



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 16-Jun-2023 | Report No: PIDC35972



**BASIC INFORMATION**

**A. Basic Project Data**

Country Panama	Project ID P180872	Parent Project ID (if any)	Project Name Consolidation of the Panama Public Financial Management Information System (P180872)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Sep 22, 2023	Estimated Board Date Nov 16, 2023	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Republic of Panama	Implementing Agency Ministry of Economy and Finance	

**Proposed Development Objective(s)**

Improve the quality of information in the public financial management ecosystem

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	40.00
<b>Total Financing</b>	40.00
<b>of which IBRD/IDA</b>	40.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	40.00
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Environmental and Social Risk Classification  
Moderate

Concept Review Decision  
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

## B. Introduction and Context

### Country Context

**1. Despite Panama's high economic growth, social inclusion and equity have lagged.** Between 2014 and 2019 Panama's Gross Domestic Product (GDP) rate grew at an average of 4.6 percent, substantially above the regional average of 0.8 percent. Panama's Gini Index of 49.8 is one of the highest in Latin America and the Caribbean and in 2019 12.1 percent of the population lived below the poverty line at US\$6.85/day purchasing power parity. Education and health outcomes lag high- and middle-income peers. Panama scores 0.50 on the Human Capital Index (HCI), which measures how productive a child born today can expect to be by age 18 compared with a scenario where he/she would enjoy complete education and full health. This places Panama far below that of middle-income neighboring countries such as Costa Rica (0.63) and El Salvador (0.55).

### Sectoral and Institutional Context

**2. Over the last decade, Panama has taken important steps to strengthen and modernize its PFM system.** Since 2010 the GoP with support from the World Bank through the Public Sector Efficiency Technical Assistance Loan (P121492) has implemented an ambitious PFM reform agenda focused on enhancing efficiency, transparency, and accountability in public expenditure management. The Ministry of Economy and Finance (MEF) introduced a program classification which has been piloted in several ministries. A revised public procurement law increases competition, curbs corruption, and introduces environmental and energy efficiency as evaluation criteria. MEF has rolled out major information systems for procurement, Panamá Compras, and financial management, Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa (ISTMO).

**3. Despite significant achievements, further consolidation is needed in the PFM information system.** An independent diagnostic conducted on the IFMIS in 2021 highlighted weaknesses that need to be addressed to enhance the system's sustainability. The ongoing PFM dialogue has also identified key areas that need improvement such as fixed asset management, payroll management, customs administration, and public investment management. Additionally, given that the PFM ecosystem is comprised of a set of independently developed and operated information systems used to mobilize, allocate and use public resources, strengthening the capacity to ensure a secure information flow between systems is of outmost importance.

### Relationship to CPF

**4. The proposed project is strongly aligned with the Bank's Country Partnership Framework (CPF) with the Republic of Panama for the period FY15-FY21.**<sup>1</sup> Specifically, the project will support the achievement of Objective 3 which seeks to improve budget management transparency and highlights the critical need to improve the efficiency of public expenditure and public investment management. Moreover, Objective 3 highlights the need to enhance efficiency and

<sup>1</sup>World Bank (2015). Report 93425-PA



effectiveness of public programs, as well as greater transparency and accountability in the use of public resources through the provision of good quality reports and more comprehensive financial statements.

**C. Proposed Development Objective(s)**

**5. The project development objective is to improve the quality of public financial management information in Panama.**

Key Results (From PCN)

- a. Improved information on the Government’s current financial position measured by the number of Non-Financial Assets included in the Government’s Balance Sheet.
- b. Improved efficiency of custom controls measured as an increase in the assessment value of import taxes and duties and/or decrease in the number of tax exception misclassifications per year.
- c. Comprehensiveness of PFM information measured as the number of resource management systems that exchange information with the core Financial Management Information System (FMIS).

**D. Concept Description**

**6.** The proposed Project Development Objective (PDO) is to improve the quality of public financial management information in Panama. This will contribute to enhance public expenditure efficiency and consolidate fiscal sustainability by improving both resource and expenditure management. The project will achieve this through four key areas of intervention: (1) Strengthening of core public financial management functions and improved systems integration; (2) Improving key resource management systems; (3) Improving IT capabilities and cybersecurity; and (4) Developing a change management and capacity building program to facilitate reform implementation.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

**7. The Environmental and Social Risk Classification is Moderate.** The Project is expected to generate overall positive social and environmental impacts by improving the quality of public financial management information in Panama. The following environment and social standards (ESS) are relevant for the Project: ESS1. Assessment and Management of Environmental and Social Risks and Impacts; ESS2. Labor and Working Conditions; ESS3. Resource Efficiency and Pollution Prevention and Management; ESS7. Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; and ESS10. Stakeholder Engagement and Information Disclosure.

**8. The environmental risk of the Project is Moderate.** The Project is not expected to have negative environmental



impacts. The Project will finance consulting and advisory services, capacity building and software programming to support the consolidation and enhancement of core PFM systems. The Project will not entail civil works or infrastructure of any kind. Potential environmental risks and impacts are related to the eventual generation of e-wastes from the replacement or procurement of a limited amount of electronics. Related e-waste and energy efficiency aspects will be considered in the Project Operational Manual (POM).

**9. The project Social Risk is assessed as Low.** The Project is not expected to have negative social impacts. The Project will finance consulting and advisory services, capacity building and training to help improve and consolidate Panama’s technological platform for PFM systems. No civil works are expected, and no planned Project activity will lead to physical displacement nor is it expected to have negative impacts on communities’ health and safety. Given the Project will develop and implement a stakeholder engagement strategy, there is a risk that some stakeholder might be excluded from the process, particularly civil society representatives who might not receive timely information of the design and outputs of the Project. The project will include participatory mechanisms and consultation with stakeholders ensuring the inclusion of all affected stakeholders, particularly within MEF and related government agencies, but also civil society organizations promoting citizen participation initiatives.

## CONTACT POINT

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**APPROVAL**

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