



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 06/20/2023 | Report No: ESRSC03571



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Panama	LATIN AMERICA AND CARIBBEAN	P180872	
Project Name	Consolidation of the Panama Public Financial Management Information System		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	9/22/2023	11/16/2023
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective

Improve the quality of information in the public financial management ecosystem

Financing (in USD Million)	Amount
Total Project Cost	0.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project will support the consolidation and enhancement of core public financial management functions, including the integration of key public sector management systems. Similarly, the project will improve and modernize resource management systems, including the development of an asset management and public investment management systems among others. Finally, the project will strengthen the capabilities of the Ministry of Finance in terms of cybersecurity to safeguard critical data and ensure the continuation of government operations, while supporting the design and implementation of a comprehensive change-management strategy that will underpin the reform.

D. Environmental and Social Overview



D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Since 2010 the Government of Panama (GoP), with support from the World Bank through the Public Sector Efficiency Technical Assistance Loan (P121492), has been implementing an ambitious PFM reform agenda focused on enhancing efficiency, transparency, and accountability in public expenditure management. Despite significant achievements, further consolidation is needed in the core PFM functions. Key issues include establishing an effective governance structure and promoting a unified vision of the PFM system among all stakeholders; expanding the coverage of the budgetary transactions captured by ISTMO (Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa), in particular with regards to non-tax revenue assessment and collection; providing better mechanisms to manage historical data to improve performance and support decision making; and adopting accounting and financial reporting measures that expand the information presented in the financial statements. The Project will have a national scale and positively impact on Panama's PFM system.

D. 2. Borrower's Institutional Capacity

MEF will be responsible for the day-to-day management and implementation of the project. It will provide strategic alignment of the project with other government priorities and initiatives. The Project will be under the Deputy Minister of Finance. Project Implementation Unit (PIU) will be located within the Directorate of Project at MEF and will hold administrative, fiduciary, and monitoring responsibilities, including environmental and social management.

MEF has experience implementing other WB Projects and installing PIUs as part of a previous project with the World Bank financing, including the Panama Open Contracting and Public Infrastructure Transparency Project (P173484), which is being implemented currently under Environmental and Social Framework (ESF), as well as other Projects under the Safeguards policies, including the Enhanced Public Sector Efficiency Technical Assistance Loan (P121492). The Bank will provide any necessary training and support to ensure sufficient capacities to manage and implement the project, including change management, and to comply with the World Bank procurement procedures, environmental and social management, or proper use of the country procedures in Bank projects. The PIU will assign necessary personnel to ensure proper management of environmental and social aspects of the project. Personnel requirements will be included as part of the ESCP prior to Appraisal stage.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Moderate

Environmental Risk Rating Moderate

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).

Social Risk Rating Low



The proposed Project’s 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 related to the implementation of a more open and transparent information portal are included and consulted.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant. The Project will finance consulting and advisory services, capacity building and software programming to improve the PFM systems to strengthen public accountability and transparency, enhancing key public sector management systems. Project activities will neither finance nor support any civil works activities nor the preparation of feasibility studies, technical or engineering designs, or other activities supporting the preparation or construction of physical infrastructure. At Concept stage, the E&S risks and impacts expected from the proposed Project are considered low.

Given that the project will finance the procurement or replacement of a small amount of electronics (including audiovisual equipment, personal computers, and communications equipment), it may result in the generation of electronic waste (e-waste), which could cause soil and water pollution if poorly managed. E-waste generated as part of the project will need to be managed and disposed of as per the requirements defined in ESS3 and applicable Good International Industry Practice (GIIP). While the exact type and amount of electronics that will be purchased is not known at Concept stage, it is not expected to be significant or material. The requirement of a stand-alone E-waste Management Plan will be assessed during preparation when more information is available. E-waste aspects will be considered in the Project Operational Manual (POM).

For all technical assistance activities, consultancies, capacity building, and trainings to be financed under the Project, the requirements set out in paragraphs 14–18 of ESS1 will be applicable as relevant and appropriate to the nature of the risks and impacts, and incorporated in the ToRs. In addition, these activities, including the resulting terms of reference, work plans or other documents and outputs, will be consistent with ESS 1-10, as applicable, and especially focus on ensuring inclusion of vulnerable groups.

MEF will develop a Stakeholder Engagement Plan (SEP) to identify key stakeholders and establish processes for participatory consultations or relevant stakeholders, as per described under ESS10. The SEP will include a Grievance Redress Mechanism (GRM). MEF will include specific measures to allow continuous engagement and adequate communication strategy throughout Project implementation. During preparation, the WB will complete its due



diligence on the Borrower capacity and further assess the relevance of each ESS for the proposed Project as its design evolves.

Areas where “Use of Borrower Framework” is being considered:

None.

ESS10 Stakeholder Engagement and Information Disclosure

MEF will prepare, consult and disclose a draft Stakeholder Engagement Plan (SEP) prior to Project Appraisal to identify key stakeholders, define engagement strategies during the life of the Project, detail channels for dissemination of information and include a Project-level grievance and redress mechanisms (GRM).

The SEP will establish measures to allow for continuous engagement, participatory consultations, and adequate communication strategies with relevant stakeholders throughout Project implementation, which may include different units within MEF, workers associations within MEF, government agencies that interact with MEF through the PFM systems, and possibly civil society organizations working towards improving citizen participation and open and transparent data portals, in line with public open data standards. The SEP will include and cover consultations with stakeholders who will be directly and indirectly impacted by the update of the PFM System, as well as other interested parties. The internal and external communication strategies will build upon consultations’ main findings and will facilitate stakeholders’ buy-in of the reforms. The Borrower will implement an initial round of consultations during project preparation, which may include a combination of face-to-face and virtual activities to provide relevant stakeholders with Project information, including activities to be financed by the project, such as the specific PFM systems and processes that will be impacted by the project and potential changes as a result of these interventions, the Project’s knowledge management strategy as well as expected Project results, and received feedback related to Project design and potential E&S risks and impacts. These consultations will be based on the mapping of the key stakeholders for the project, which are expected to include government agencies, and civil society organizations, among others. This round of consultations is expected to be completed and consultations outcomes to be included in the draft SEP to be ready prior to Project Appraisal.

Under Component 2, activities related to the strengthening of public investment management systems might potentially provide an opportunity to improve stakeholder and CE in the public investment cycle. This opportunity will be further explored during preparation. MEF will ensure that ToRs for the design and implementation of process reforms and methodological tools for investment management consider stakeholder and CE requirements, as appropriate. For Project-financed activities that may require specific consultations processes, such as the above mentioned, and the participation of Indigenous Peoples in this process is deemed relevant, culturally appropriate mechanisms and strategies to engage Indigenous Peoples will be implemented, and will be included in the Project’s SEP. In such case, the SEP will include specific IP monitoring indicators (language availability, access mechanisms, number and type of engagement, etc).

The GRM will be part of the SEP and will include reception channels for public grievances related to the Project, procedures for process grievances and complaints, specific considerations for SEA/SH related grievances and complaints, an estimated budget, source of funding, and personnel.



The SEP will be periodically reviewed by the borrower, to ensure its proper implementation, monitoring and evaluation. The WB’s Social and Environmental Specialists will guide the PIU/MEF team to identify and attend stakeholders based on the final Project scope.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. Project activities are not expected to have negative impacts related to labor and working conditions. The Project will be implemented primarily by public civil servants from MEF. The Project’s PIU will potentially hire direct workers to be responsible for Project day-to-day implementation and management, including consultants (individuals and firms), who will be working full-time or part-time for the project, to develop studies, strategies, guidelines, procedures and to provide advisory services, amongst others. In line with ESS2, public civil servants will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there has been an effective legal transfer of their employment or engagement to the project. ESS2 will not apply to such government civil servants, except for the provisions relating to Protection of the Work Force and Occupational Health & Safety. All other Project workers will be subject to ESS2 requirements.

Requirements related to labor and working conditions, including worker wellbeing and health and safety, as well as a code of conduct acceptable to the World Bank to mitigate the risk of SEA/SH or misconduct in the workplace or when engaging with stakeholders during consultation processes, will be incorporated into the ESCP and the POM, in accordance with ESS2. The POM will also ensure that national labor-related laws are upheld related to public service and related human resource policies, labor law, and institutional roles related to enforcement of the laws, including recruitment, discipline, appraisals and dismissals. The POM will include a specific section in line with the recommended LMP template. A GRM for all workers employed or contracted under the Project will be established within the POM and maintained throughout the life of the project, which will also address claims related to SEA/SH to ensure they have a mechanism in place for complaints and grievances. The requirement and details for the GRM and the code of conduct will be set forth in the ESCP and the POM.

Potential risks and impacts that may arise from the interaction between project workers and local communities, and/or labor influx are not foreseen at this stage. Risks of forced or child labor are also not foreseen for this Project.

Finally, the PIU will ensure that the development of ToRs, work plans and other documents related to technical assistance are in line with the ESS2 requirements, including the updating or modernization of the national payroll software.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 standard is relevant. The Project will finance the replacement or procurement of a small amount of electronics (including audiovisual equipment, personal computers, and communications equipment), though the type and amount to be procured has not been determined yet at Concept stage. The amount is expected to be non-significant



or non-material. Such electronics will result in electronic waste (e-waste) generation later in the Project. To prevent the risk of water or soil pollution, all e-waste generated as part of the Project will need to be managed and disposed of following national regulations, international treaties, and GIIP. The PIU will guarantee that all types of e-waste are properly collected, stored, and disposed of in licensed/controlled landfills, keeping a registry and paper trail of all e-waste generation and movement. The requirement of a stand-alone E-waste Management Plan will be assessed during preparation when more information is available.

In addition, the procurement of electronics will consider energy efficiency requirements, where possible.

ESS4 Community Health and Safety

ESS4 is not relevant.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is not relevant. The proposed Project does not involve any land acquisition or involuntary resettlement.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS6 is not relevant. The proposed Project does not comprise infrastructure or civil works that might affect biodiversity or management of living natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS7 is relevant at this stage given the Project has a national scale. However, during Project preparation and due diligence process, the relevance of this standard will be further assessed. During preparation, it will be determined whether there are any changes brought about to PFM systems that may be related to IPs and would require a need to have them included in any consultation process. For Project-financed activities that may require consultation processes with IPs, which at this moment could potentially include the strengthening of public investment management, will be further assessed during preparation and will depend on the scope of the activity, which will be defined during preparation. If the participation of Indigenous Peoples in this processes is deemed relevant, culturally appropriate mechanisms and strategies to engage Indigenous Peoples will be implemented, as described in the Project's SEP, under ESS10. During preparation, the team will further assess opportunities to foster the inclusion of IPs and of direct benefits that they will have access to, in particular those related to activities public investment planning and monitoring.

ESS8 Cultural Heritage

ESS8 is not relevant. The proposed Project is not expected to have impacts in tangible or intangible cultural heritage.

ESS9 Financial Intermediaries

ESS9 is not relevant. The Project will not involve Financial Intermediaries.



C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

None.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Prepare and disclose a draft ESCP prior to Project Appraisal

Prepare, consult, and disclose a draft SEP prior to Project Appraisal

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Finalize and disclose the SEP (no later than 60 days after project effectiveness)
- Provide ESF-related training to project workers and stakeholders as relevant
- The Borrower will implement the e-wastes requirements as set forth in the POM
- Terms of reference, work plans or other documents in connection with Technical Assistance will be consistent with ESS 1-10, as applicable
- ESS2 labor and work requirements, including requirements related to the workers’ GRM and Code of Conduct.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 08-Sep-2023

IV. CONTACT POINTS

World Bank

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Public Disclosure



Borrower/Client/Recipient

Implementing Agency(ies)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Practice Manager (ENR/Social)	Maria Gonzalez de Asis Recommended on 08-Jun-2023 at 18:23:26 EDT
Safeguards Advisor ESSA	Marco Antonio Zambrano Chavez (SAESSA) Cleared on 20-Jun-2023 at 06:39:29 EDT