

Management Clarification on ICIM Report: Panama Canal Expansion Program

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Summary

1. IDB complied entirely with the Environment and Safeguards Compliance Policy (OP-703), including meeting objective of environmental sustainability of operation.
2. IDB complied in substance with all Disaster Risk Management Policy (OP-704) requirements
 - IDB complied with all substantive requirements of OP-704.
 - IDB did not comply with procedural reporting requirement of risk classification of OP-704.

The IDB's Compliance with OP-703

Water availability was rigorously assessed

- Water availability was identified up-front as a significant risk.
- Mitigation measures were included in the design of the expansion program to save water use.
- As a result, the Expansion Program was designed to save water use from the operation of the Canal.

The Expansion Program has a net positive impact on water availability

- Independent Engineer confirmed that the water saving design of the locks would actually decrease overall water usage by the Canal, thereby increasing water availability by 1,600 Mm³ (or 38%).

There is no contradiction in the ESMR

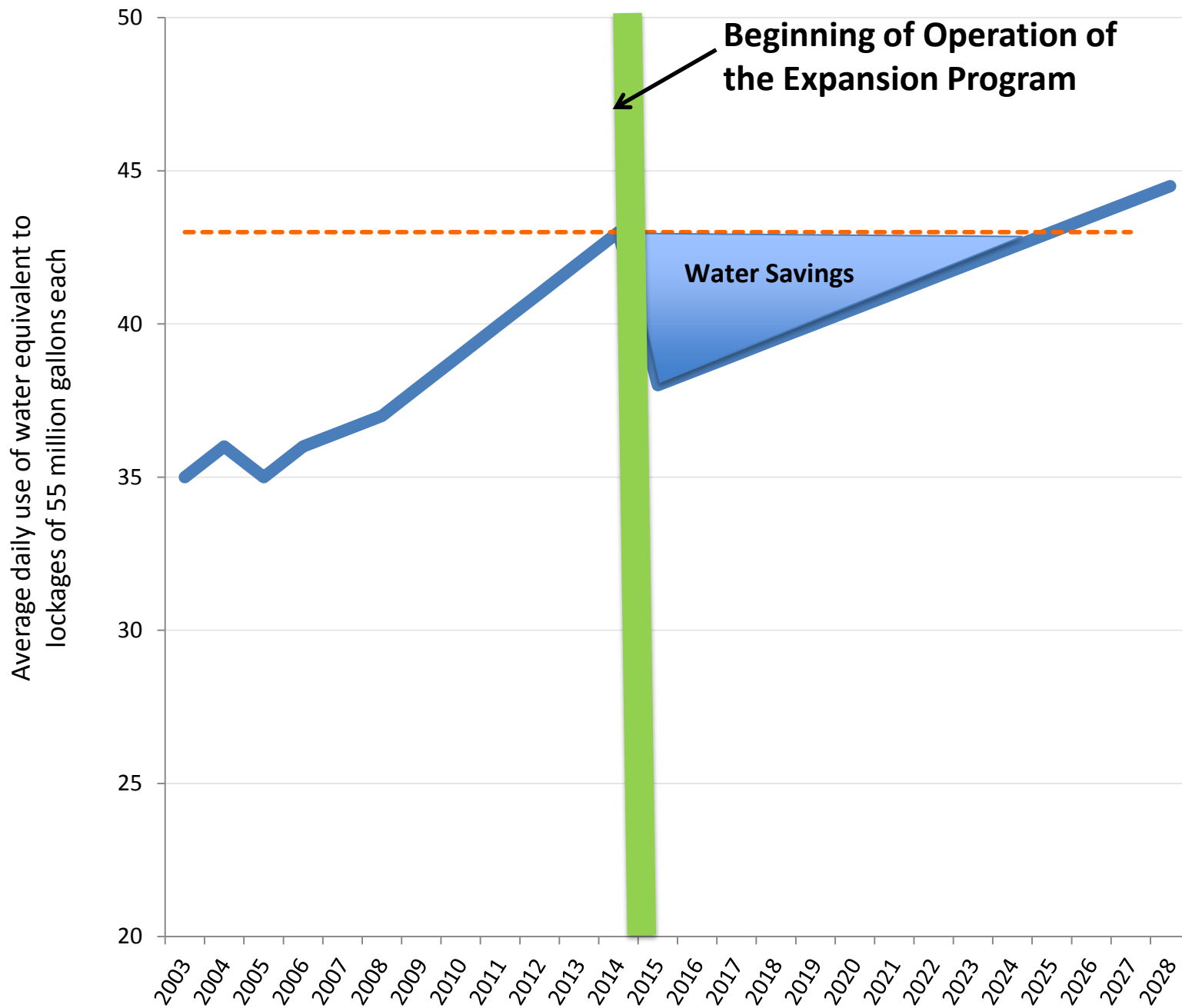
- It presents first a discussion regarding the potential risk of increased pressure on water demand and later a description of how the mitigation measures will minimize that risk.

OP-703 is focused on ensuring Environmental Sustainability

- OP-703 is concerned with limiting any negative impacts of the operation on water resources.
- OP-703 is not concerned with the financial/business sustainability of the operation.

OP-703 requirements and objective were fully complied with.

Net Positive Impact on Water Availability



Source: data from ACP Master Plan 2005-2025 (June, 2006)

The IDB's Compliance with OP-704

Seismic Risk Assessment was Completed

- 36 Studies, reports, design specifications and plans were prepared by the borrower. Additionally, 16 world class experts as members of 3 expert panels reviewed the seismic risk.
- The Bank's independent engineer and environmental consultant reviewed the seismic analyses.
- The Bank accepted the experts' opinion on seismic risk and on the adequacy of mitigation measures.

IDB Relied on Expert Opinion

- OP-704 does not require the Bank to make its own conclusions and assessments and encourages the Bank to seek expert opinion.
- OP-704 does not require the Project Team to provide evidence of its own analysis and conclusions in a document authored by the Team.

Seismic Risk Classification was Completed




- The review of the EIA and experts report by both the independent engineer and the environmental consultant concluded that the seismic risk was medium to low.
- As the risk was not identified as high, as per OP-704 no other steps were necessary regarding the seismic risk.

IDB complied with all substantive requirements of OP-704





- Risk assessment, classification and mitigation were completed.
- Procedural requirement of reporting risk classification was not met.



OP-704 Requirements and Actions Taken

Disaster Risk Management Requirements	Actions to Meet Requirements	
<p>Finance only projects with acceptable levels of risk</p> <p>Bank financed public and private sector projects will include the necessary measures to reduce disaster risk to acceptable levels. The Bank will not finance projects that would increase the threat of loss of human life, significant human injuries, severe economic disruption or significant property damage related to natural hazards.</p>	<p>The Expansion Project includes all the necessary measures to reduce seismic risk.</p> <p>The locks and the retaining structures were designed to withstand a level-1 event (probability of once every 465 years) without obstructing the operation of the Canal and causing damages to the structures holding water, and a level-2 event (probably of once every 1000 years) with no interference in the structure’s ability to permanently hold water.</p>	
<p>Identify level of risks</p> <p>Project teams will identify if the projects have high exposure to natural hazards or show high potential to exacerbate risk.</p>	<p>The project team identified seismic as a potential risk and the Bank’s independent engineer and independent environmental consultant reviewed the seismic risk analysis to confirm level of risk.</p> <p>The seismic risk was classified as medium to low.</p>	
<p>Report findings</p> <p>Findings will be reported to the Bank through the social and environmental project screening and classification process.</p>	<p>This procedural requirement was not met for seismic risk as the finding of medium to low level of seismic risk was not reported in the ESMR. However, findings of other natural hazard risks related to landslides and climate risks were reported in the ESMR.</p>	
<p>Assess high risk projects</p> <p>For projects identified as high-risk, a disaster risk assessment is required to be prepared by the Borrower.</p>	<p>The project’s risk classification was medium to low and no additional disaster risk assessment was required beyond what was already undertaken.</p>	

OP-704 Requirements and Actions Taken

<p>Develop risk prevention and mitigation measures for high risk projects</p> <p>When significant risks due to natural hazards are identified, appropriate measures should be taken to establish the viability of the project, including risk prevention and mitigation in project design.</p>	<p>Locks and retaining structures were designed to minimize seismic risk and to withstand level 1 &2 events.</p>	
<p>Seek expert opinion</p> <p>Expert Opinion and adherence to international standards should be sought, where reasonably necessary.</p>	<p>The IDB sought the expert opinion of an independent engineer as well as environmental consultants. They reviewed the opinions and reports of world class expert panels established by the Borrower.</p>	
<p>Establish protocols for safety evaluations</p> <p>The Borrower will establish protocols to carry out periodic safety evaluations during construction and operation.</p>	<p>The Borrower has in place:</p> <ul style="list-style-type: none"> • a satisfactory Contingency Plan for the current operation of the Canal • yearly Contingency Plan Revisions and Updates for the construction of the Expansion • geotechnical Engineering Risk Management Department that manages programs for Landslide Control, Seismic Vulnerability and Dam Safety. The Seismic Vulnerability program has a network of accelerographs and seismographs compiling data daily. <p>For the operation of the new locks, the Panama Canal Authority Contingency Plan will be updated to include the new structures, an analysis of the new risks, and the identification of responses to these new hazards.</p>	
<p>Mitigate risks and monitor implementation</p> <p>The Bank will take steps to identify and reduce natural hazard risks and monitor implementation.</p>	<p>The Bank:</p> <ul style="list-style-type: none"> • requested an independent engineer (IE) to review the seismic risk analysis to confirm level of risk and adequacy of the measures to reduce them to acceptable levels; • directed the IE to review the engineering design premises and functional specifications included in the request for proposal for the design and construction of the locks and other projects within the Expansion Program to ensure that they were complete and adequate to address the seismic and water risks • established in the Common Terms Agreement as Condition Precedent the due execution of the locks contract according to the design specifications previously reviewed by the IE; • is monitoring construction works to ensure they are accordance with the specifications in the contracts to reduce seismic risk. 	

THANK YOU!

