



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Panama	LATIN AMERICA AND CARIBBEAN	P173484	
Project Name	Panama Open Contracting and Public Infrastructure Transparency		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing		5/28/2021
Borrower(s)	Implementing Agency(ies)		
General Directorate of Public Procurement	General Directorate of Public Procurement		

Proposed Development Objective

To support the implementation of an open contracting approach that strengthens availability and use of data on public procurement, with an emphasis on public infrastructure.

Financing (in USD Million)	Amount
Total Project Cost	0.40

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 seeks to support the implementation of an open contracting approach that strengthens availability and use of data on public procurement, with an emphasis on public infrastructure through four components: (i) Strengthening transparency in public procurement; (ii) Accountability for Public Infrastructure Projects; (iii) Capacity building for data use; and (iv) Communications and Project Management.

The project will help enhance the capacity of the government to publish procurement and public infrastructure projects' data through more structured and standardized approaches, to facilitate use and reuse of such data and



make it more user friendly. It will also strengthen capacities of different stakeholders (government, private sector, civil society, media, academia) to use open data for analysis, and foster stakeholders' interaction for policy dialogue related to improving procurement and public infrastructure.

It is not an intention of the project's activities to directly contribute to the adoption of new or modified processes and procedures within the established procurement an public infrastructure projects practices. However, through improving availability of better data, building capacity for its analysis and enabling a more active dialogue among key stakeholders in the sectors, the project aspires to create an enabling environment that contributes to such reforms.

D. Environmental and Social Overview

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

The project will be implemented at the national level. The project aims to implement an open contracting approach that strengthens access to and use of data on public procurement, with an emphasis on public infrastructure.

In the past decade (2010-2018), Panama had one of the fastest-growing economies in the region, growing at an average rate of 6.5%. During this decade Panama's growth was driven mainly by the construction sector. Since 2015, Panama's economy has been decelerating from 5.4% (2017) to 3.7% (2018) to 3% in the last year mainly due to a slow-down in the construction sector and international trade disruptions. Moreover, in 2020, further declines in growth are anticipated as a result of Covid-19.

Like other countries in the region, corruption in Panama has undermined institutional and democratic principles and has affected Panama's competitiveness. According to the Corruption Perception Index, Panama scores 36 out of 100 in 2019, 6 points below the regional average (44). In March 2020, the National Assembly approved reforms to the procurement law, which includes a 5-year ban to companies sentenced by the judiciary due to corruption. Limited competitiveness, perceived corruption or unfair treatment, and lack of transparency in procurement processes disproportionately affect SMEs that want to participate in public bidding processes. In addition, perceived corruption and excessive bureaucracy tend to result in increased project costs and overpricing. The National Authority on Transparency and Access to Information (ANTAI) recently launched efforts to reform the Law to include issues related to conflict of interest, mandatory publication of information on the budget, pre-investment studies, concession contracts, as well as access to information related to the boards of state-owned enterprises. In 2016, Panama joined the Infrastructure Transparency Initiative (CoST) with the objective of disseminating information to the public on infrastructure projects. The program remains in a pilot phase.

Other salient social characteristics relevant to the project include the limited national legal frameworks requiring citizen and stakeholder engagement in the planning, implementation, or monitoring of public investments, including public infrastructure projects. In Panama, the decentralization law is one of few legal frameworks that require stakeholder engagement at the local level. At the national level, the only mechanism for stakeholder engagement in infrastructure investments tends to be during the environmental assessment stage, which includes a limited consultation to mitigate environmental impacts on surrounding communities or communities affected by the project.

Lack of openness and transparency in public procurement processes also has direct and disproportionate negative impacts on disadvantaged and vulnerable groups, such as the poor, ethnic minorities, and youth. Corruption in public



procurement, for example, hinders the ability of governments to effectively redistribute, reducing public spending in sectors such as education, health and social security, which increases inequality and directly impacts the poor and extremely poor. In Panama, poverty rates are higher in rural and indigenous territories, with indigenous territories presenting the largest access gaps to public services. Public Infrastructure investments in rural and indigenous territories has increased in the past decade as means to expand coverage of public services. However, the lack of engagement of beneficiary communities in the planning, implementation and monitoring of investment projects has resulted in a low completion rate of projects. Rural and indigenous territories also lack access to communications technologies, such as computers or Internet, which limits beneficiary communities’ ability to access data and use it to make-informed decisions and hold the government accountable in the use of public funds.

D. 2. Borrower’s Institutional Capacity

The project will be implemented by the General Directorate for Public Contracting (Dirección General de Contrataciones Públicas, DGCP) in coordination with the Ministry of Economy and Finance (MEF) and other government agencies, including the National Authority on Transparency and Access to Information (ANTAI), and the Government Innovation Authority (AIG).

The agencies involved in the management of the project (DGCP, ANTAI, AIG and MEF) have technical teams involved in activities critical to the success of the project, including those in charge of electronic platforms and contact points and counterparts of the Open Government Partnership and the Transparency in Infrastructure– CoST Panama initiative. In order to guarantee an effective management (including procurement and financial management processes) as well as the monitoring and evaluation of project activities, the team responsible for the project will be strengthened by hiring a part-time manager or coordinator dedicated to the project.

With respect to social management, including stakeholder engagement, the DGCP will have resources to manage communications activities associated to the project to disseminate its objectives and generate trust and commitment among citizens and stakeholders around the project’s activities and products. Borrower capacity for social risk management will be further assessed during preparation and, if necessary, capacity building measures will be included in the ESCP.

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

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Low

The environmental risk classification for the project is considered low. The project is not expected to generate any negative environmental impacts, as its activities are focused on strengthening capacity and providing technical assistance through the provision of software for improving procurement services and transparency around publicly awarded contracts, as well as carrying out of trainings and workshops. No civil works of any sort are envisaged under the project, and the key outputs will be online platforms, information systems and capacity building.

Social Risk Rating

Moderate



The social risk rating for the project is considered Moderate. Even though project activities are not expected to cause significant social risks, the project has been classified under a Moderate risk because of the potential exclusion of disadvantaged groups who are direct beneficiaries of a significant portion of public infrastructure investment projects and the borrower’s limited track record in ensuring their engagement and access to information regarding these investments. Overall, the project is expected to generate positive social impacts. The project will support efforts to strengthen the availability of open data on public procurement which is expected to strengthen transparency and competitiveness benefiting public sector contractors, including small and medium firms. Project activities also aim to improve stakeholders’ capacity to use public procurement data to better assess project progress and actively and effectively participate in decision-making processes. The proposed project does provide opportunities for inclusion of disadvantaged or vulnerable groups, through the promotion of open and transparent government contracting procedures and stakeholder engagement.

Some of the project’s social risks include: i) potential push-back from public or private sector actors who have benefited from non-transparent procurement processes; ii) even though the project will provide technical assistance and capacity building to ensure implementation of CoST methodologies, which include citizen and stakeholder engagement, the limited national or institutional frameworks and government agencies’ capacity to engage stakeholders, at the various levels, during public procurement processes could potentially undermine sustainability of project activities; iii) the potential exclusion of disadvantaged and vulnerable groups who have limited access to information regarding public procurement processes of infrastructure investments in their communities or as stakeholders in the different stages of public infrastructure project implementation; and iv) potential exclusion of individuals and groups who lack access to digital technologies and thus will have limited access to data platforms and public information.

The project’s Social Assessment (SA) and Stakeholder Engagement Plan (SEP) will further identify social risks through continuous stakeholder consultations. Identified social risks along with risk mitigating mechanisms will be included in the project’s SA.

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:

Based on the information available at the PCN stage, there are no negative environmental impacts and limited potential negative social impacts, as well as potentially high social benefits from enhanced transparency and public dialogue, expected from the proposed Project.

The project aims to create better conditions for accessing data on investment projects and public procurement at its various stages, while also standardizing quality control of information in the different platforms. This is expected to allow government employees, private sector firms, and citizens, in general, to “follow the money” during the procurement process from planning to implementation. In addition, the grant supports the implementation of the COST initiative, which includes the disclosure of information about project environmental and social risks and impacts, among many other topics in relation to projects and contracts.



The grant will promote stakeholder engagement on public procurement and infrastructure through the production of annual assurance reports on information released about public investments and results dissemination workshops, as well as through multi-stakeholder round tables on policies and actions necessary to improve the prioritization and performance of public infrastructure projects. In addition, the grant will fund trainings on data analysis and use for civil society, including vulnerable groups.

During project preparation, the Borrower will prepare a SA, which will identify any social risks, impacts, barriers to access and opportunities for inclusion associated with project activities, with a particular focus on disadvantaged and vulnerable individuals and groups. The SA will explore: i) national and institutional legal frameworks or institutional arrangements that currently regulate or promote citizen engagement and monitoring of public investment projects as well as access to data on procurement processes; ii) how perceived corruption and lack of transparency in procurement processes affect competitiveness and ability of small and medium firms, particularly those owned by women, afro-descendants, indigenous peoples, and people with disabilities, when contracting with the government; iii) whether and how discrimination, digital exclusion, lack of access to data, and other factors constitute barriers to access project benefits for these groups and ways to improve transparency and access to data for these groups; and iv) the level of citizen engagement in terms of access to data and participation in procurement processes. This assessment will inform project preparation to ensure project activities address identified risks and barriers. Key measures identified in the SA, as well as provisions to be included in the TORs for Technical Assistance, where relevant, will be included in the ESCP.

The project’s Social Assessment will be prepared and disclosed prior to grant appraisal/approval. It will be updated prior to beginning of project activities.

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

None. Panama has generally robust environmental and social laws and regulations. To the extent to which they are applicable to any of the proposed activities under the project, they will be followed; however, the project does not propose to rely on these systems for ESF compliance.

ESS10 Stakeholder Engagement and Information Disclosure

ESS10 is relevant to the project. The project’s objective is to implement an open contracting approach that strengthens access to and use of data on public procurement, with emphasis on infrastructure investments, by stakeholders as well as by civil society in general. During project preparation, the borrower will prepare a SEP which will identify and assess affected and interested parties as well as disadvantaged or vulnerable groups and present a timeline and methods for consultations and continuous engagement throughout project implementation. The SEP will include a section focusing on identification of disadvantaged and vulnerable groups, including but not limited to SMEs, women business associations, IPs and Afro-descendants, persons with disabilities, and youth, as well as analysis of their needs to ensure their continuous participation throughout project implementation.

Among the stakeholders, the SEP will include government agencies that contract works, goods and services through PanamaCompra and who publish data in PanamaenObras, universities and training institutions, private sector contractors (possibly through sectorial national associations), civil society and disadvantaged and vulnerable groups,

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including IPs and Afro-descendants, small and medium business owners, including women, and youth, among others. The SEP will also identify resources and responsible personnel to ensure its implementations as well as guidelines for monitoring and reporting. The SEP will include a project-level Grievance and Redress Mechanisms (GRM), which will meet ESF requirements and be readily available for all parties.

Project activities will be informed by consultations with all identified parties, including consultations with key stakeholders during project preparation mainly through the Open Government Partnership Multi-Stakeholder Forum and the CoST Panama Multi-Sector Group. The SEP will also inform the project’s engagement strategy under component 2, which plans to build capacity of civil society to use and reuse the data published through the different access platforms in their analysis, dialogue and decision-making processes. This component will also provide funds for dialogues, roundtables, and forums between government and non-state actors to discuss how to strengthen the public procurement system.

The Borrower will include in the SEP a differentiated engagement strategy for ethnic minorities that ensure all consultations and participatory dialogues with IPs and Afro-descendants are culturally appropriate, consider traditional systems of engagement and decision-making, and ensure representation of specific vulnerable groups whose interests are traditionally underrepresented, such as the elderly, women and youth. The Borrower will also ensure resources needed for the participation of ethnic minorities in dialogues, forums and other engagement platforms are included in the SEP. Use of the national level Grievance Redress Mechanism (GRM), known as the 311, is mandatory for Panamanian public entities, including those involved in managing this project. Given the presence of existing arrangements for grievance redress and the small scale of the grant, the 311 will be used as the project-level GRM. The SEP will describe how this system will be complemented with project-specific arrangements to ensure proper monitoring and compliance with the ESF. The procedure to submit grievances will be simple and easy to understand and will be widely advertised among project beneficiaries and interested parties.

Given circumstances related to COVID-19, and quarantine measures adopted by the Government of Panama, consultations might need to be adapted to digital formats, which may include electronic correspondence, written questionnaires to identified stakeholders, videoconference sessions, among others. Social media and other traditional communication channels may also be used to provide project information. As quarantine and social distancing measures relax, the borrower will assess the level of risk and propose additional means of consultations such as small gatherings or meeting with small focus groups.

The project’s SEP will be prepared and disclosed prior to grant appraisal/approval. It will be updated prior to beginning of project activities.

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. The project labor needs are limited and will involve mostly government civil servants and a limited number of direct project workers who will likely work part-time for the project. Project activities associated



with capacity building of government civil servants and technical assistance to government agencies may require hiring of consulting firms. The project does not foresee any civil works, thus no need for significant numbers of contracted workers or major Occupational, Health and Safety (OHS) hazards associated with the project activities are expected.

For direct workers, the borrower will need to meet requirements for: terms and conditions of employment; non-discrimination and equal opportunity; worker’s organizations; child labor; forced labor; a grievance mechanism; and, occupational health and safety plans. Other government officials working in connection with the project full-time or part-time will remain subject to the terms and conditions of their existing public sector employment or agreement, unless there has been an effective legal transfer of their employment or engagement in the project. The relevant provisions of ESS2 regarding forced and child labor, as well as occupational health and safety will apply to all project workers, as well as to civil servants with existing employment arrangements. Requirements related to contractor workers will apply to the workers of consulting firms working in relation to the project.

Relevant labor requirements and commitments per the requirements of ESS2, including basic principles of fair treatment, non-discrimination and equal opportunity of project workers, and a description the GRM for project workers, will be mentioned in the ESCP and included in the project’s Operations Manual (OM). No children under 18 or forced labor will be allowed under the Project.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is not relevant.

ESS4 Community Health and Safety

The standard is not relevant since no risks or impacts related to community health and security are expected. The project will not involve any civil works.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant to the project. The project will not finance physical infrastructure and is not expected to require land acquisition, cause involuntary resettlement or restrictions of access.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is not relevant.

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

This standard is relevant to the project. Indigenous Peoples in Panama represent 12.5 percent of the population; with indigenous territories making up 22 percent of Panama’s territory. Even though public investment, particularly infrastructure projects, in indigenous territories have increased in the last decade, it continues to be low compared to

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other areas of the country. Government’s limited capacity to plan and coordinate investments across sectors in indigenous territories and engage indigenous peoples through proper consultations has limited sustainability of investments. In addition, digital exclusion of ethnic minorities, such as IPs and Afro descendants, undermines their ability to rapidly and effectively access and use public data to assess project progress in their territories, or participate in planning and decision-making processes.

Technological resources in indigenous territories are limited, with less than 10 percent of IPs having access to the internet through the various digital technologies. Thus, one of the projects’ main risks include the potential digital exclusion of IPs and Afro-descendants in accessing data online. The project’s SA will explore ways in which IPs and Afro-descendants can access available data on project procurement and will provide feedback to the project to enhance implementation of project activities.

Under Component 2, the proposed project presents an opportunity to engage with IPs and Afro-descendants in a culturally adapted dialogue to identify and address the structural barriers that prevent these ethnic minorities from fully participating in all stages of project procurement, including planning and design stages. This dialogue will be useful to strengthen the government’s capacity to ensure an open and informed dialogue with IPs for all procurement processes in IP territories, including those related to investments that may require the free, prior, and informed consent of indigenous peoples under national law.

The Borrower will include in the SEP a differentiated engagement strategy for ethnic minorities that ensure all consultations and participatory dialogues with IPs and Afro-descendants are culturally appropriate, consider traditional systems of community engagement and decision-making, and ensure participation of specific vulnerable groups within communities whose interests are traditionally underrepresented, such as elders, women and youth. The Borrower will also ensure resources needed for the participation of ethnic minorities in dialogues, forums and other engagement platforms are included in the SEP. The Social Assessment and SEP to be prepared during project preparation will also explore the accessibility of the project-level GRM vis a vis potential IP beneficiaries or interested parties.

ESS8 Cultural Heritage

This standard is not relevant given that project activities are mainly focused on technical assistance and capacity building. Project activities are not expected to have any impacts on tangible or intangible cultural heritage.

ESS9 Financial Intermediaries

The standard is not relevant because the project will not involve Financial Intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

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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:

The following instruments will be prepared and disclosed prior to grant appraisal/approval:

- 1. Social Assessment;
- 2. SEP, including a Project Grievance Redress Mechanism (GRM);
- 3. Draft ESCP.

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

- 1. Updated SA and SEP
- 2. Implementation of E&S instruments and key measures
- 3. Establishment of the GRM for project worker
- 4. If the need is identified during preparation, capacity building on E&S issues

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

15-Nov-2020

IV. CONTACT POINTS

World Bank

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Implementing Agency(ies)

Implementing Agency: General Directorate of Public Procurement

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V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Marcela Rozo Rincon
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