO THE PROJECT

1. This is the 4th and final Management Progress Report (MPR) of the International Finance Corporation (IFC) outlining the status of the Management Action Plan (MAP), designed in response to the Compliance Advisor Ombudsman (CAO) Compliance Investigation Report of February 28, 2022, regarding the Panama Electricity Transmission Line IV (Project No. 602084, the “Project”). The MPR provides a summary of recent developments concerning *Empresa de Transmisión Eléctrica* (ETESA or the “Client”) and the Project, including the conclusion of the Advisory Services (AS) between IFC and ETESA.

2. Since 2017, IFC has been providing AS to the State-owned enterprise ETESA, related to the 330-km transmission line project. The expected Project cost was US\$780 million and was intended to be ETESA’s first Public-Private Partnership (PPP).

3. IFC’s Board of Directors approved the MAP on June 9, 2022, which included actions for IFC to support ETESA in the application of IFC’s Performance Standards (PSs), specifically PS1 and PS7 in relation to: (i) the engagement with Indigenous Peoples (IPs) in the area of influence of the Project, living both in officially recognized territories known as Comarcas as well as outside of them; (ii) inclusive, informed consultations through a robust participatory process; and (iii) a process to obtain Free, Prior, and Informed Consent (FPIC). This MPR covers activities from mid-August 2024 to the end of May 2025.

4. In reviewing this MPR, it should be noted that the 2020 Transaction Advisory Services Agreement (TASA) signed between IFC and ETESA required the Client to “make best efforts” to apply IFC’s PSs. Although the TASA expired in June 2022, IFC continued to engage with ETESA. As described in the previous MPRs, in FY2023¹ IFC completed all the actions committed to in the MAP (see table in Section II, MAP Implemented Actions) and, consistent with the IFC Commitments in the Staff Written Statement to the Board, IFC continued providing ETESA advice aligned with IFC’s PSs on various outputs of the Environmental and Social Impact Assessment (ESIA) process, stakeholder engagement process, and FPIC, alongside offering feedback to el Movimiento por la Defensa de los Territorios y Ecosistemas de Bocas del Toro (*Movement for the Defense of the Territories and Ecosystems of Bocas del Toro*) and Center for International Environmental Law, the Complainants involved in the CAO case.

5. Following the start of the new administration of the Government of Panama (GoP) in July 2024, IFC made multiple attempts—beginning in August 2024—to engage with it. A response was received in mid-December 2024, which led to a high-level meeting scheduled for January 2025 between ETESA and IFC.

6. During the meeting held on January 21, 2025, in Panama between IFC and ETESA’s Chief Executive Officer (CEO) and its top management, ETESA informed IFC that the Project had been deprioritized and that it was currently reviewing its investment and operations program, with a focus on enhancing its existing network (Lines 1, 2 and 3). In light of this, and the expiration of

¹ First MPR December 16, 2022; Second MPR, November 9, 2023; Third MPR September 4, 2024.

IFC's advisory mandate in March 2024, both parties agreed to conclude IFC's advisory engagement on the project.

7. Additionally, ETESA informed IFC that on December 13, 2024, ETESA requested the Ministry of Environment (MoE) to withdraw the ESIA from the evaluation process. On December 31, 2024, the MoE issued a decision confirming that the ESIA was so withdrawn. ETESA informed IFC that a new ESIA approval process will be required in the future if the Project is restarted. Furthermore, ETESA's new environmental and social (E&S) Chief informed IFC that ETESA's new administration had not engaged with IP communities located in the Project's area of influence.

8. It is important to note that since the GoP PPP Agency did not approve the tender documents, the public bid for the Project was never carried out.

9. Following the January 2025 meeting, IFC sent a letter to ETESA's CEO on April 9, 2025. The letter reiterated IFC's concerns regarding the E&S aspects of the Project, including IFC's previous comments made on the draft ESIA, and recommended E&S provisions for the draft PPP contract, given that the communities within the Project's area of influence had expressed serious concerns with the Project and the engagement that has occurred to date. IFC strongly recommended that ETESA inform the communities that the Project will not proceed in the near future.

A. Implementation of IFC Commitments in the Staff Statement to the Board

10. In accordance with the commitments outlined in IFC's Staff Written Statement to the Board,² in which IFC pledged to gather feedback from the CAO Complainants every six months prior to reporting to the Board, IFC held a virtual meeting with them on March 17, 2025.

11. During the engagement, IFC informed the Complainants about the outcomes of the January 2025 meeting between IFC and ETESA. IFC explained to the Complainants that ETESA had decided to deprioritize the Project, meaning that IFC's engagement with ETESA on this matter would end. Furthermore, IFC explained that it had recommended that ETESA inform the communities within the Project's area of influence that the Project will not proceed in the near future. Finally, IFC clarified that this would be the last recurrent interaction with the Complainants through the CAO process. However, communication channels will remain open between IFC, CAO and the Complainants.

12. The Complainants welcomed the update provided by IFC and ETESA's decision to remove the Project from its pipeline. They reiterated their ongoing concern regarding the risk of reprisals, a concern they have expressed in the past. They also emphasized the importance of ETESA publicly communicating its decision to ensure transparency.

² The IFC Staff Written Statement was submitted to the Board at the same time of IFC's Management Report and Management Action Plan in response to the CAO Compliance Investigation Report dated May 10, 2022. While it was submitted at the same time and within the same document as the MAP, it was not part of the MAP itself. The Staff Written Statement reflects additional commitments made by IFC beyond those included in the MAP.

13. During this MPR period, IFC also followed up with ETESA on the matters related to E&S complaints before the Inter-American Commission on Human Rights. ETESA informed IFC that there had been no further updates.

14. In addition, IFC informed CAO of the latest developments regarding ETESA and the Project, as well as the outcomes of its meeting with the Complainants.

B. Implementation of Systemic Recommendations

15. In the context of its compliance investigation, CAO made two systemic-level recommendations: (i) to provide 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 AS engagement; and (ii) to incorporate the need for contextual risk analysis in AS projects in the Environmental and Social Review Procedures (ESRP).

16. Regarding the first recommendation, in the last quarter of 2023, IFC committed to developing a guidance tip sheet for AS to be included in the ESRP Handbook. The completion of the tip sheet was delayed due to IFC's E&S reorganization on July 1, 2024, which resulted in a redesign of the Accountability and Decision-Making framework. Consequently, the relevant section of the ESRP for AS was issued on January 21, 2025 and the relevant tip sheet has been finalized and was issued in June 2025.

17. Regarding the second recommendation, related to incorporating the need for contextual risk analysis in AS projects in the ESRP, specific requirements for contextual risk screening have been included in the updated ESRP and are now applied to all projects. In addition, a Good Practice Note on Contextual Risk has been finalized. At present, this document is designated for internal use only and remains confidential while it is reviewed for possible external publication.

C. Next Steps

18. According to the CAO Policy, paragraph 142, IFC is responsible for supervising the implementation of the MAP at such intervals as proposed by Management or approved by the Board.

19. Given the completion of all of IFC's commitments outlined in the MAP in FY2023, the expiration in 2022 of the TASA signed between ETESA and IFC, the conclusion of IFC's advisory role in March 2024, and ETESA's recent decision to deprioritize the Project, this submission serves as the final MPR to the Board.

20. IFC has also finalized the implementation of the Systemic Actions described in this document, and will brief Management, CAO and/or the Board as requested.

II. MAP IMPLEMENTED ACTIONS

21. The table below provides an update to the Board regarding actions included in the MAP. The MAP actions pertaining to IFC have been implemented.

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Time-frame	Status	Summary of Implementation
A. Enhance the advice on the consultation process with IPs inside and outside the Comarca in line with IFC PSs.	<u>Action A.1.</u> IFC will advise ETESA on measures to be undertaken to align the ongoing stakeholder engagement process with PS1 and PS7 requirements.	IFC	1. Letter to ETESA's CEO with IFC recommendations.	1. As soon as MAP is approved by the Board.	Completed on July 19, 2022. 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.
	<u>Action A.2.</u> IFC will advise ETESA to undertake an engagement process with IPs outside the Comarca consistent with IFC PSs.	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. Ongoing advice 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 PSs.
B. Enhance the advice on the development of the ESIA to be in line with IFC PSs.	<u>Action B.1</u> IFC will hold a 2-day workshop with ETESA and its selected E&S consultant to explain in more	IFC	1. A 2-day workshop with ETESA and its E&S consultant. Minutes of workshop and agreements on	1. First month after ETESA's E&S consultant	1. Completed on July 21, 2022.	1. On July 20-21, 2022, IFC, ETESA and the E&S consultant participated in an "Updating Social & Environmental Issues Workshop," which covered the eight IFC PSs. The workshop included a discussion of a bottom-up approach to stakeholder consultations,

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Time-frame	Status	Summary of Implementation
	detail the requirements of PSs to be used in the ESIA.		workshop conclusions by ETESA.	is selected.		specifically in the context of indigenous communities, both inside and outside the Comarca. In February 2023, IFC conducted a second workshop with ETESA, its E&S unit and ESIA consultant, and followed up with a written summary with recommendations and a letter in May 2023. 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. The workshops were documented through a list of all participants, presentations, and a summary and agreed next steps.
		IFC	2. Inclusion of key outcomes of workshop in ETESA's E&S consultant work plan for the ESIA.		2. IFC advice to ETESA was provided; the work plan did not reflect IFC's advice. CAO closed this action for monitoring as "Partly Unsatisfactory" in its May 2024 Compliance Monitoring Report.	2. IFC reviewed the E&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 work plan has not been updated to reflect IFC's advice.

III. UPDATE ON STAFF WRITTEN STATEMENT IMPLEMENTATION ACTIONS

22. The table below provides an update to the Board regarding actions included in the Staff Written Statement to the Board, which was submitted separately from the MAP.

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
C. Feedback to Complainants.	Action C.1 To provide feedback to the Complainants, IFC will send a letter within 30 days after the MAP approval, outlining which suggestions have been taken on board and explaining the reasons why others cannot be incorporated. IFC will also propose a follow-up meeting, within 30 days after sending the letter, to go over its content with the Complainants. Finally, IFC will seek feedback from the Complainants every 6 months, at the time of reporting to the Board and CAO.	IFC	1. IFC's written response to Complainants' suggestions on the MAP.	1. Within 30 days of MAP approval.	1. Completed on July 11, 2022.	1. IFC's written response was sent on July 11, 2022.
			2. IFC meeting with the Complainants to explain IFC response to Complainants' suggestions to MAP.	2. Within 30 days of MAP approval.	2. Completed on August 4, 2022.	2. The meeting with the Complainants was held on August 4, 2022.
			3. IFC meeting with Complainants to request feedback.	3. Every six months, at the time of reporting to the Board.	3. Completed.	3. IFC has held four substantive meetings with the Complainants, three virtually and the other in-person, including with IFC Management. The last meeting was held on March 17, 2025.
D. Review the various outputs of the ESIA process.	Action D.1 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.	1. After submission by the E&S consultant.	1. Completed on October 25, 2022, with ongoing advice as per IFC's advisory role provided until March 2024.	1. IFC sent its recommendations to ETESA on October 25, 2022. However, the work plan was not updated to reflect IFC's advice. IFC's final letter to ETESA was sent on April 9, 2025, formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.
			2. IFC advice to ETESA on E&S consultant technical capacity.	2. As soon as required.	2. Completed on September 24, 2022, with ongoing	2. IFC recommended that ETESA strengthen the E&S consultant's technical capacity on the PSs, in a meeting held on September 24 and

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
					advice as per IFC's advisory role provided until March 2024.	confirmed by email on September 29, 2022. IFC's final letter to ETESA was sent on April 9, 2025 formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.
			3. IFC review and advice on additional outputs of the ESIA process.		3. Completed, with gaps needing to be addressed by ETESA.	3. IFC reviewed Products 1-3 of the ESIA and provided written comments in February 2023. IFC reviewed Product 4 of the ESIA and provided written comments in April 2023. IFC reviewed Products 4-12 of the ESIA and provided written comments in June 2023. As indicated in Section II, IFC conducted a workshop in February 2023 with ETESA, its E&S unit and ESIA consultant. IFC's final letter to ETESA was sent on April 9, 2025, formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.
E. Continue to advise ETESA on engagement and FPIC.	Action E.1 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 FPIC process, for consistency with the PSs.	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 provided until March 2024	1. IFC sent its recommendations to ETESA, including on the FPIC process, on October 25, 2022. IFC's final letter to ETESA was sent on April 9, 2025, formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
			2. IFC advises ETESA on E&S consultant's technical capacity.	2. As soon as required.	Ongoing advice as per IFC's advisory role provided until March 2024.	2. IFC recommended that ETESA strengthen the E&S consultant's technical capacity on the PSs in a meeting held on September 24 and confirmed by email on September 29, 2022. IFC's final letter to ETESA was sent on April 9, 2025, formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.
			3. IFC request to ETESA to continue engagement with indigenous groups.	3. As soon as required.	Ongoing advice as per IFC's advisory role provided until March 2024	3. IFC continued providing advice to ETESA, including a November 2023 letter.
						4. The Consultant through meetings, including the February 2023 workshop, and written communications, including the summary of the workshop and the four rounds of comments on the ESIA deliverables. In addition, the World Bank President and IFC's Senior Management met with ETESA in March 2023 to reiterate the importance of IFC's PSs particularly as they relate to FPIC and ongoing ESIA activities that include discussions with IPs. IFC Senior Management again met with ETESA and GoP officials in July 2023 to discuss these issues. In its written advice, IFC advised ETESA to develop a roadmap to: (1) continue the FPIC process with IPs

Area of Improvement	Action / activity	Responsibility	Deliverable / expected outcome	Timeframe	Status	Summary of Implementation
						living inside the Comarca and align the process with PS7 requirements; and (2) commence an Informed Consultation and Participation process with IPs living outside the Comarca and set the basis for an FPIC process. IFC's final letter to ETESA was sent on April 9, 2025, formalizing IFC's disengagement from the Project due to ETESA's decision to deprioritize the Project in its portfolio.