



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 13-Apr-2021 | Report No: PIDC213057



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P173484		Moderate	Panama Open Contracting and Public Infrastructure Transparency
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Panama	13-Apr-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	General Directorate of Public Procurement	General Directorate of Public Procurement	

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

**SUMMARY**

<b>Total Project Cost</b>	0.40
<b>Total Financing</b>	0.40
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	0.40
Governance Partnership Facility	0.40

**B. Introduction and Context**

Country Context

**Between 2010 to 2018, Panama was among the fastest growing economies in Latin America with an average economic growth rate of 6.5 percent.** Over the same period, poverty declined from 22 to an estimated 13 percent, driven largely by public investment and large infrastructure projects. These include the expansion of the Panama Canal, the Panama City-Colon highway, the construction of Panama City’s first metro line and upgrades to airports, including the Tocumen International Airport. The country has also benefited from its position as a transport and logistics hub with growing traffic through the canal. However,



Panama's economic growth rates slowed to 3 percent in 2019 from 3.7 percent in 2018; the lowest since the financial crisis. This was driven mainly by international trade disruptions and a slow-down in the construction sector. Moreover, in 2020, further declines in growth are anticipated as a result of COVID-19—estimated at between 0.1 and 0.6 percentage points – depending on the severity of the economic shock. Growth will remain subdued – by Panama's standards – in the near term.

**Panama's growth model has promoted opportunities for many in the last few years, but it has failed to tackle entrenched inequalities.** Panama has seen impressive declines in poverty from 22 to 13 percent. However, growth has favored urban areas. In 2017 poverty rates in *Comarcas*, the designated indigenous regions, were six times higher than the national average. Multidimensional poverty was officially estimated to affect 32 percent of children and adolescents in 2018 (and between 80 to 99 percent among children in *Comarcas*).

**Panama has been one of the hardest hit countries in the Latin American and Caribbean Region (LAC) by the COVID-19 pandemic.** The health impact and the containment measures affected Panama's growth drivers significantly with severe social and poverty impacts, especially on indigenous people, women, and afro-descendants. slowdown in economic activity is expected to increase poverty by 3.4 percentage points, with the increase in rural areas being more than double (5.3 percentage points) than in urban areas (2.5 percentage points). Indigenous people, women, and afrodescendants will be more affected since 70, 50, and 56 percent of them work in sectors affected by the pandemic. The effects of the pandemic are magnified since 45 percent of the non-agricultural workers are in the informal sector and thus do not benefit from social safety nets.

**To reinvigorate growth and address these underlying inequities, Panama will need to focus on increasing productivity through human capital reforms and addressing obstacles in basic service delivery.** The Policy Notes, prepared in 2019, identify inter-related areas for addressing these challenges: strengthen governance and public sector performance; focus on human capital reforms; and alleviate sectoral bottlenecks in water, urban transport, agriculture and energy.

#### Sectoral and Institutional Context

**Panama lags significantly on indicators of trust in government and the quality of its institutions.** Low levels of trust in government are seen across Latin America, but Panama ranks among the countries with the lowest levels. According to the Latinobarometer (2018), only 16 percent of Panamanians have some trust in Government below the Latin America and Caribbean average of 22 percent and only just above El Salvador and Guatemala. This trust deficit stems, in part, from high levels of perceived corruption. Transparency International's Corruption Perception Index shows that Panamanians perceive their government as more corrupt in recent years than in earlier periods. The 2016 leak of information from the Panama-based Mossack-Fonseca law firm regarding ownership interests in shell companies highlighted the need to tighten the framework for international tax transparency. It also demonstrated the need to ensure the effective implementation of recently adopted legal regimes concerning anti-money laundering and combating the



financing of terrorism. Slippages on various global corruption indices demonstrate the challenge facing Panama. In 2017, 38 percent of people paid a bribe in order to access basic services - the highest rate in Central America and on par with Venezuela. Panama scores above LAC averages for indicators of irregular payments and bribes, and the diversion of public funds.

**The Government lacks the ability to translate its strategic vision into a coherent public investment policy.**

Regardless of multi-year sector strategy plans, the lack of linkages between the various plans (including at the subnational level), reduces the Government's ability to formulate an effective public investment plan. Panama scores below the regional average on the capacity for sectoral reform, long term sector strategies, the quality of the public policy making process and the reliability of economic and financial statistics. Upstream challenges in planning contribute to problems in the selection and execution of public investments. The Ministry of Economy and Finance lacks guidelines and functions to ensure that capital projects and the overall project portfolio, are affordable for users and the national budget over the life cycle of the asset. Fiscal risks are not clearly identified, priced and transparently disclosed and integrated into long-term debt sustainability analysis and the medium-term fiscal framework. The absence of a clear and transparent process to appraise and prioritize projects and assess social and environmental impact, poses a challenge in the context of an "oversupply" of investment projects where the government receives unsolicited infrastructure proposals.

**Panama has made a concerted effort to improve its performance in terms of transparency and open government.**

According to the 2020 World Justice Project Rule of Law Index, Panama scores 0.59 out of 1 on open government, which measures the extent to which a government shares information, empowers people with tools to hold the government accountable, and fosters citizen participation in public policy making. This is above global and regional averages and places Panama 38 out of 128 countries. In 2012, Panama joined the Open Government Partnership (OGP) and launched an ambitious package of reforms on access to information, open data, and platforms for dialogue. The current OGP Action Plan has commitments on strengthening transparency and accountability in public infrastructure projects and on the prevention of conflicts of interest in public procurement. In 2016, Panama joined the Infrastructure Transparency Initiative (CoST) to publicly disseminate information on infrastructure projects. CoST in Panama is being piloted in the construction and water & sanitation sectors, and contracting agencies are required to follow the CoST standards to publish infrastructure data. An information platform ([www.panamaenobras.gob.pa](http://www.panamaenobras.gob.pa)) has been developed, currently publishing data on 4 projects with a total value of \$285,446,854. All data on public procurement is available through the e-procurement system, PanamaCompra (<https://www.panamacompra.gob.pa/Inicio/#!/>). The data published in these two platforms is not open, easily searchable or downloadable for analytical purposes.

**The World Bank has supported the improvement of back-end systems for improving the transparency of information on public expenditures.**

Through the Enhanced Public Sector Efficiency Technical Assistance Loan (P121492), the Government has rolled out an integrated financial management information system (ISTMO), which automates all core public financial management processes related to budgeting and treasury for both central and decentralized government. In addition, the project finances upgrades to the e-



procurement system managed by the General Directorate for Public Contracting (Dirección General de Contrataciones Pública, DGCP) to improve the availability of quality information on public procurement.

**The proposed project is aligned with the Government’s Strategic Plan (2019-2024) pillar on good governance, transparency and accountability.** Recognizing the trust deficit in public institutions in Panama and recent high-profile scandals related to corruption, the Strategic Plan identifies a number of concrete priority actions to be taken in the near term. These include launching a program on “Open Tenders and Visible Contractors” (*Programa Licitaciones y Contratistas Visibles*) where citizens can follow all the steps in public contracting and compliance with the commitments established in the 2019 Transparency Challenge (*Reto Transparencia*).

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Relationship to CPF

**The project is aligned with the Panama FY2015-2021 Country Partnership Strategy’s (CPS) objectives of improving budget management and ensuring inclusion for marginalized groups.** The weak capacity of public sector institutions, with respect to regulatory frameworks, efficiency and transparency were identified as structural constraints to growth and poverty reduction. The CPS identifies the critical need to improve the transparency and efficiency of public expenditure, specifically in the areas of public investment. As Panama seeks to sustain its successful model of rapid growth and significant poverty reduction while increasing trust in public institutions, it will need to guarantee contestability in the procurement, approval and implementation of large public infrastructure projects. In this context, this project will help the government publish information on procurement and develop targeted feedback mechanisms (Including the voices of marginalized groups) thereby improving linkages between open data and civic oversight of publicly funded projects.

### C. Project Development Objective(s)

Proposed Development Objective(s)

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.

Key Results

1. Improved availability of public procurement and infrastructure data according to open data standards (measured by publication of open data sets following the standards on a portal Y/N).
2. Increased use of data on public procurement and infrastructure (measured by usage statistics of the portal/website).



## **D. Preliminary Description**

Activities/Components

### **Component 1: Strengthening transparency in public procurement**

This component supports efforts to strengthen the availability of open data on public procurement, with an emphasis on - but not limited to - public infrastructure data. These efforts will build on the progress made in implementing Commitment 2 of the Open Government Partnership Action Plan 2017-2019 (Strengthening Transparency and Accountability in Public Infrastructure Projects - likely to continue in their 4th National Action Plan) and on the DGCP's current efforts in adopting the Open Contracting Data Standard (OCDS) based on data produced by PanamaCompra. This component will carry out the following activities:

- Capacity building of staff in agencies responsible for publishing data in PanamaenObras, to accelerate and standardize the uploading of quality information to the platform.
- Adoption of the OCDS and the Open Contracting for Infrastructure Data Standard (OC4IDS) to publish open data from PanamaCompra and PanamaCompra3, as well as from PanamaenObra and the Ministry of Economy and Finance's data on budget registrations and payments from ISTMO. These efforts will create better conditions of data access on public procurement at its various stages, including procurement data for infrastructure projects.
- Development and deployment of a new version of the PanamaCompraenCifras portal, to integrate the open and standardized data published by PanamaCompra, Panamaenobra and ISTMO, in such a way that users can "follow the money" in public procurement from planning to implementation. The portal will include search engines with filters enabled by entity, by supplier, by year, by procurement modalities, and visualizations and performance indicators. The portal could build in open source tools that are readily available for OCDS and OC4IDS implementers.

### **Component 2: Capacity building for data use**

This component will build capacity among relevant stakeholders on public procurement and infrastructure, so that they can use and reuse the data opened and published through the different access platforms in their analysis, dialogue and decision-making processes. This component will carry out the following activities:

- Workshops and other training events on data use, where different stakeholders acquire skills to reuse and analyze published data for their own use cases, such as: (i) the government to improve decision-making; (ii) the private sector to identify business opportunities, especially SMEs; (iii) civil society for monitoring government expenditures and service provision – for example, through social audits – special attention will be paid to including groups of vulnerable populations traditionally excluded; (iv) accountability institutions to mine the data and be more effective at targeting risk in their audit processes; (v) the media for reporting and investigative journalism; (vi) universities for academic research; and (vii) the community of developers to create applications and services based on open data, among others.
- Establishment of partnerships with universities and training institutions to develop content that will enable the introduction of open data and data use curricula in their academic programs, and with



public entities that can strengthen these efforts, such as AIG with its online training platforms. This will build skills of new generations of professionals to use public information and prepare them to play an active role in public sector affairs, be it from the public sector or from the private or non-state sectors.

- Organization of roundtables and forums for government and non-state actors to discuss how to strengthen the public procurement system, making use of the data.

### Component 3: Accountability for Public Infrastructure Projects

With more and better information available on investments in public infrastructure, the suggested project will facilitate specialized analysis of this information as well as public discussion of the findings, which will allow all stakeholders to work together to promote greater efficiency and effectiveness in infrastructure projects' management. This component will carry out the following activities:

- Production of annual assurance reports by suitable and independent specialists on the information disclosed in PanamaenObra, in order to validate and monitor on site the development of the works to verify elements of quality and compliance.
- Workshops to disseminate results of annual assurance reports, which will promote greater knowledge about the management of public infrastructure, as well as on the Infrastructure Transparency Initiative (CoST Panama) and its progress in the country.
- Round tables on policies and actions necessary to improve the prioritization and performance of public infrastructure projects. These events will be led by the CoST multi-stakeholder Group, to advance an evidence-based dialogue grounded on the analysis provided by the assurance studies.

### Component 4: Communications and Project Management

This component supports effective project management (including fiduciary responsibilities); monitoring and evaluation of project activities; and 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.

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#### Environmental and Social Standards Relevance

##### E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant



ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

**Legal Operational Policies**

Safeguard Policies	Triggered	Explanation (Optional)
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

The World Bank's due diligence under the Environmental and Social Framework (ESF) on screening of environmental and social (E&S) risks and impacts of the project identified the relevance of the following Environmental and Social Standards (ESS): ESS1 Assessment and Management of Environmental and Social Risks and Impacts, ESS2 Labor and Working Conditions, ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, and ESS10 Stakeholder Engagement and Information Disclosure. The environmental risk rating is considered Low and the social risk rating is considered Moderate, thus the overall Environmental and Social risk rating is Moderate. 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. 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. Main social risks are related to 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 potential push-back from public or private sector actors who have benefited from non-transparent procurement processes. The Borrower will prepare and disclose before grant appraisal/approval a draft Social Assessment (SA), which will identify any social risks, impacts, barriers to access and opportunities for inclusion associated with project activities, with a particular focus on indigenous peoples and afro descendants, as well as other disadvantaged and vulnerable individuals and groups. In terms of labor, the project is expected to mainly use civil servants





and hire direct project workers including full-time and part-time staff and consultants, as well as consulting firms. The commitments related to the requirements of ESS2 will be included in the project's Environmental and Social Commitment Plan and its operations manual. In addition, the Borrower will prepare and disclose, also before grant appraisal/approval, a draft Stakeholder Engagement Plan (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. The project will carry out consultations with key stakeholders, mainly through the Open Government Partnership Multi-Stakeholder Forum and the CoST Panama Multi-Sector Group during project preparation. Consultations may need to be adapted to a virtual format and, if held in person, will consider COVID-19 health and safety measures. The project will use the national Grievance Redress Mechanism of Panama, and the SEP will describe how this system will be complemented with project-specific arrangements to ensure proper monitoring and compliance with the ESF. The finalized SA and SEP will be disclosed before the start of project activities.

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