

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

PANAMA ONLINE PROGRAM

(PN-L1114)

LOAN PROPOSAL

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REQUIRED

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4. [Procurement plan](#)

OPTIONAL

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ABBREVIATIONS

AIG	Autoridad Nacional para la Innovación Gubernamental [National Authority for Government Innovation]
AWP	Annual work plan
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
COBIT	Control Objectives for Information and Related Technology
CSIRT	Computer Security Incident Response Team
ICB	International competitive bidding
ICTs	Information and communication technologies
MSEs	Microenterprises and small businesses
NCB	National competitive bidding
OC	Ordinary Capital
PASI	Programa de Apoyo a la Inclusión Económica del Sector Informal en Panamá [Program to Support the Economic Inclusion of the Informal Sector in Panama]
QCBS	Quality- and cost-based selection
SENACYT	Secretaría Nacional de Ciencia, Tecnología e Innovación [National Department of Science, Technology, and Innovation]
SIAFPA	Sistema Integrado de Administración Financiera de Panamá [Integrated Financial Administration System of Panama]
SIGA	Sistema de Gestión Integral Aduanera [Integrated Customs Management System]
VUCE	Ventanilla Única de Comercio Exterior [One-stop Trade Window]
WEF	World Economic Forum

PROJECT SUMMARY
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Financial Terms and Conditions				
Borrower: Republic of Panama			Flexible Financing Facility^(a)	
			Amortization period:	20 years
Executing agency: Autoridad Nacional para la Innovación Gubernamental [National Authority for Government Innovation] (AIG)			Original WAL:	12.75 years
			Disbursement period:	5 years
Source	Amount (US\$)	%	Grace period:	5.5 years
IDB (OC):	22,000,000	73	Inspection and supervision fee:	(b)
			Interest rate:	LIBOR-based
Local:	8,000,000	27	Credit fee:	(b)
			Currency:	U.S. dollars from the Ordinary Capital (OC)
Total:	30,000,000	100		
Project at a Glance				
Program objective: The program objective is to improve efficiency and equity in the delivery of public services, in order to enhance economic competitiveness and social inclusion. This general objective will be achieved through the following specific objectives: (i) modernize access to a set of strategic transactions for businesses and citizens; (ii) enable access to public services for citizens with the greatest social needs; (iii) strengthen the AIG and other government entities with responsibilities in e-government and process streamlining; and (iv) improve the capacity of the Ministry of the Environment to process transactions.				
Special contractual conditions precedent to the first disbursement of the loan proceeds, to be fulfilled by the borrower, acting through the executing agency, to the Bank's satisfaction: (i) present evidence to the Bank of a commitment made by the executing agency to the borrower, in the form of a written statement prepared by a legal representative duly authorized for such purpose by its governing board, to fulfill the obligations corresponding to it as the executing agency under the terms and conditions stipulated in the loan contract (see paragraph 3.1); (ii) the borrower, acting through the executing agency, will set up the project execution unit and hire the technical team in accordance with the profiles and requirements agreed upon with the Bank (see paragraph 3.3); (iii) the borrower, acting through the executing agency, will present to the Bank, under the terms agreed upon with it, a model of the interagency agreement to be signed between the AIG and the main participating entities (see paragraph 3.5); and (iv) the borrower, acting through the executing agency, will present the Operating Regulations to the Bank, under the terms agreed upon with it (see paragraph 3.8).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(c)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>	
Crosscutting themes:^(d)	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(c) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(d) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Panama's economy grew at an average annual rate of 7% between 2008 and 2015. The expansion of the Panama Canal invigorated the country's economy, and growth has since been supported by construction (37%), transportation and logistics (22%), and financial services (15%). The public sector has worked apace with the private sector, making investments to close infrastructure gaps. Between 2010 and 2014, public sector investment averaged 12.8% of GDP, in line with the Public Sector Investment Plan in place during those years. Despite this robust growth, poverty and extreme poverty rates were 23% and 10.3%, respectively, in 2015. Because there is a constitutional cap on the country's fiscal deficit, it will be hard for the government to sustain this rate of investment, which means the private sector will need to assume a more proactive role in the country's investment activity. In addition, in order to maintain these levels of growth and achieve greater equity, it will be necessary to combat inefficiencies that hinder competitiveness as well as inefficiencies that limit access among the most vulnerable groups to public services and social programs.
- 1.2 These inefficiencies translate into higher transaction costs for individuals and firms, as indicated in paragraph 1.11. In the World Economic Forum's [Global Competitiveness Report 2015-2016](#), Panama ranks 50th (a 10-position drop from the 2013-2014 ranking). In the 2016 Doing Business ranking, it places 69th among the 189 countries analyzed. Although the country is regionally competitive (second in the Global Competitiveness Report), it is not globally competitive. Both indexes identify inefficient government bureaucracy as a major obstacle to making the country more competitive. In the Global Competitiveness Report 2015-2016, bureaucracy has gone from being the third most limiting factor for competitiveness to the first. Panama ranks 70th in the world in terms of ease of getting a construction permit (98 days and 16 procedures) and 166th for paying taxes (417 hours per year)—activities indicative of government performance.
- 1.3 Bureaucratic inefficiency makes it equally hard for those most in need to gain access to public services, especially social programs and welfare services offered by the government. On average, beneficiaries of the four largest social programs¹ wait six months to receive their benefits.² Any transaction with the government involves a missed day of work and transportation costs ranging between two and four times the minimum wage per hour.³ In *corregimientos*⁴ such as Lolá, Corral Falso, and El Bale, there is only one bus per day that runs to the district seat—at six o'clock in the morning—and only one per day that returns—at midday, with roundtrip prices of US\$3 to US\$5. If a customer misses the return bus, he or she has to hire a private vehicle at a cost of US\$7 to

¹ Ángel Guardián, 120 a los 65, Red de Oportunidades (run by the Ministry of Social Development), and Beca Universal (run by the Institute for Training and Use of Human Resources, at the Ministry of Education).

² Figures provided by program officials during a meeting held at the Ministry of Social Development in December 2015.

³ Source: [Ministry of Labor](#) (December 2015).

⁴ [Corregimientos](#) are the smallest [political-administrative subdivisions in Panama](#). There are 655.

US\$10. Between 60% and 79% of microenterprises and small businesses (MSEs) in Panama do not meet all legal requirements and are operating informally, as reflected in the fact that 68.2% of MSEs do not have their employees enrolled in social security, increasing the ranks of Panamanians in need of assistance from the government's social programs. A recent report issued as part of the Program to Support the Economic Inclusion of the Informal Sector in Panama (PASI)⁵ indicates that 47% of entrepreneurs characterize the requirements for starting a business as excessive and 44% describe them as costly. These entrepreneurs identified bureaucracy as an obstacle to formality that has the effect of excluding a large number of workers from social security.

- 1.4 Improving procedural formalities in the sector providing transportation and logistics support for the Panama Canal is crucial to making it an engine of economic growth. The sector,⁶ which represents 20% of GDP, is one of the priority lines of action in the Government Strategic Plan for 2015-2019 and is also affected by bureaucratic inefficiency. Studies done to prepare the National Freight Logistics Plan point to the following challenges in the sector: sluggish implementation of the One-stop Trade Window (VUCE),⁷ delays and losses caused by trade-related procedural formalities,⁸ the fragmentation and lack of digitization of information, and weak information technology integration at participating agencies. A re-exportation transaction, of which there are over 1,000 per month, requires 7 steps, a 21- to 123-page packet of documents, and a number of stamps on various forms—a four-day process. In advanced countries like Singapore, this process is handled electronically in a single day.⁹ Panama is ranked 52nd of 138 countries in the WEF Global Enabling Trade Index, and 55th in terms of efficiency and transparency of border administration.
- 1.5 The country's competitiveness is likewise affected by a series of inefficiencies related to procedures and transactions under the responsibility of the Ministry of the Environment. This ministry handles 47 transactions, many of which are requirements for making investments and processing imports. Of these, 31 have already been identified as priorities for simplification.¹⁰ All of these formalities require the interested party to go to one or another window in person to fulfill the requirements. One the most important procedures for the country's economy is the "opinion on the environment impact assessment," which presently takes 180 days to obtain, delaying construction and investment projects throughout the country. According to the Government Strategic Plan, one of the causes of this

⁵ "La informalidad en Panamá: resultados del primer mapeo de la informalidad en el país" [Informality in Panama: results of the first exercise to map informality in the country], PASI, page 6.

⁶ Transportation and logistics includes the following subsectors: (i) ground transportation; (ii) sea transportation; (iii) air transportation; and (iv) logistics (trade and coordination processes). IDB Technical Note on Transportation and Logistics Sector, 2015.

⁷ The VUCE is a system that consolidates all trade-related formalities at one window and enables transactions to be performed electronically.

⁸ Ibid., footnote 1, page 44.

⁹ [Review of process for issuing re-exportation certificates](#). Office of the Secretary for Competitiveness.

¹⁰ According to the Ministry of the Environment letter addressed to the National Authority for Government Innovation (AIG).

- inefficiency is the ministry's reduced capacity to tackle the country's most pressing environmental challenges.¹¹
- 1.6 Unlike countries such as Uruguay and Chile,¹² Panama has not taken advantage of the opportunities offered by information and communication technologies (ICTs) to modernize its public administration and simplify and streamline access to procedures and transactions. The [Global Information Technology Report 2015](#) (WEF)¹³ ranks Panama 51st among 143 countries (but in 57th place for the pillar corresponding to government usage of ICT). The United Nations [e-Government Survey 2014](#) has Panama in 77th position of 193 countries for the general index and in 65th place for the e-participation subindex.
 - 1.7 Inefficiency in the delivery of government services means that transactions take an excessive amount of time, involve lengthy processes, and are costly for the government and the citizens, dampening the competitiveness of the economy and limiting access to services by those who are most in need of them. All of this can be attributed to [three sets of causal factors](#): (i) the majority of government procedures are cumbersome and must be handled in person;¹⁴ (ii) the poorest citizens are not Internet users;¹⁵ and (iii) public institutions lack the institutional strength needed in the area of ICTs to modernize the delivery of citizen services.
 - 1.8 The first set of factors is fundamentally due to the following: (i) the various entities in the public administration function as silos and do not share information;¹⁶ (ii) the public sector does not invest enough in ICTs;¹⁷ and (iii) government institutions in Panama operate according to a bureaucratic culture based on paper, hierarchy, and the need for multiple documents and steps to complete a transaction, not on results and customer service.¹⁸ The second set of causal factors is due to the fact that: (i) connectivity does not reach communities that are far away from the municipal seats,¹⁹ which is precisely where the poorest people live; and (ii) these communities lack the skills needed

¹¹ Environmental management in Panama gets patently negative reviews in recent years (Pilot Trend Environmental Performance Index, with the country ranked 103rd of 132 countries). See Government Strategic Plan, pages 21-22.

¹² Uruguay and Chile are ranked 26th and 33rd, respectively, in the e-Government Survey 2014.

¹³ The report analyzes the factors, policies, and institutions that enable a country to leverage ICTs for increased competitiveness and well-being.

¹⁴ Of the [2,700 procedures and transactions documented](#) by the government, only 43 can be initiated online.

¹⁵ Nearly half of Panamanians—47.3%—are not Internet users. The [International Telecommunication Union](#) defines an Internet user as a person over the age of two who has connected to the Internet in the past 30 days.

¹⁶ The country's social protection programs have problems with targeting in the sectors in greatest need, as well as problems with overlapping coverage inasmuch as there is no interoperability mechanism to facilitate the creation of a master registry of beneficiaries. Government Strategic Plan 2015-2019.

¹⁷ Government at a Glance 2013, Organization for Economic Cooperation and Development. Governments that are strongly positioned in ICT use invest between 1.5% and 2% of their budget on ICT. Panama invests less than 1%.

¹⁸ See [description of procedures and transactions](#).

¹⁹ [The National Strategic Plan for Broadband Connectivity](#), July 2013. Of the country's 634 *corregimientos*, 287 have broadband access. The target is to achieve a broadband coverage rate (fixed and mobile) of 47.5% and an Internet coverage rate of 83.5% by 2022.

to use the electronic devices that would enable them to take advantage of online services.²⁰ The third set of factors is due, especially, to the following: (i) the National Authority for Government Innovation (AIG), as the apex agency, does not have the necessary resources²¹ to play a leadership role in advancing e-government in the country and providing advisory services to the ministries and agencies to implement the Panama 4.0 Digital Agenda 2014-2019; (ii) most of the ministries and agencies lack human resources with the necessary qualifications;²² (iii) nor do they have the technological equipment needed to modernize their operations;²³ and (iv) the legal framework is incomplete, and procedures and transactions are not properly regulated for the knowledge society.²⁴ This institutional weakness is particularly pronounced at the Ministry of the Environment, created just one year ago.²⁵

- 1.9 In accordance with Law 65 of 2009, the AIG is the institution responsible for modernization of the public administration. In addition to the AIG, the following entities are relevant to the program: the Ministry of the Environment, the Ministry of Social Development, National Department of Science, Technology, and Innovation (SENACYT), the Office of the Secretary for Competitiveness in the Office of the Presidency, and the Ministry of Commerce and Industry. The document that establishes the activities of the AIG is [Panama 4.0 Digital Agenda 2014-2019](#),²⁶ which includes activities to strengthen e-government and streamline procedures to improve competitiveness and equity. Panamanian law regulates the use of electronic media for government transactions and electronic signatures.²⁷ As for connectivity, Panama has a network of 240 public-access Internet kiosks and 1,156 Wi-Fi hotspots nationwide.²⁸ The Government Strategic Plan 2015-2019 includes e-government and connectivity as a cornerstone, seeking to promote an open and electronic government to improve

²⁰ Information obtained in conversations at public-access Internet kiosks.

²¹ This includes human resources with sector-specific technical capacity (education, health, trade, environment, etc.) and cross-cutting technical capacity (legal framework, process optimization, and standard-setting).

²² Consulting study “Diagnóstico y Recomendaciones para el área de Tecnología del Gobierno” [Diagnostic Assessment and Recommendations on Technology for the Government], Logic Studio, Information Technology Solutions, 2012. Fewer than 1% of public employees work in ICT.

²³ The need for equipment has been raised at several coordination meetings with IT division chiefs and has offered as an explanation for the lack of use of the VUCE at nine institutions.

²⁴ Panama does not have laws for the protection of personal data, cybersecurity, and interoperability.

²⁵ The Ministry of the Environment, created by [Law 8 of 2015](#), transformed the National Environmental Authority into a ministry. The budget for the Ministry of the Environment is the second lowest of any ministry, accounting for just 0.28% of the national general budget.

²⁶ The [Digital Agenda](#) was approved by the National Council for Government Innovation presided by the Ministry of the Presidency. See [agenda advances](#). Among other activities on the Digital Agenda, the program will support: the Municipal e-Government Program, the Government Cloud Computing and Interoperability Platform, Online Services, Open Government, and Payment Portal.

²⁷ Law 83 of 2012 (procedures) and Law 51 of 2008 (electronic signature).

²⁸ Internet kiosks offer public access to the Internet in cities throughout the country and are equipped with up to 10 computers per location. On average, they charge 25 cents per hour of Internet access. Hotspots offer free Wi-Fi access at locations throughout the country.

[450 transactions for individuals and firms.](#)²⁹ [As the plan states, the goal is to bring about a significant impact on the digital divide, social inclusion, and competitiveness in the country.](#)

- 1.10 International studies and experiences demonstrate that e-government development has a positive effect on competitiveness. One [study](#) on the relationship between e-government and competitiveness indicates that “the positive relationship of e-government with business competitiveness of a nation provides empirical evidence to public administrators and policy makers to justify investments in potential e-government investments in their nations.”³⁰ As well, an analysis on the positioning of the countries of the Organization for Economic Cooperation and Development, Latin America, and the Caribbean returns a correlation of 0.71 between the variables of e-government (score from the e-Government Readiness Index 2014) and competitiveness (score from the Global Competitiveness Index 2014).
- 1.11 Modernizing procedures and transactions has the potential to lower costs for citizens, business, and the government. A study on the public sector in the United Kingdom (2012), prepared by the Society for Information Technology Management, indicates that the estimated cost to the government of a face-to-face transaction with a citizen is US\$13.84, compared with US\$4.54 if the transaction is handled over the phone and US\$0.24 if it is handled online.³¹ In Spain, the government reported to the Congress in early 2014 that 74% of the 465 million transactions that Spanish citizens conduct annually with the central government were being initiated electronically, generating savings in 2013 of US\$3.125 billion for citizens and businesses and US\$78 million for the government.³² Every 1% increase in the use of online services yields estimated savings of US\$340 million for citizens and businesses and US\$40 million for the government.³³ The ChileAtiende Program reported savings in 2014 of 2,165,000 hours of work not missed on wait times, 4,167,000 trips not taken by citizens, and US\$15 million not spent on fares to handle business with the government.³⁴
- 1.12 Technologies that facilitate the relationship between citizens and governments have been proven to generate positive social results. Studies confirm that e-government projects designed to benefit the poor have higher rates of return.³⁵

²⁹ Government Strategic Plan 2015-2016, pages 94-96. The main objectives of the government call for the availability of forms for procedures and payments online in accordance with the provisions of the e-Government Law (Panama Online).

³⁰ [The Relationship between e-Government and National Competitiveness: The Moderating Influence of Environmental Factors](#), Shirish C Srivastava and Thompson S. H. Teo., Communications of the Association for Information Systems, 2008. R² ranges between 0.5 and 0.84 depending on which scenario is used.

³¹ [Digital Government](#). Accenture. January 2014.

³² Status report on e-government in the general administration of the State. Ministry of Finance and Public Administration, June 2013, pages 5 and 87.

³³ Original figures in euros. Exchange rate: US\$1 = €0.88.

³⁴ [Estimated savings by citizens using the ChileAtiende network](#). Research Division, Digital Government and Modernization Unit, Office of the Chief of Staff to the President, February 2014.

³⁵ [Social Dimensions of e-Government: Poverty Perspective](#), Sandeep Kaur and N. Mathiyalagan.

The European Union launched the [e-Government for Low Socio-economic Status Groups](#) initiative in 2006, which supported various case studies of e-government policies targeting the lower socioeconomic strata. One of the recommendations that emerged from that research was to include digital literacy activities that would ensure that these groups are trained in the use of the online services offered by the government. Upon conclusion of the study in 2008, many countries in the European Union incorporated digital literacy initiatives into their e-government strategies. In Colombia, the project Ciudadano Digital [Digital Citizen] was incorporated into the Vive Digital strategy, and as a result over one million Colombians received training and certification as digital citizens.³⁶

- 1.13 The program strategy is to focus on tackling the causal factors of government inefficiency and limited access to public services by the social groups most in need of them. The program includes initiatives to support both supply and demand for online government services, especially among the aforesaid social groups in the latter case. On the supply side, the actions planned in the various components support the following key elements: (i) provision of the necessary human resources and refresher training; (ii) participation of citizens in the modernization process, monitoring of use of online services, and degree of satisfaction with those services; (iii) upgrades of the technology infrastructure needed to provide online services and cybersecurity; (iv) review of the regulatory framework; and (v) priority support for two areas of public administration that are essential for the country's competitiveness: logistics and the environment. On the demand side, the program will advance digital literacy and the promotion and dissemination of online services.
- 1.14 In recent years, the Bank has provided technical and financial support for several e-government projects to improve the delivery of public services to citizens and firms by using ICTs. These include: (i) Uruguay: Programs to Support e-Government Management in Uruguay I and II (1970/OC-UR and 2591/OC-UR) and e-Government Management Project in the Health Sector (3007/OC-UR); (ii) Ecuador: Internal Revenue Service Improvement Program (3325/OC-EC) and Program to Improve Public Service Quality (3073/OC-EC); (iii) Colombia: Citizen Service Efficiency Project (3154/OC-CO); (iv) Jamaica: Public Sector Efficiency Program (3121/OC-JA); (v) Chile: Multiphase Program for the Strengthening of Chile's Digital Strategy (1585/OC-CH); and (vi) Public Management and Citizen Services Improvement Program (3298/OC-CH). The proposed program also has synergies with a program in preparation to support the integration of border crossings (PN-L1107) and Support for Panama's Transport and Logistics Sector Reform Program II (PN-L1119), as well as with the Social Inclusion and Development Program (3512/OC-PN).
- 1.15 These operations and the efforts made to document lessons learned on this topic have allowed the Bank to amass a body of knowledge that supported the development of the strategy described in paragraph 1.13 and will be of great

³⁶ [Digital citizen certificates are awarded to citizens who complete a course.](#)

value during implementation of the program.³⁷ These lessons include: (i) the need to position ICTs as a tool for achieving a goal, not as the goal itself; (ii) the importance of making program activities citizen-centered from startup; (iii) the relevance of serving all citizen profiles by introducing the concept of multichanneling; vulnerability to cyberattacks; and the need to ensure uninterrupted Internet service and access to the applications that support critical missions for the services provided by the government; (iv) the need to take a multidimensional vision incorporating regulatory, management, and technological aspects in reviews of procedures; (v) the special attention that should be given to aspects related to governance, the need for coordination, and the creation of incentives for collaboration; (vi) the importance of measuring and monitoring progress; (vii) the need for program benefits to reach all citizens; and (viii) the significance of ensuring that the transformation proposed by the program materializes in a change in the organizational culture of the public administration that is sustainable over time. Lastly, close attention has been paid in this program to the fact that real change is effected by people addressing the needs of people, which has been reflected in the special emphasis placed on training and change management.

- 1.16 **Strategic alignment.** The proposed operation is aligned with the IDB country strategy with Panama for 2015-2019 (document GN-2838) inasmuch as it will contribute to the strategic objective of improving the delivery of basic services to the population living in poverty by enhancing the efficiency of social programs through support for the design and implementation of a master registry of beneficiaries, and to the strategic objective of enhancing the logistics services, efficiency, and connectivity of the productive infrastructure by reducing processing times for trade transactions and thereby making the national logistics system more competitive. In addition, the operation is included in the Country Program Document 2016 (IDBDocs#40029686). It is also consistent with the Update to the Institutional Strategy 2010-2020 (document GN-2788-5) and directly aligned with the development challenges to achieve: (i) social inclusion and equality, by helping poor communities gain access to public transactions and services; (ii) productivity and innovation, by helping develop a relationship between digital inclusion and social inclusion by modernizing public services and helping citizens with the greatest social needs gain access to them; and (iii) economic integration, by streamlining the formalities involved in trade transactions. The program is also aligned with the crosscutting theme of institutions and the rule of law inasmuch as its four components call for activities to strengthen institutions that provide and manage public services. Furthermore, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-4), specifically the indicator: “government agencies benefited by projects that strengthen technological and managerial tools to

³⁷ See IDB publications: [Experiencias innovadoras de gobiernos subnacionales en la gestión de trámites para ciudadanos y empresas](#); [Governing to Deliver](#); Innovations in Public Service Delivery Series: [Can 311 Call Centers Improve Service Delivery? Lessons from New York and Chicago](#), [Los Servicios en Línea como Derecho Ciudadano: El caso de España](#), and [Descomplicar para avanzar: o caso Minas Fácil](#). See [AGESIC, un modelo exitoso](#) and [Gobernarte Awards 2014](#).

improve public service delivery.”³⁸ The operation is aligned with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2), which gives priority to the design and implementation of comprehensive digital agendas in e-government, in order to improve competitiveness and social integration (see paragraph 5.21 of the strategy).

B. Objectives, components, and cost

- 1.17 **Objective.** The program objective is to improve efficiency and equity in the delivery of public services, in order to enhance economic competitiveness and social inclusion. This general objective will be achieved through the following specific objectives: (i) modernize access to a set of strategic transactions for businesses and citizens; (ii) enable access to public services for citizens with the greatest social needs; (iii) strengthen the AIG and other government entities with responsibilities in e-government and process streamlining; and (iv) improve the capacity of the Ministry of the Environment to process transactions. To achieve these objectives, the program has four components.³⁹
- 1.18 The prioritization of sectors reflects the priorities set in the Government Strategic Plan and the Bank’s country strategy with Panama. The logistics and transportation sector has been included for its economic importance, and the environment sector has been selected given the environmental repercussions of investment and construction activities in the country. The emphasis on transactions associated with social programs is intended to support the government’s social inclusion and poverty reduction policy.
- 1.19 **Component I. Simplification and online availability of transactions for competitiveness and equity (US\$9,823,000).** The objective of this component is to simplify the steps involved in carrying out the most important transactions⁴⁰ for citizens and entrepreneurs in the country. A total of 255 transactions have been given priority,⁴¹ including the following: (i) transactions that support the logistics sector in line with the National Freight Logistics Plan; (ii) transactions that support the country’s competitiveness in line with the [National Competitiveness Plan](#); and (iii) transactions used by citizens living in poverty.⁴²

³⁸ In the program Results Matrix, this indicator is measured by expected outcome #3: (i) percentage of public entities that use the interoperability platform. At program completion, 40 of the 115 entities in the public administration (35%) are expected to be using it.

³⁹ See [the list of activities included in the components](#).

⁴⁰ The AIG follows the United Nations’ maturity model. The procedures and transactions to receive support under the program will be developed to levels 3 and 4 of the model. Level 3 – Interactive presence: Transactions can be initiated online although they may require interaction and in-person presence of citizens. Level 4 – Transactional presence. Transactions can be initiated and completed, and status monitored, online, and there is no need for citizens to go to the government offices. El Gobierno Electrónico en la Gestión Pública [E-Government in Public Management], Economic Commission for Latin America and the Caribbean, Public Management Series, 2011.

⁴¹ See the [complete list of transactions](#) prioritized for modernization with the AIG. These include: (i) business registration transactions; (ii) export and import transactions; and (iii) applications to social programs. Transactions associated with the Ministry of the Environment will receive support under component IV.

⁴² The proposed program will complement operation 3512/OC-PN for the creation of a master registry of beneficiaries, by providing the following resources: (i) a technology expert to support the design and implementation of the registry; (ii) an interoperability platform and standards; and (iii) hosting and maintenance of the registry.

The remainder of the 450 transactions to be improved will be identified through a formal citizen consultation process included in the program activities⁴³ and based on previously established criteria. Financing will be provided under this component for the following activities: (i) update the PanamáTramita portal;⁴⁴ (ii) implement an e-government and citizen services management model using a multichannel system;⁴⁵ (iii) expand the support plan for digitizing and improving the management of local governments; and (iv) facilitate the interactions of related actors in the area of logistics by means of an integrated logistics system.⁴⁶

1.20 **Component II. Citizen digital inclusion for equitable access to public services (US\$4,174,000).** The objective of this component is to ensure that efforts to make government services available online benefit citizens living in poverty.⁴⁷ To this end, the 240 Internet kiosks installed by SENACYT throughout the country and the 1,156 Wi-Fi hotspots hosted by the National Internet Network will be used.⁴⁸ Financing will be provided under this component for the following activities: (i) design and implement a digital literacy initiative to provide an introduction to online transactions for citizens, particularly those living in remote areas from lower social strata; (ii) design and execute a strategy to publicize and promote the use of online public services; and (iii) set up an ICT usage observatory within the AIG to monitor the progress of *Panama Online*, gauge citizen satisfaction with the services offered, and conduct an impact evaluation that will measure the correlation between digital inclusion and social inclusion.

1.21 **Component III. Institutional strengthening for the delivery of public services (US\$10,703,000).** The objective of this component is to improve the capacity of the AIG to fulfill its role as the institution responsible for modernizing public services using ICTs, which encompasses the provision of both human resources and technological infrastructure. Financing will be provided under this component for the following activities: (i) staff the AIG with human resources with the necessary technical skills to operate the e-government infrastructure;⁴⁹

⁴³ The consultation process will be held in 2016 and will include: (i) online surveys administered via the PanamáTramita website; and (ii) meetings with civil society and business associations.

⁴⁴ Repository of information on the requirements for completing 2,700 government transactions.

⁴⁵ Making government transactions available online will involve, in all cases, a process of simplification that incorporates regulatory, organizational, and technological aspects, as well as a multichannel approach (in person, website, telephone, and mobile devices) to delivering citizen services.

⁴⁶ Expected outputs: (i) online management of complaints and grievances submitted by users of the Integrated Customs Management System (SIGA); (ii) a traceability system for the flow of merchandise that enhances security while streamlining inspection and authorization processes; and (iii) a mechanism for data-sharing between the National Maritime Authority and the National Customs Authority. The system will integrate the functionalities of the VUCE and the SIGA. In addition, it will enable re-exportation transactions to be processed online.

⁴⁷ [Particularly those living in the poorest corregimientos in the country.](#)

⁴⁸ The AIG plans to have 2,800 hotspots up and running by the end of 2019. SENACYT plans to open 30 new kiosks annually between 2016 and 2021. Digital literacy activities will benefit [100 Internet kiosks located in the poorest areas of the country](#). All hotspots will be used for promotion activities.

⁴⁹ The AIG evaluated its human resources and identified the areas in which it needs reinforcements in the form of new staff. The cost of these human resources will be increasingly supported by the AIG. In year 5 of the disbursement period, 80% of the cost will be covered by the AIG, and 20% by program resources. After year 5, the AIG will finance the full amount.

- (ii) design and implement an ICT investment planning and management platform; (iii) revise and adapt the regulatory framework for the delivery of public services in the context of a digital agenda;⁵⁰ (iv) update the national cybersecurity strategy; (v) strengthen data security and the Computer Security Incident Response Team (CSIRT); (vi) improve the ICT skills of government personnel; (vii) design and execute a change management strategy;⁵¹ (viii) update and strengthen the interoperability platform for its deployment; and (ix) design and implement open data and smart nation programs.⁵²
- 1.22 **Component IV. Strengthening at the Ministry of the Environment for transactions (US\$2,200,000).** The objective of this component is to improve the processing of environmental transactions in order to shorten wait times for activities that are key to the country's economy, such as trade and construction. Financing will be provided for the following activities: (i) make transactions available online, prioritizing them by how critical they are to the country's competitiveness; (ii) design and implement a change management strategy; (iii) provide training to Ministry personnel on the new operations; and (iv) design and implement a data management system for environmental planning and management. In dialogue with the Ministry of the Environment, a list of transactions to modernize has been prepared, prioritized on the basis of impact on the country's competitiveness.⁵³

C. Key results indicators

- 1.23 **Expected results.** The program is expected to have impacts on two fronts. First, it will improve the competitiveness of the economy, as measured by the ranking corresponding to inefficient government bureaucracy as a problematic factor in the Global Competitiveness Report. Second, it will help improve social inclusion by facilitating access to public services, as measured by the average cost per transaction as a percentage of the minimum hourly wage. These improvements will derive from the following results: (i) increased efficiency in the government-citizen relationship, as measured by the percentage of transactions with the public administration that have been modernized and made available online; (ii) enhanced equity in access to social services, as measured by the average annual visits to government websites originating in the *corregimientos* with higher rates of poverty; (iii) greater collaboration between the various agencies of the public administration, as measured by the number of transactions completed daily on the interoperability platform and by the number of institutions using the platform; and (iv) increased efficiency at the Ministry of the Environment for processing transactions, as measured by the average time it takes to issue an opinion on an environmental impact assessment. See [Annex II](#).

⁵⁰ The majority of regulatory updates and amendments will be executed using the instruments of the participating institutions (regulations, ministerial resolutions). Changes requiring legislative approval will not affect the results of this program.

⁵¹ This includes activities to ready personnel for their new working conditions, helping to eliminate resistance to the changes introduced.

⁵² Programs that process the data collected by the government so that it can be shared with the citizens and used by those responsible for planning and executing public policies to anticipate and meet the needs of the citizens.

⁵³ See Ministry of the Environment in the list in footnote 41 for the [prioritized environmental transactions](#).

- 1.24 **Beneficiaries.** The program beneficiaries will be the citizens of Panama, particularly the poor and those living in remote areas, for whom the program calls for specific actions to ensure the online availability of government transactions and their use by those most in need. At the same time, the program will benefit businesses by creating an environment with less administrative bureaucracy, thereby enabling them to lower their transaction costs and operate with greater agility. The program will also benefit Panama’s public administration, by helping it develop a corps of better qualified human resources and more advanced technological resources, thereby enabling it to lower its cooperation costs and enhance its efficiency.
- 1.25 **Economic evaluation.** The program is expected to yield high social returns, making 450 transactions available online. Even in the most conservative scenarios in which it is assumed that online transactions are adopted slowly (15% in the first year, with a 1.5% annual increase) and benefits are calculated for just 11 transactions, the program still produces a positive rate of return, with a benefit-cost ratio of US\$1.02 for every US\$1.00 invested and an internal rate of return of 14%, above the 12% standard set by the Bank. The Monte Carlo analysis suggests the same conclusion: even assuming benefits at two standard deviations below the projected average, net present value remains positive, with a benefit-cost ratio above 1 and an internal rate of return above 12% (see [2.A Report](#) and [2.B Spreadsheets](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The program will have a total cost of US\$30 million, to be financed with proceeds from an investment loan for US\$22 million from the Bank’s Ordinary Capital and a local contribution in cash of US\$8 million. The disbursement period will be five years. Table 1 presents the budget summary by component. For more detail, see the [itemized budget](#) and the [schedule of disbursements](#).

Table 1. Estimated costs of the program (US\$)

Components	IDB	Local	Total
Component I. Simplification and online availability of transactions for competitiveness and equity	7,317,250	2,505,750	9,823,000
Component II. Citizen digital inclusion for equitable access to public services	3,130,500	1,043,500	4,174,000
Component III. Institutional strengthening for the delivery of public services	7,402,250	3,300,750	10,703,000
Component IV. Strengthening at the Ministry of the Environment for transactions	1,575,000	625,000	2,200,000
Administration	1,130,000	360,000	1,490,000
Management team	900,000	300,000	1,200,000
Audits	150,000	50,000	200,000
Evaluations (midterm, final, and impact)	80,000	10,000	90,000
Contingencies	1,445,000	165,000	1,610,000
Total	22,000,000	8,000,000	30,000,000

B. Environmental and social safeguard risks

- 2.2 There are no environmental or social risks associated with the activities planned for this operation in accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703), so the program has been classified as a category "C" operation.

C. Fiduciary risks

- 2.3 During the program design process, an institutional capacity assessment of the AIG was run and found no evidence of significant fiduciary risks. A risk management workshop held with AIG officials detected a medium level of risk associated with limited knowledge of the Bank's procurement policies. To mitigate this risk, a training workshop will be held on the Bank's procurement policies in order to train personnel at the executing agency. In addition, the Bank will provide ongoing technical assistance to the executing agency to facilitate fiduciary processes and ensure compliance with the corresponding policies.

D. Other key risks

- 2.4 In the aforementioned risk management workshop, which identified the different types of risk that could affect program execution, measures were proposed to mitigate risks considered to be high (2) and medium (3). The following high-level risks were identified: (i) ex ante control by the Office of the Comptroller General (CGR) could make project implementation very slow, a risk that would be mitigated by using a trustee⁵⁴ to ensure the smooth execution of resources (see paragraph 3.2); and (ii) senior officials at the participating institutions may be resistant to committing to the program objectives, a risk that will be mitigated by establishing agreements between the AIG, the Office of the Secretary for Presidential Goals, and the Council on Competitiveness, all with the backing of the Office of the Presidency (see paragraph 3.5).⁵⁵ The following medium-level risks were identified: (i) the allocation of counterpart and loan resources for program activities could be insufficient, a risk that will be mitigated by an ongoing dialogue, through the executing agency, with the Ministry of Economy and Finance so that it can be aware in advance of the execution status of resources and future needs to make sure sufficient resources are included in the budget plans; (ii) interagency coordination between the AIG and the multitude of public sector institutions involved in modernizing transactions could be complex, a risk that will be mitigated by establishing different types of agreements between the institutions that benefit from AIG support (see paragraph 3.5); and (iii) the internal regulations of the entities could get in the way of making changes, a risk that will be mitigated by placing strong emphasis on regulatory updates and simplification, including the adoption of a regulatory impact evaluation tool⁵⁶ (see paragraph 1.21(iii)).

⁵⁴ An individual in charge of a trust fund and the assets that comprise it, at the request of a trustor and on behalf of a third party.

⁵⁵ These three entities are working to draft an executive order that would obligate government institutions to meet certain targets related to online transactions.

⁵⁶ This tool can be used to analyze the economic effects of a regulatory change on the different groups affected by it.

- 2.5 **Sustainability and scalability.** The AIG has the authority to review and approve, at the concept level, ICT-related projects for all entities of the central public administration.⁵⁷ This gives it some say in the budgets of other entities, in order to ensure that they have the necessary resources budgeted to sustain the IT solutions included in this program. As for scalability, an increase in the resources available for digital literacy would enable a proportionate increase in the population benefiting from these activities.⁵⁸

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Panama, and the executing agency will be the National Authority for Government Innovation (AIG), which will be responsible for executing the program and serving as the direct point of contact with the Bank. The program is aligned with the legal mandate and administrative and operational structure in place at the AIG.⁵⁹ The applicable laws and regulations establish the AIG as the institution responsible for coordinating and supporting all activities related to modernization of the public administration through the use of ICTs,⁶⁰ especially processes for administrative streamlining and making government transactions available online. **As a special contractual condition precedent to the first disbursement of the loan, evidence will be presented to the Bank of the commitment made by the executing agency to the borrower, in the form of a written statement prepared by a legal representative duly authorized for such purpose by its governing board, to fulfill the obligations corresponding to it as the executing agency under the terms and conditions stipulated in the loan contract.**
- 3.2 As agreed during the analysis mission, the borrower, acting through the executing agency, will consider the possibility of hiring a trustee to administer program resources, in which case the AIG would request use of a trustee mechanism in order to streamline the execution process.⁶¹ A project execution unit will be created within the AIG, with responsibility for executing all planning, financial administration, procurement, and monitoring processes. The project

⁵⁷ See [Law 65 of 2009, Articles 6 and 12 of Executive Order 205 of 2010](#); and [Law 83 of 2012](#).

⁵⁸ The program currently benefits 100 Internet kiosks. Multiplying by a factor of 2.5, the digital literacy amount could benefit all of the kiosks (240).

⁵⁹ [Law 65 of 2009](#) created the AIG as a legal entity with its own assets and operational autonomy. Under this law, one of the objectives of the AIG is “to coordinate the development of initiatives that lead to modernization of the State through the use of technology tools with a particular emphasis on projects that tend to enhance the efficiency and quality of government services.”

⁶⁰ Article 18 of Law 83 of 2012, which regulates the use of electronic media for government transactions, establishes that “government institutions shall prepare an annual plan for the gradual simplification of administrative transactions and processes linked to users, to be approved by the AIG for publication on the official portal PanamáTramita.” Executive Orders 205 of 2010 and 719 of 2013 implement Law 65 and 83, respectively, and define the concepts included therein in greater detail.

⁶¹ [As indicated in the aide-mémoire of the analysis mission](#), in the event that the borrower decides to use a trustee, the approval of the CGR will be needed just once to authorize the signature of the contract with the trustee. The trustee’s responsibilities would include processing payments and preparing contracts, so that financial commitments with third parties can be fulfilled in an expeditious manner.

execution unit will consist of a technical team comprising the following members: (i) a general coordinator; (ii) a monitoring and evaluation specialist; (iii) a financial specialist; and (iv) two procurement specialists.

- 3.3 The project execution unit will be run by a general coordinator hired specifically for the purpose who will report to the General Manager of the AIG and will be responsible for the following activities: (i) ensuring that the technical assistance provided to the participating organizations is consistent with e-government policies and standards, and that the government's information technology assets are being fully used; (ii) preparing bidding documents; and (iii) monitoring technical assistance projects. In addition, it will handle: (i) communication with the Bank; (ii) disbursement requests; (iii) procurement proposals; (iv) reports on use of resources; and (v) delivery to the Bank of annual work plans, procurement plans, and progress, audit, and evaluation reports. It will also perform the controls that are needed to guarantee proper use and transparency of the funds for which it is responsible. **As a special contractual condition precedent to the first disbursement of the loan, the borrower, acting through the executing agency, will set up the project execution unit and hire the technical team in accordance with the profiles and requirements agreed upon with the Bank (see paragraph 3.2).**
- 3.4 The AIG will coordinate with the main institutions in Panama's public administration through the various interagency coordination committees,⁶² among which the most relevant for purposes of the program are: Consejo Nacional de Innovación Gubernamental [National Council on Government Innovation], Junta Asesora de Servicio y Acceso Universal [Advisory Board on Universal Service and Access], Consejo Nacional de Competitividad [National Council on Competitiveness], Centro Nacional de Competitividad [National Center for Competitiveness], the formal commissions working on cybersecurity, interoperability, and government resource management⁶³ issues, Asociación de Interés Público Infoplazas [Public Interest Association on Internet Kiosks], and Reunión de Jefes de Informática [Meeting of Information Technology Managers].
- 3.5 For the implementation of components I, III, and IV, the AIG will sign interagency agreements prior to initiating the working relationships needed to carry out program activities. These agreements will be signed by the institutions requiring significant support (main participating entities).⁶⁴ The AIG has experience with these types of agreements for the implementation of projects in Panama.⁶⁵ These interagency agreements should stipulate the obligation of the entities to provide support to the AIG for carrying out program activities in accordance with provisions of the loan contract and applicable Bank policies and procedures. Different types of agreements may be signed with other institutions that are relevant for program implementation. **As a special contractual condition**

⁶² See [the membership of the coordination mechanisms in which the AIG participates](#).

⁶³ Government resource management. This commission is focusing on implementation of an application for the integrated management of all government resources.

⁶⁴ The Ministry of the Environment, the Ministry of Social Development, SENACYT, the Office of the Secretary for Competitiveness in the Office of the Presidency, and the Ministry of Commerce and Industry.

⁶⁵ See [model agreement signed with the Ministry of Government](#).

- precedent to the first disbursement of the loan, the borrower, acting through the executing agency, will present to the Bank, under the terms agreed upon with it, a model of the interagency agreement to be signed between the AIG and the main participating entities.**
- 3.6 The fiduciary agreements and requirements establish the framework for financial management and planning, as well as for the supervision and execution of procurements as applicable for program execution.
- 3.7 Program activities will be implemented on a schedule set out in the [multiyear execution plan](#) (which itemizes execution of the entire program). An annual update will be reflected in the respective annual work plan. The multiyear execution plan should be updated every year taking into account the actual progress of the program. Annual updates of the multiyear execution plan and the annual work plan will be submitted to the Bank for approval.
- 3.8 **Program Operating Regulations.** The Operating Regulations will provide a detailed description of the program execution strategy, including the following elements: (i) the organizational chart for the project; (ii) the technical and operational arrangements for execution; (iii) the results programming, monitoring, and evaluation plan; (iv) the guidelines for financial, audit, and procurement processes; and (v) a detailed account of the duties of the program execution unit and the responsibilities of other AIG entities relevant for the processes planned under this operation. The annexes to the Operating Regulations will include at least the following: (i) the results matrix; (ii) the fiduciary agreements and requirements; (iii) the monitoring and evaluation plan; and (iv) the itemized budget. **As a special contractual condition precedent to the first disbursement of the loan, the borrower, acting through the executing agency, will present the Operating Regulations to the Bank, under the terms agreed upon with it.**
- 3.9 **Procurement of works, goods, and services.** Works, goods, and consulting services will be procured in accordance with the Policies for the procurement of goods and works financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9), both approved in March 2011. The Bank's Board of Executive Directors approved (document GN-2538-11) use of Panama's framework agreement subsystems for amounts up to the threshold established for national competitive bidding (NCB) of US\$250,000, as well as the small procurements mechanism for amounts up to US\$50,000, which may change if the Bank approves higher thresholds. The [procurement plan](#) contains an itemized list of the procurements that will be carried out during execution.
- 3.10 **Retroactive financing and recognition of expenditures.** The Bank may provide retroactive financing from the loan proceeds of up to US\$1,000,000 (4.5% of the proposed loan amount) and may recognize as chargeable to the local counterpart contribution up to US\$500,000 (6.25% of the local counterpart contribution) in eligible expenditures made by the borrower prior to the loan approval date for the procurement of works, goods, and consulting and nonconsulting services, provided that requirements substantially similar to those established in the loan contract have been met. These expenditures must have been made on or after 16 December 2015, the project profile approval date, but

in no case will they include expenditures made more than 18 months prior to the loan approval date.

3.11 **Disbursements.** The Bank will transfer program funds into an account indicated for such purposes by the borrower. The executing agency will keep the funds in an exclusive program account that enables use of funds to be verified.⁶⁶ Disbursements will be made in the form of advances⁶⁷ of funds to cover the program's liquidity needs based on the respective financial plan. Payments may also be reimbursed, or direct payments may be made to providers.

3.12 **Audits.** Audited financial statements prepared by a firm of independent auditors acceptable to the Bank will be requested on an annual basis for the project.

B. Summary of arrangements for monitoring results

3.13 **Monitoring.** For program monitoring and evaluation, a system will be implemented that will focus on: (i) completion of program activities; and (ii) achievement of the output and outcome indicators set out in the results matrix. Program monitoring will be based on the following instruments: (i) the results matrix; (ii) the multiyear execution plan; (iii) the annual work plans; (iv) the [monitoring and evaluation plan](#); (v) the procurement plan; (vi) the risk management matrixes; (vii) progress monitoring reports; (viii) semiannual progress reports; (ix) audited financial statements; (x) terms of reference for consulting assignments; and (xi) administrative or supervision missions. A joint meeting will be convened every year between the executing agency and the Bank to discuss, among other issues: (i) the status of activities identified in the annual work plan; (ii) the level of achievement of the indicators established for each component; (iii) the annual work plan for the subsequent year; and (iv) the procurement plan for the next 18 months and possible amendments to the budget allocations for each component (see the monitoring and evaluation plan).

3.14 **Evaluation.** The results matrix and the monitoring and evaluation plan will be used to evaluate the program. There are plans for midterm, final, and impact evaluations covering technical, administrative, and financial aspects. The midterm evaluation will be conducted when at least 40% of the loan proceeds have been disbursed or two and a half years have elapsed from the effective date of the loan contract (whichever occurs first). The main objectives of the midterm evaluation will be to review the status of all activities scheduled up to that point, identify any deviations and the causes thereof, and propose corrective measures, as well as to verify the intermediate outputs that have been produced, identify any risks in the corresponding matrix that have materialized, and implement measures to mitigate them. The final evaluation will be conducted when 90% of the loan has been disbursed. The objectives will be to verify the status of fulfillment of the indicators corresponding to each of the expected outcomes and the generation of the outputs corresponding to each component.

3.15 The [impact evaluation](#) will be prepared in conjunction with the plan of activities for digital literacy (Component II). It will measure the incidence of digital literacy

⁶⁶ If a trustee is not used and the evaluation of the unified treasury account is satisfactory, the funds may be transferred to an account designated by the Ministry of Economy and Finance.

⁶⁷ In accordance with the guidelines set out in document OP-273-6.

on the number of visits to the PanamáTramita website as a proxy for use of the Internet by inhabitants of low-income *corregimientos* to conduct business with the government. The randomized control method will be used in which two statistically indistinguishable groups (treatment and control) will be created, each containing approximately 50 *corregimientos*. The *corregimientos* selected to participate in the evaluation will come from the group of *corregimientos* eligible for the intervention, to be identified based on poverty level. After the intervention in the treatment group, training will be provided to the control group, such that all participating *corregimientos* will benefit from the digital literacy initiative. The quantitative analysis will be supplemented by a qualitative analysis to develop a nuanced understanding of how the digital literacy courses have impacted the lives of the participants. The final impact evaluation report will be delivered about one year after the conclusion of the intervention with the treatment group, before the period for the last disbursement of loan proceeds expires.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation -Economic Integration -Institutional Capacity and the Rule of Law		
Regional Context Indicators			
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2838	(i) Improve the delivery of basic services to the population living in poverty; and (ii) Deepen the logistics services, efficiency, and connectivity of the productive infrastructure.	
Country Program Results Matrix	GN-2849	The operation is included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.5		10
3. Evidence-based Assessment & Solution	8.4	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	2.4		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	10.0	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	7.5		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	C		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)			Procurement: Information System, Shopping Method.
Non-Fiduciary	Yes		Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes		The proposed impact assessment considers two options: randomization and quasi-experimental methods. In both cases, its implementation will enable the country to determine the incidence of digital literacy and enhancing the use of access points and online services by low-income groups and, therefore, unveiling its impact in terms social integration (savings that will improve their living conditions).

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The project is Highly Evaluator

The diagnosis is complete. In recent years, Panama has lost competitiveness and, although it is regionally competitive, it is not so on a global basis. The empirical evidence suggests that limitations to bureaucratic efficiency are an impediment to improve competitiveness. Bureaucratic inefficiency also hinders access to public services by the poor, particularly to social programs and welfare services offered by the government. Finally, improving processes in the logistics and transportation sector linked to the Panama Canal is critical to enable the Canal as an economic engine.

The Results Matrix has a clear vertical logic, where the expected impacts (economic competitiveness and improved social inclusion), are derived from achieving indicators associated to greater online access to government processes and government web sites in localities that are off line today.

A complete economic analysis was undertaken in which the benefits are derived from time savings, particularly in the use of publicly provided social services. The sensitivity analysis suggests that a positive NPV is maintained even within two standard deviations below the average projected savings. A full impact evaluation is proposed which includes an evaluation to measure the effect of digital literacy on accessing the website PanamaTramita as a proxy for internet use among low income population in accessing public services through the web. The proposed methodology is a randomized control trial.

The operation is included in the 2016 Operational Program, which is expected to receive the Board of Executive Directors' approval.

RESULTS MATRIX

Project objective	The objective is to improve efficiency and equity in the delivery of public services, in order to enhance economic competitiveness and social inclusion. This general objective will be achieved through the following specific objectives: (i) modernize access to a set of strategic transactions for businesses and citizens; (ii) enable access to public services for citizens with the greatest social needs; (iii) strengthen the AIG and other government entities with responsibilities in e-government and process streamlining; and (iv) improve the capacity of the Ministry of the Environment to process transactions.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline		Target		Means of verification	Observations
		Value	Year	Value	Year		
EXPECTED IMPACT: Economic competitiveness improved.							
Position of “inefficient government bureaucracy” in the GCR ranking of most problematic factors.	Position in the ranking	1	2016	3	2021	Global Competitiveness Report (GCR) prepared by the World Economic Forum (WEF)	Of 14 problematic factors that affect competitiveness, “inefficient government bureaucracy” is ranked as the most problematic in Panama in the 2015-2016 GCR. This factor has worsened in recent years (it was ranked third in 2013), and it is a major concern of the government, as reflected in the National Competitiveness Strategy. According to the GCR, improving the efficiency of government transactions will help change this perception.
EXPECTED IMPACT: Social inclusion facilitated.							
Average cost per transaction for residents of <i>corregimientos</i> benefitting from digital literacy activities in relation to the minimum hourly wage.	%	484	2016	377	2021	Annual report of the National Authority for Government Innovation (AIG)	Calculation for carrying out a transaction via the various channels in relation to the minimum wage. The <i>corregimientos</i> that will benefit from digital literacy actions have high rates of poverty. (See the monitoring and evaluation plan .)

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline		Intermediate measurements		Target		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
EXPECTED OUTCOME 1: Increased efficiency in the government citizen relationship.									
Percentage of transactions with the public administration that are available online.	%	1.59	2016	7.4	2018	18.25	2021	AIG annual report. Semiannual reports on the status of government transactions.	The Government Strategic Plan establishes the commitment to put 450 transactions online. In 2016, 43 of 2,700 transactions are online. That number will rise to 200 in 2018 and to 493 in 2012.
EXPECTED OUTCOME 2: Enhanced equity in access to public services.									
Average annual hits on government websites originating with residents of the <i>corregimientos</i> that are benefitting from digital literacy actions.	Number of hits	0.262	2016			2	2021	AIG annual report.	<p>Formula:</p> $\left(\sum_{1}^N \frac{HCx}{Px}\right)/N$ <p>HCx= hits on government websites originating in <i>corregimiento</i> x Px= population of <i>corregimiento</i> x N= number of <i>corregimientos</i> benefitting from digital literacy actions</p> <p>The baseline has been prepared based on the number of hits on the PanamáTramita website that have originated in Panama City, which have been adjusted using connectivity data from <i>corregimientos</i> that have poverty rates above 50% (see the monitoring and evaluation plan). At program startup, the number of hits in each <i>corregimiento</i> will be taken from Google Analytics and monitored every six months for the life of the program.</p>

Indicators	Unit of measure	Baseline		Intermediate measurements		Target		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
EXPECTED OUTCOME 3: Greater collaboration between the various agencies of the public administration.									
Number of transactions being carried out daily on the interoperability platform	Number of daily transactions	0	2016	5,000	2018	18,000	2021	AIG annual report.	Spain's e-Government Observatory monitors use of its interoperability platform on an ongoing basis using various indicators .
Percentage of government entities using the platform.	%	0	2016	13	2018	40	2021	AIG annual report.	Panama's public administration consists of 115 entities.
EXPECTED OUTCOME 4: Increased efficiency at the Ministry of the Environment for processing transactions.									
Average time to issue an opinion on an environmental impact assessment.	Days	180	2016	90	2018	30	2021	Annual report of the Ministry of the Environment.	

OUTPUTS

Outputs	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Component I: Simplification and online availability of transactions for competitiveness and equity										
1.1 PanamáTramita portal updated.	250,000	Portal	0	0	1 (250,000)	0	0	0	1	AIG/program reports
1.2.1 Transactions prioritized based on citizen consultations.	100,000	Transactions	0	450 (100,000)	0	0	0	0	450	AIG/program reports
1.2.2 Panama Online portal developed and in operation.	150,000	Portal	0	1 (150,000)	0	0	0	0	1	AIG/program reports
1.2.3 Level III transactions digitized. ¹	4,440,000	Transactions	43	0	60 (592,000)	100 (986,600)	120 (1,183,950)	20 (197,300)	343	AIG/program reports
1.2.3 Level IV transactions digitized. ²		Transactions	0	0	30 (296,000)	40 (394,650)	50 (493,500)	30 (296,000)	150	AIG/program reports
1.3 Municipios with portal offering online transactions in operation.	1,723,000	Municipios	30	0	12 (439,910)	15 (549,895)	15 (549,895)	5 (183,300)	77	AIG/program reports
1.3 Operational management modules in the municipal ERP. ³	680,000	Modules	4	0	0	2 (340,000)	2 (340,000)	0	8	AIG/program reports
1.3 Municipal transactions integrated with national transactions.	180,000	Transactions	0	0	3 (54,000)	4 (72,000)	3 (54,000)	0	10	AIG/program reports
1.4.1 Network for the interconnectivity and logistics monitoring system connected.	800,000	Network connected	0	0	0	1 (800,000)	0	0	1	AIG/program reports

¹ For more information on level III, see footnote 40 in the proposal.

² For more information on level IV, see footnote 40 in the proposal.

³ Enterprise Resource Planning. A software application for automating the management of municipal resources, specifically accounting, financial, administrative, human resources, and assets management.

Outputs	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
1.4.2 Application for the integrated logistics system developed and in operation.	1,000,000	Application	0	0	0	1 (1,000,000)	0	0	1	AIG/program reports
1.4.4 Application for the smart business system in the logistics sector developed and in operation.	500,000	Application	0	0	0	0	0	1 (500,000)	1	AIG/program reports
Component II: Citizen digital inclusion for equitable access to public services										
2.1.1 Digital literacy course developed.	30,000	Course	0	0	1 (30,000)	0	0	0	1	AIG/program reports
2.1.2 Digital literacy courses taught.	2,814,000	Courses taught	0	0	0	6,150 (938,000)	6,150 (938,000)	6,150 (938,000)	18,450	AIG/program reports
2.2.2 Panama Online promotional campaigns carried out.	1,000,000	Campaigns	0	0	1 (111,112)	3 (333,333)	3 (333,333)	2 (222,222)	9	AIG/program reports
2.3.1 Report prepared on simplifying the lives of citizens.	25,000	Report	1	0	1 (12,500)	0	1 (12,500)	0	3	AIG/program reports
2.3.2 Report prepared on citizen adoption of online services and level of satisfaction.	230,000	Report	0	0	1 (57,500)	1 (57,500)	1 (57,500)	1 (57,500)	4	AIG/program reports
2.3.3 Analysis conducted on the impact of improved public services.	25,000	Report	0	0	0	3 (7,500)	3 (7,500)	4 (10,000)	10	AIG/program reports
2.3.4 Case studies on the simplification of transactions documented.	50,000	Documents	0	0	0	5 (10,000)	10 (20,000)	10 (20,000)	25	AIG/program reports

Outputs	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Component III: Institutional strengthening for the delivery of public services										
3.1.1 Government cloud updated.	3,300,000	Cloud	0	0	1 (3,300,000)	0	0	0	1	AIG/program reports
3.2 Application for the ICT investment planning and management system developed and implemented.	400,000	Application	0	0	1 (400,000)	0	0	0	1	AIG/program reports
3.3 Report prepared on the regulatory framework for ICTs.	300,000	Report	0	1 (300,000)	0	0	0	0	1	AIG/program reports
3.4.1 Monitoring and protection software installed.	640,000	Software	0	0	1 (640,000)	0	0	0	1	AIG/program reports
3.4.5 Security awareness-raising campaigns conducted.	220,000	Campaigns	0	0	1 (55,000)	1 (55,000)	1 (55,000)	1 (55,000)	4	AIG/program reports
3.4.6 Sector training courses on cybersecurity held.	240,000	Courses	0	0	1 (40,000)	2 (80,000)	2 (80,000)	1 (40,000)	6	AIG/program reports
3.4.7 Sector CSIRTs created and in operation.	300,000	CSIRTs	0	0	0	1 (75,000)	2 (150,000)	1 (75,000)	4	AIG/program reports
3.5.1 ICT skills manual for civil service prepared.	420,000	Manual	0	0	1 (420,000)	0	0	0	1	AIG/program reports
3.5.3 Government ICT professionals trained.	163,000	Professionals trained	0	0	100 (36,222)	100 (36,222)	200 (72,444)	50 (18,112)	450	AIG/program reports
3.5.4 COBIT methodology implemented in government institutions.	240,000	Government institutions that use COBIT	5	0	6 (36,000)	12 (72,000)	14 (84,000)	8 (48,000)	45	AIG/program reports

Outputs	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
3.5.5 New ICT competencies added to the human resources platform.	130,000	Human resources platforms with ICT competencies	0	0	5 (32,500)	5 (32,500)	5 (32,500)	5 (32,500)	20	AIG/program reports
3.6 Workshops designed and held on change management strategy.	500,000	Workshops	0	0	6 (100,000)	10 (166,666)	10 (166,666)	4 (66,668)	30	AIG/program reports
3.7 Interoperability platform updated.	2,650,000	Platform	0	0	1 (2,650,000)	0	0	0	1	AIG/program reports
3.8.1 Smart nation application in operation.	900,000	Platform	0	0	0	1 (900,000)	0	0	1	AIG/program reports
3.8.5 National Open Data Plan document prepared.	50,000	Document	0	0	1 (50,000)	0	0	0	1	AIG/program reports
3.8.6 Public employees working with open data trained.	150,000	Public employees	0	0	20 (33,334)	35 (58,333)	35 (58,333)	0	90	AIG/program reports
3.8.7 Events held to disseminate and promote open data.	100,000	Events	2	0	2 (20,000)	3 (30,000)	3 (30,000)	2 (20,000)	12	AIG/program reports

Outputs	Estimated cost (US\$)	Unit of measure	Base-line	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification
Component IV: Strengthening at the Ministry of the Environment for transactions										
4.1 Environmental transactions revised and simplified.	1,100,000	Transactions	0	0	10 (224,490)	15 (336,735)	14 (314,285)	10 (224,490)	49	AIG/program reports
4.2 Workshops designed and held on the change management strategy.	150,000	Workshops	0	1 (18,750)	2 (37,500)	2 (37,500)	2 (37,500)	1 (18,750)	8	AIG/program reports
4.3 Training plan prepared and implemented for employees at the Ministry of the Environment who serve citizens.	150,000	Plan	0	0	1 (150,000)	0	0	0	1	AIG/program reports
4.4 Smart business and data management system developed and in operation.	800,000	System	0	0	0	1 (800,000)	0	0	1	AIG/program reports
Total cost (US\$)										
Component I		9,823,000								
Component II		4,174,000								
Component III		10,703,000								
Component IV		2,200,000								
Administrative, evaluation, and contingency costs		3,100,000								
Program total		30,000,000								

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Republic of Panama
Name:	<i>Panama Online</i> Program
Executing agency:	Autoridad Nacional para la Innovación Gubernamental [National Authority for Government Innovation] (AIG)
Prepared by:	Ezequiel Cambiasso and Juan Carlos Dugand (FMP/CPN)

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 1.1 The National Authority for Government Innovation (AIG) is a legal entity with its own assets and operational autonomy, subject to the public procurement system and the government's financial administration procedures, as well as the oversight of the Office of the Comptroller General of the Republic (CGR).
- 1.2 The AIG will use its own organizational structure to execute the project. It will arrange reinforcements for some of its units in order to handle the additional workload entailed by the project, and it will have a program coordinator and a support team to coordinate the different areas. A committee will be assembled for interagency coordination of the project.
- 1.3 The AIG has executed a regional [technical cooperation operation](#) with the Bank but this will be its first loan operation. The institutional capacity assessment¹ found that it has experience in executing projects and administering funds received from third parties.²

II. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 2.1 The level of procurement risk is regarded as medium, based on the fact that AIG staff are not familiar with the Bank's procurement procedures. To mitigate this risk, fiduciary workshops will be held with the executing agency, and robust fiduciary support will be provided to the AIG during the first year of execution.
- 2.2 The level of financial risk is regarded as low based on the low probability of any significant failures in the financial management of the program that would affect disbursements.
- 2.3 There is a risk that insufficient funds will be allocated in the budget, especially for 2016. Upon Bank approval of the operation, the AIG should make arrangements with the Ministry of Economy and Finance to allocate funds for the 2016 budget and include the funds needed in the draft budget for 2017. To mitigate this risk, the AIG will have planning tools to help ensure that the necessary amounts are allocated in the budget.
- 2.4 The complexity of the steps required for the CGR to exercise prior control could delay the signing of contracts and processing of payments. To mitigate this risk,

¹ It was one of the projects included in the pilot institutional capacity assessment.

² It administers funds for the universal access and service projects.

consideration will be given to hiring a trustee to administer project resources. However, regardless of whether a trustee is used, component I activities require agreements with the government entities that will be responsible for putting transactions online and these agreements must be approved by the CGR, which may delay execution of this component. To forestall any delay, all agreements will be presented to the CGR at once for simultaneous approval, in order to avoid a situation in which the CGR must get involved at various points during execution.

III. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACTS

- 3.1 The agreements and requirements that should be considered in the special conditions include the following:
- a. The guidelines set out in document OP-273-6 will apply, and in accordance with these: (i) audited financial statements prepared by a firm of independent auditors acceptable to the Bank will be requested on an annual basis; and (ii) a new advance of funds may be requested only when accounts have been rendered for a certain percentage, to be specified in the financial plan, of previous advances.
 - b. The exchange rate in effect on the date of payment of the expense in the local currency of the country of the borrower will apply.

IV. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 4.1 The fiduciary agreements and requirements for procurements establish the provisions that apply for execution of all procurements planned under the program.

A. Procurement execution

- 4.2 The Policies for the procurement of goods and works financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9) will apply. The execution mechanism for PN-L1114 calls for use of a trustee. The trustee will be selected by comparing quotes submitted by entities that are authorized and legally registered in the country to provide trust services.
- a. **Procurement of works, goods, and nonconsulting services:** For procurements subject to international competitive bidding (ICB), the standard bidding documents issued by the Bank will be used. For procurements subject to national competitive bidding (NCB) and the shopping method, the models defined for this operation by the Bank will be used. The sector specialist for the project will be responsible for reviewing the technical specifications of procurements during the preparation of selection processes.
 - b. **Procurements of information technology (IT) systems:** Information technology systems will be procured. At the point at which the technical specifications and scope of work are being prepared, a determination will be made as to the bidding document best suited to the purpose.

- c. **Selection and contracting of consultants:** For contracts for consulting services generated under the project, the standard request for proposals issued by the Bank will be used. The sector specialist for the project will be responsible for reviewing the terms of reference for consulting contracts.
- d. **Selection of individual consultants:** For the selection of individual consultants, their qualifications for performing the work will be taken into account, based on a comparison of the qualifications of at least three candidates.
- e. **Use of country procurement system:** The Bank's Board of Executive Directors approved (document GN-2538-11) use of Panama's framework agreement subsystems for amounts up to the threshold established for national competitive bidding (NCB) of US\$250,000, as well as the small procurements mechanism for amounts up to US\$50,000, which may change if the Bank approves higher thresholds.
- f. **Retroactive financing and recognition of expenditures:** The Bank may provide retroactive financing from the loan proceeds of up to US\$1,000,000 (4.5% of the proposed loan amount) and may recognize as chargeable to the local counterpart contribution up to US\$500,000 (6.25% of the local counterpart contribution) in eligible expenditures made by the borrower prior to the loan approval date for the procurement of works, goods, and consulting and nonconsulting services, provided that requirements substantially similar to those established in the loan contract have been met. These expenditures must have been made on or after 16 December 2015, the project profile approval date, but in no case will they include expenditures made more than 18 months prior to the loan approval date.
- g. **National preference:** N/A.
- h. **Procurement plan:** The Procurement Plan Execution System (SEPA) or a subsequent updated version of the system will be used for electronic monitoring of procurements.

B. Table of thresholds (US\$)

Works			Goods			Consulting services	
ICB	NCB/ Shopping	Shopping for complex works	ICB	NCB/ Shopping	Shopping for complex goods	International	National
≥ 3,000,000	> 250,000 and < 3,000,000	< 250,000	≥ 250,000	> 50,000 and < 250,000	< 50,000	> 200,000	≤ 200,000

C. Major procurement processes

Activity	Procurement method	Estimated amount US\$
Goods		
Equipment	ICB	277,000
Software licenses for the ICT investment planning and management system	NCB	200,000
Software for interoperability with the <i>Panamá-Inteligente</i> platform	LPI	300,000
Environmental and land use sensors	ICB	200,000
Nonconsulting services		
Trustee	Shopping	660,000
Consulting services		
Design and development of interconnectivity systems and monitoring services	QCBS	800,000
Onsite support for citizens and entities	QCBS	1,086,000
Development and implementation of the following: (i) mission services (onsite) consisting of 2 people per institution to streamline transactions at 70 institutions (survey and implementation); (ii) development (300 transactions) to online forms on Panama Online (Level 3); (iii) development (150 transactions) to online transactions (Level 4); and (iv) onsite support for the social services sector.	QCBS	4,440,000
Activities to make transactions available online, prioritized by how critical they are for the country's competitiveness	QCBS	900,000

D. Procurement supervision

4.3 All goods, works, and nonconsulting services procured using ICB or direct contracting will be subject to prior review. The selection of consulting firms for amounts greater than US\$200,000 and contracting by the single source selection method will be subject to prior review. For all other contracts, the type of review to be used will be determined case by case in the procurement plan.

E. Special arrangements

4.4 No special arrangements are anticipated.

F. Records and files

4.5 The executing agency will keep records up to date and files in proper order so that they can be reviewed by the Bank in accordance with the following guidelines:

- a. Procurement documents should be kept in a single file or folder and should be easily distinguished from processes financed with funds from the local contribution or financed with funds other than those corresponding to the program.
- b. Documents will be paginated and numbered and will be filed and kept in proper order so that they can be clearly and immediately located and identified and available at any time for Bank review and audit purposes.

V. FINANCIAL MANAGEMENT

A. Programming and budget

- 5.1 The Ministry of Economy and Finance is responsible for budget formulation and control. Every year by 31 July, it will present a budget proposal to the legislature, which is responsible for approving it, as well as for authorizing any increase. The budget is prepared annually and includes all investments, revenue, and expenditures from the public sector. The 2016 Budget Act did not include an allocation for this program, so the AIG will need to make the corresponding arrangements to have it included.

B. Accounting and information systems

- 5.2 In January 2015, the government began to phase in the new financial information system known as ISTMO,³ which was developed on the SAP platform and replaces the SIAFPA. Because a break-in period is required to resolve initial glitches, this system has not yet been evaluated⁴ for use in Bank-financed projects, so a parallel system is needed.
- 5.3 The AIG has a financial information system known as the SAFG/ERP, which was used in the technical cooperation operation that it executed and will be used in this project. The AIG has not fully made the transition to ISTMO and is only using it to make budget amendments.
- 5.4 Project accounting will be governed by the rules issued by the CGR, which are not consistent with the International Public Sector Accounting Standards.

C. Disbursements and cash flow

- 5.5 In the second half of 2013, legislation was enacted in Panama establishing use of a unified treasury account, and implementation began in late 2014 with the accounts of the Ministry of Economy and Finance and continued in 2015 with several other ministries. In 2016, the unified treasury account and how it interfaces with implementation of ISTMO will be evaluated to determine whether it could be used in Bank-financed projects.
- 5.6 The Bank will transfer resources to a program account at a financial institution indicated by the borrower. The executing agency will keep the funds in an exclusive program account that enables use of funds to be verified.⁵ Disbursements will be made in the form of advances⁶ of funds to cover liquidity needs based on the respective financial plan. Payments may also be reimbursed, or direct payments may be made to providers.

³ Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa [Technology Solutions and Integration of the Operational Management Model] (ISTMO).

⁴ In 2011, the budget, cash management, and accountability and reporting systems were evaluated, and only the SIAFPA was accepted for financial management of Bank-financed projects and assuming it was done using the SIAFPA-PRO project module. With the introduction of ISTMO, that module is no longer in operation. In 2016, a preliminary evaluation of ISTMO was run to determine its implementation status.

⁵ If a trustee is not used and the evaluation of the unified treasury account is satisfactory, the funds may be transferred to an account designated by the Ministry of Economy and Finance.

⁶ In accordance with the guidelines set out in document OP-273-6.

- 5.7 The initial financial plan indicates that US\$5,295,866 in disbursements from the Bank loan will be needed during the first year of execution.

D. Internal control and internal audit

- 5.8 Owing to the prior control exercised by the CGR, government institutions in Panama have weak internal control and internal audit systems inasmuch as they rely on the CGR's control activities instead of putting effective processes and controls in place. As a result, these systems are not considered adequate to the control functions required for projects.

E. External control and reports

- 5.9 The CGR has focused its efforts on prior control of disposal of State assets, so its audit function is weak. In addition, because it participates in administrative processes through prior control, it is not sufficiently independent to conduct audits, so the determination is that it does not have the capacity to exercise external control of the program.
- 5.10 Audited financial statements prepared by a firm of independent auditors acceptable to the Bank will be requested on an annual basis for the project, within 120 days after the close of each fiscal year or the date of the last disbursement.

F. Financial supervision plan

- 5.11 Financial supervision will be based on the reports prepared by the auditors, and the supporting documentation for disbursements will be subject to post review by the auditors as part of their audits or during their financial inspection visits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Panama. Loan ___/OC-PN to the Republic of Panama
Panama Online Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Panama Online Program. Such financing will be for the amount of up to US\$22,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 2016)