



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ENHANCED PUBLIC SECTOR EFFICIENCY TECHNICAL ASSISTANCE LOAN
APPROVED ON MARCH 3, 2011
TO
THE REPUBLIC OF PANAMA

GOVERNANCE GLOBAL PRACTICE

LATIN AMERICA AND CARIBBEAN REGION

Regional Vice President:	Jorge Familiar
Country Director:	Yaye Seynabou Sakho
Senior Global Practice Director:	Deborah L. Wetzel
Practice Manager/Manager:	Robert R. Taliercio
Task Team Leader:	Joanna Alexandra Watkins



ABBREVIATIONS AND ACRONYMS

CGR	Office of the Comptroller General (<i>Contraloría General de la República de Panamá</i>)
DAP	Department of Project Administration (<i>Dirección de Administración de Proyectos</i>)
DGCP	General Directorate of Public Procurement (<i>Dirección General de Contrataciones Públicas</i>)
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
ISTMO	Panama's Integrated Financial Management System (<i>Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa</i>)
MEF	Ministry of Economy and Finance (<i>Ministerio de Economía y Finanzas</i>)
PAD	Project Appraisal Document
PDO	Project Development Objective



BASIC DATA

Product Information

Project ID P121492	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 03-Mar-2011	Current Closing Date 31-Aug-2018

Organizations

Borrower Republic of Panama	Responsible Agency Direccion de Administracion de Proyectos, DAP
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to assist public agencies of the Borrower in producing, using and disseminating timely and quality performance information, thereby allowing a more efficient, transparent and accountable use of the Borrower's public budget funds.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Commitment	Net Disbursed	Undisbursed
IBRD-80160	03-Mar-2011	26-Sep-2011	07-Mar-2012	31-Aug-2018	55.00	40.46	14.54

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

- 1. Project Background:** The Project was approved on March 3, 2011 and became effective on March 7, 2012. The objective is to assist public agencies in producing, using and disseminating timely and quality performance information, thereby allowing a more efficient, transparent and accountable use of the Borrower's public budget funds. Progress towards achievement of development objectives and overall implementation progress are both rated *moderately satisfactory*. Two out of three outcome indicators, measuring the quality public sector financial information and the performance orientation of the budget, are on track to achieve their end targets by the current closing date of August 31, 2018. The third outcome indicator (PDO #3) related to transparency in public procurement will not be achieved by the current closing date due to delays in procurement for the Panama Compra 3 system. In the early years of project implementation, issues related to complex Information and Communications Technology (ICT) procurement processes and weak project management led to slow disbursements and the need for a Level 2 restructuring in 2015 with a 23-month extension. Since then, the capacity of the Project Implementation Unit was strengthened and disbursement has reached 74 percent of the total loan amount. Ratings for achievement of the development objective and implementation progress were upgraded from *moderately unsatisfactory* to *moderately satisfactory* in October 2017. The Project's objectives of increasing the efficiency, transparency and accountability in the management of public finances remain highly relevant, as evidenced by the government's recent sponsoring of the Panama Accord agreement.¹ The agreement is expected to enhance transparency and accountability in Latin America and the Caribbean, and is aimed at fighting corruption and mobilizing greater private financing for development.
- 2. Current Status:** The main component on managing public resource information efficiently (accounting for over 60 percent of loan proceeds) supports the strengthening of budget execution, treasury, accounting and control systems through the introduction of the integrated financial management information system (*Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa - ISTMO*). This component is advancing well. As of September 2017, the target of 100 percent of central government entities² were utilizing the system. In the 2015 restructuring, an extension of the system to 80 percent of decentralized institutions was included (under a shared financing arrangement with the government). Its implementation is underway, with 58 percent of decentralized entities using the system as of February 2018. The government now aims to cover 100 percent of decentralized entities³ under the project. Two other components focus on developing capacities for results-based planning, budget management and evaluation and strengthening public procurement and contracting. Under the component on results-based budgeting, the methodology for a new program definition was completed and applied in five sectors in 2017 (Health, Education, Transport, Security, Justice), above the target of three pilot sectors. On the other hand, after significant delays, the public procurement component has seen recent progress with the awarding of the US\$1.3 million Panama Compra 3 contract. Details on progress and challenges by component are provided below.

¹ The Panama Accord has been jointly sponsored by the World Bank Group, the Organization of American States and the Government of Panama. Among the measures included in the Panama Accord are the production of high-quality financial reports from national and sub-national governments and the use of ICT platforms for procurement.

² In the 2015 Restructuring, Panama had only 24 central government entities. In 2016, the National Environment Authority (ANAM in Spanish) was reclassified and established as the Ministry of Environment, forming part of central government. This resulted in the addition of one central government institution for a total of 25.

³ As of June 2018, the total number of decentralized entities in Panama is 36.



Component 1: Developing Capacities for Results-Based Planning, Budget Management and Evaluation. The objective of this component is to improve institutional and technical capacities for performance oriented strategic planning and budgeting to enhance transparency and quality of public spending. With the application of a new program definition in five sectors as mentioned above, the target value (three pilot ministries prepare budgets using program classification and financial and non-financial performance information) for the related PDO-level indicator⁴ has been surpassed. In addition, the Budget Department is currently in the process of selecting additional pilot entities (for a total of 10) to prepare the 2019 budget using new programs with performance information, in parallel to regular budget submissions. Beyond conducting more pilots, to further deepen the results orientation of the budget, the government has requested the project to support activities focused on increasing the production and dissemination of results linked with budget information (see Annex 2 for more details). This is also expected to contribute to improving transparency.

Component 2: Managing Public Resource Information Efficiently. This component supports the modernization of the current financial management, organizational management, and statistical information systems. To date, the ISTMO has been implemented in 100 percent of central government entities and is being rolled out to decentralized entities.⁵ The project is on track to achieve its target value for the related intermediate level-indicator of ISTMO coverage of 100 percent of central entities and 80 percent of decentralized entities by the current closing date of August 2018. With this restructuring the government has requested to roll out ISTMO to 100 percent of all central and decentralized entities. Notwithstanding, there are challenges with respect to the prospects of achieving the related PDO-level indicator on the use of the system to produce better quality consolidated financial statements for the central government adhering to specific accounting standards. The publication of these consolidated financial statements requires an intra-institutional agreement between the Ministry of Finance (specifically the *Dirección General de Ingresos*) and the *Contraloría General de la República* (CGR) on responsibilities for the provision of revenue information. A dialogue between the Ministry of Finance and CGR has been initiated to resolve this issue. The sub-component on the modernization of the external control framework has suffered delays in implementation due to procurement difficulties and capacity constraints, despite the issuance of Executive Decrees adopting International Standards of Supreme Audit Institutions (ISSAI) in 2012 and International Public Sector Accounting Standards (IPSAS) in 2014. Most of activities under this sub-component have been completed, including training, preparation of the implementation plan, development of an IPSAS manual, and a fixed asset management manual. As such, the government is proposing to re-orient activities meant for modernizing the public sector accounting framework through the adoption of international standards towards improving the audit function and requests a re-calibration of the PDO-level indicator in this regard. The sub-component on the support to statistical capacity has been progressing well, and the project is currently providing preparatory support for the 2020 Census, including software and hardware.

Component 3: Strengthening Public Procurement and Contracting. This component intends to support the reform of the public procurement process in Panama. With the project's support, a new Procurement Law⁶ was enacted in 2017 and will be implemented in 2018 (six months after approval). While the procurement law has changed several times in the past, the underpinning regulations have not. The recent approval of the regulations is

⁴ This restructuring proposes to move this PDO indicator to an intermediate level.

⁵ Given expected changes in the configuration of central and decentralized government institutions over time in the public sector (e.g. moving an Agency to Ministry status), the indicator to measure the roll-out of the system is a percentage. As of June 2018, the total number of decentralized entities in Panama is 36.

⁶ Law 61, reforming public contracting in Panama, published September 27, 2017 in the Official Gazette (reforms the text of Law 22 of 2006).



considered a major achievement under the project.⁷ The acquisition of supporting hardware for the *Dirección General de Contrataciones Públicas* (DGCP) was also successfully completed. However, upgrading the Panama Compra system suffered significant delays stemming from difficulties in defining specifications and processing the procurement. To date, the Panama Compra 3 contract has been awarded and signed and is currently in the final stages of review by the CGR. The contract includes the design, configuration, testing, training, implementation and support and maintenance for the new procurement system. Contract implementation is anticipated to start in August 2018 and end in 12 months (beyond the current closing date). Accordingly, the PDO indicator measuring the utilization of the Panama Compra 3 system can only be achieved with an extension of the current closing date. The cost of the Panama Compra 3 system is much lower than what was anticipated and as a result this component has excess funding. Moreover, activities related to supporting further legal and regulatory reforms, as well as the development of a research center for Procurement Administrative Tribunal will be dropped to focus efforts on the implementation of Panama Compra 3.

3. There are no overdue project audits and audit reports which are not satisfactory to the Bank. The project is not subject to suspension of disbursement. Financial management and procurement are rated *satisfactory* and *moderately satisfactory*, respectively.

B. Rationale for Restructuring

4. This restructuring will allow the project to complete ongoing critical procurement and implementation processes, satisfactorily achieve its PDO, and fully disburse funds. Specifically, with the on-going roll-out of the ISTMO system to decentralized entities and the planned implementation of the Panama Compra 3 contract, the completion of project activities will extend beyond the current closing date. Both contracts suffered significant delays because of the inherent complexity of acquiring major ICT systems. Restructuring the project will enable the government to consolidate public financial management reforms currently underway and ensure the sustainability of the system upgrade across government – critical activities that have been supported by the project.

II. DESCRIPTION OF PROPOSED CHANGES

1. The proposed restructuring includes: i) changes in components and costs, ii) modification of the results framework, iii) extension of the closing date, iv) updated economic and financial analysis, and v) reallocation between disbursement categories, as well as changes in the disbursement estimates and implementation schedule.
2. **Change in components and cost:** As discussed above, the main changes in components and costs correspond to the scaling back of components 1 (performance-based budget management and evaluation) and 3 (public procurement and contracting), and the expansion of activities under component 2 (new financial management model). Under component 1, no new activities will be pursued on developing and institutionalizing the monitoring and evaluation functions and systems. Activities with respect to improving capacities for performance oriented strategic planning and budgeting would support additional pilots and the development of a normative framework for program budgeting will now be re-oriented to activities designed to relate budget execution data with performance information for selected public entities to improve the transparency of the expenditure side of national accounts. Under component 2, the project would extend support to the roll-out of the ISTMO system to 100 percent of decentralized entities and focus on securing the interface with periphery systems (such as the

⁷ Executive Decree (Regulation) 40, published April 10, 2018 in the Official Gazette (replaces Regulation 366 of 2006).



Panama Compra 3 and E-tax systems). The sub component on the modernization of the public sector accounting framework will be re-focused on developing an updated internal audit methodology in the public sector. Component 3 will focus primarily on the implementation of the Panama Compra 3 contract and extensive training to procurement officers across government. As a result of these changes and the lower than anticipated cost of the Panama Compra 3 system, the restructuring would reallocate US\$2.12 million from component 1 and US\$3.95 million from component 3 to component 2, as shown in the table in section IV and detailed in Annex 2.

- 3. **Changes in the Results Framework:** While the PDO will not be revised, changes to selected indicators will be made to better capture results. The original PDO indicator 1 on performance budgeting which is currently output-focused (measured through number of pilots) is being moved to the intermediate level and a new outcome indicator (measured through the publication of reports linking performance to the budget) is being introduced. This new PDO indicator will provide better evidence of the achievement of the PDO with respect to producing, using and disseminating timely and quality performance information critical for a more transparent and accountable use of the Borrower’s public budget funds. The target value for PDO indicator 2 on the quality of public sector financial information will also be recalibrated to focus on the timely publication of the consolidated financial statements without specifying the accounting standards given noted delays with implementation. With the new implementation timeframe for Panama Compra 3, the target value of PDO indicator 3 on transparency in public procurement (that is to be evidenced by government procurement information being generated and disseminated semi-annually) will now be revised to the new proposed closing date of the project. Specifically, the target value will now be evidenced by 100 percent of competitive procurement processes being publicly available on a daily basis in Panama Compra 3. Intermediate indicators are also being revised to better measure results over time and to provide a logical connection to the PDO-level indicators. This entails replacing four intermediate indicators, adding one and revising three. The end target dates will be aligned with the proposed closing date of December 31, 2019. See Annex 1 for the full updated Results Framework by component, including the justification for the changes.
- 4. **Change in Loan Closing Date:** The Closing Date will be extended by 16 months, from August 31, 2018 to December 31, 2019. This would be the project’s second extension for a total cumulative period of 39 months from the original closing date. This would enable the project to fully complete several activities already under implementation, namely the roll-out of the integrated financial management information system to 100 percent of decentralized entities and the implementation of the upgraded e-procurement platform, Panama Compra 3. It would also allow implementation of new activities, amounting to 10 percent of loan funds (US\$5.5 million), requested by the government that would further help consolidate the on-going reforms and sustain outcomes achieved to date. The table below summarizes the resources required for each group of activities. A plan is in place to ensure that all activities are completed by the new closing date, including close monitoring of the procurement and contracting processes and close implementation support on technical aspects. Annex 2 contains a list of the proposed new contracts to be financed under the loan with the remaining funds.

Total Amount of Funds for Project Loan (USD millions)	55
Funds Already Disbursed (USD millions)	40.46
Funds Already Committed to On-going Activities till Current Closing Date (USD millions)	5
Funds Needed to Complete Activities Under Implementation with Extension (USD millions)	4
Total Amount for New Activities Proposed (USD millions)	5.5 (10%)



- 5. **Change in Economic and Financial Analysis:** The Project Appraisal Document (PAD) recognized that a cost-benefit analysis was not well-suited to assess the impact of institutional reforms such as those supported by this project. Quantification of intangibles and issues of attribution make it difficult to express their impacts in monetary terms. Nevertheless, the PAD included a detailed qualitative list of expected benefits of the project in terms of financial, economic and social gains. To reflect the expansion of component 2, specifically the extension of ISTMO from the central government to decentralized entities, the economic and financial analysis described in the PAD has been adjusted. A list of potential financial and economic benefits has been included to reflect these adjustments. Annex 3 provides a detailed assessment of the potential benefits relative to costs by component. With this updated information, estimated benefits are expected to substantially outweigh the costs. Under the scenario that economic benefits were only 1 percent (though more likely on the order of 5-10 percent based on experiences of other countries) of the national budget of Panama (~US\$25 billion), returns of roughly US\$250 million would still result in a highly positive Net Present Value. A quantitative assessment of the two ICT systems (ISTMO and Panama Compra 3) is feasible and will be carried out at the Implementation Completion and Results stage. Such quantitative assessment will require a concerted research effort as no baseline data was included in the PAD (see Annex 3 for more details).
- 6. **Reallocation between disbursement categories:** Based on the changes proposed under components 1 and 3, as well as new activities proposed to be implemented during the extension period, the following reallocation of loan proceeds by disbursement category would be made:

Disbursement Category	Current allocation	Proposed allocation	Proposed reallocation
(1) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Parts 1 and 2 (a) and (b) of the Project (USD)	39,030,000	42,980,000	3,950,000
(2) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Parts 2 (c) and (d) of the Project (USD)	2,520,000	2,520,000	0
(3) Goods, Works, Non-consultant Services, Training, Operating costs and consultants' services for Part 3 of the Project (USD)	12,950,000	9,000,000	-3,950,000
(4) Goods, Non-consultant Services, Training, Operating costs and consultants' services for Part 4 of the Project (USD)	500,000	500,000	0
Total (USD)	55,000,000	55,000,000	0

- 7. Additional changes will include adjustments to the implementation schedule and updated disbursement estimates.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	



Reallocation between Disbursement Categories	✓	
Change in Disbursement Estimates	✓	
Change in Implementation Schedule	✓	
Change in Economic and Financial Analysis	✓	
Change in Implementing Agency		✓
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Change in Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓
Change in Technical Analysis		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Performance orientation of the budget				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	The budget document does not use program classifications with very	DIPRENA selected 6 new entities to pilot performance/program	Program budgeting approach is introduced in three pilot	Marked for Deletion



	limited financial performance information	budgeting in parallel with the regular budget submission process this year.	ministries for the 2018 budget year (budget for three ministries are prepared using program classification and financial and non financial performance information	
Date	01-Jun-2011	23-Feb-2018	29-Dec-2017	
Public entities increase the production and dissemination of performance information linked with budget information Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Performance information is limited, not publicly available and not linked to financial information		Information on the budget associated with key performance indicators for 10 public sector entities is produced and publically disclosed.	New
Date	30-Aug-2013		31-Dec-2019	
Quality of public sector financial information improved Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Financial reports do not provide complete information on government revenue and expenditures thus impeding the monitoring of budget execution	The first consolidated financial statement for the central government is expected to be manually produced by June (within 6 months). It is also expected that such financial statements would be produced in even less time in the future, subject to the provision of timely revenue information, which requires an inter-institutional agreement	The government prepares through ISTMO and publishes within 6 months after the end of the fiscal year consolidated financial statements of the Central Government	Revised



		between MEF, Contraloria, and the DGI.		
Date	30-Aug-2013	23-Feb-2018	31-Dec-2019	
Increased transparency in public procurement Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	60% competitive procurement processes of Central and Decentralized Government are publicly and daily available through PanamaCompra 2	The PanamaCompra3 contract has been signed and is awaiting final approval by the Contraloria for implementation to start. The new law for Public Procurement was approved by Congress on August 24, establishing guiding principles for transparency, professionalization, and efficiency.	100% of competitive procurement processes of central and decentralized entities are publicly available through PanamaCompra 3 on a daily basis.	Revised
Date	17-Jul-2015	23-Feb-2018	31-Dec-2019	

Intermediate Indicators

Improved performance orientation of the budget Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	The budget document does not use program classifications with very limited financial performance information	In 2018, DIPRENA selected 6 new entities to pilot performance budgeting in parallel with the regular budget submission process. The draft Organic Budget Law is currently being reviewed by DIPRENA and Legal Services.	Program budgeting approach is introduced in three pilot ministries for the 2018 budget year (budget for three ministries are prepared using program classification and financial and non-financial performance information)	Revised



Date	01-Jun-2011	23-Feb-2018	31-Dec-2019	
Intermediate Result indicator 1.2: Evaluation of effectiveness of public policies				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	There is no methodology for evaluation of public programs and no systematic evaluations are carried out	Process of hiring a consultancies for the design of a methodology of evaluation of public policies has lagged in comparisson to other activities of the Project. It would seem that activities under these subcomponent do not have the same level of support from the GoP than others included in the Project..	The public policy effectiveness evaluation methodology is developed and has been used for analysis of public policies in up to three sectors	Marked for Deletion
Date	01-Jun-2011	23-Feb-2018	29-Dec-2017	
Increased institutional coverage of the new ISTMO model in Central Government				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	100.00	100.00	Revised
Date	01-Jun-2011	23-Feb-2018	31-Dec-2019	
Increased institutional coverage of the new ISTMO model in Decentralized Government				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00		100.00	New
Date	30-Aug-2013		31-Dec-2019	
Increased use of ISTMO in Central Government				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action



Value	SIAFPA, RAMAN, and all the previous information systems which supported the budget execution, were basically ex-post registry systems. Implementation of ex-ante controls was not feasible		75% of Central Government's Budget is subject to ISTMO controls and registration by Dec. 2019. (excluding transferences, Fondos Financieros, payroll)	New
Date	30-Aug-2013		31-Dec-2019	
Increased use of ISTMO in Decentralized Government Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	SIAFPA, RAMAN, and all the previous information systems which supported the budget execution, were basically ex-post registry systems. Implementation of ex-ante controls was not feasible		75% of Decentralized Government's Budget is subject to ISTMO controls and registration by Dec. 2019. (excluding transferences, Fondos Financieros, Payroll)	New
Date	30-Aug-2013		31-Dec-2019	
Extended functional coverage of the new ISTMO model Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	The current SIAFPA does not include functionalities for budget preparation and is not harmonized with national payroll, procurement and public investment system	ISTMO includes all functions and integration with National Debt (SIGADE) and Single Treasury Account. The only integration missing is that with PanamaCompra 3 and public investment. In addition, ISTMO has implemented	The new IFMIS model integrates functionalities for budget preparation, accounting, budget execution, treasury and accounting; with interfaces with national debt, the treasury single account, and the e-tax system	Revised



	integration with payroll (EPD), DGI and SIAFPA Consolidado.			
Date	01-Jun-2011	23-Feb-2018	31-Dec-2019	
Intermediate Result indicator 3.1.: Building capacity of public officials involved in public procurement Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	30.00	Marked for Deletion
Date	01-Jun-2011	23-Feb-2018	30-Aug-2018	
Intermediate Result indicator 3.2: Standardization of processes Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	100.00	Marked for Deletion
Date	01-Jun-2011	23-Feb-2018	29-Jun-2018	
Intermediate Result indicator 3.4.: Increased use of e-procurement platform Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	100.00	Marked for Deletion
Date	01-Jun-2011	23-Feb-2018	31-Jul-2018	
Improved procurement complaint management Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	The current PanamaCompra system has no instruments to facilitate complaints about procurement processes		DGCP has implemented a procurement complaint module through PanamaCompra 3	New
Date	30-Aug-2013		31-Dec-2019	
Modernized legal framework for procurement				



Unit of Measure: Text Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	Law 22 (2006) and regulation 366 (2006). The law has changed 6 times between 2009 and 2014, but the regulation 366 has never been modified.		Updated procurement law (Law 61) and corresponding regulations (Decreto 40) establishing guiding principles for transparency, professionalization, and efficiency.	New
Date	30-Aug-2013		31-Dec-2019	

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component/Part 1: Developing capacities for results-based planning, budget management and evaluation	4.64	Revised	Component/Part 1: Developing capacities for results-based planning, budget management and evaluation	2.52
Component/Part 2: Managing Public Resource Information Efficiently	36.91	Revised	Component/Part 2: Managing Public Resource Information Efficiently	42.98
Component/Part 3: Strengthening public procurement and contracting	12.95	Revised	Component/Part 3: Strengthening public procurement and contracting	9.00
Component/Part 4: Supporting Project Management Capacities	0.50	No Change	Component/Part 4: Supporting Project Management Capacities	0.50
TOTAL	55.00			55.00



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-80160	Effective	30-Sep-2016	31-Aug-2018	31-Dec-2019	30-Apr-2020

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IBRD-80160-001 Currency: USD					
iLap Category Sequence No: 1		Current Expenditure Category: GO,NCS,TRGN,OPCOSTS,CS PARTS 1&2			
	39,030,000.00	33,167,418.06	42,980,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: GO,NCS,TRGN,OPCOSTS,CS PARTS 2C&D			
	2,520,000.00	1,272,939.33	2,520,000.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: GO,CW,NCS,TRGN,OPCOSTS,CS PART 3			
	12,950,000.00	4,150,870.29	9,000,000.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: GO,NCS,TRGN,OPCOSTS,CS PART 4			
	500,000.00	172,665.36	500,000.00	100.00	100.00
Total	55,000,000.00	38,763,893.04	55,000,000.00		

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2011	0.00	0.00



The World Bank

Enhanced Public Sector Efficiency Technical Assistance Loan (P121492)

2012	2,379,170.91	2,379,170.91
2013	1,719,310.86	1,719,310.86
2014	12,505,669.28	12,505,669.28
2015	9,749,954.95	9,749,954.95
2016	0.00	7,898,286.90
2017	10,500,000.00	6,141,717.56
2018	0.00	6,973,393.00
2019	0.00	7,632,496.54



ANNEX 1: UPDATED RESULTS FRAMEWORK BY COMPONENT

Component 1: Developing capacities for results-based planning, budget management and evaluation								
Indicator	Unit of measure	Baseline	Target Values			Frequency	Responsibility	Change/ Justification
			2017	2018	December 31, 2019			
PDO: Public entities increase the production and dissemination of performance information linked with budget information	Text	Performance information is limited, not publicly available and not linked to financial information.			Information on the budget associated with key performance indicators for 10 public sector entities is produced and publicly disclosed.	Annual	DIPRENA	New. Aligned to reforms.
Improved performance orientation of the budget	Text	The budget document does not use program classifications with very limited financial performance information	Program budgeting is introduced in three pilot sectors in line with normative framework approved by MEF		Program budgeting approach is introduced in three pilot ministries for the 2018 budget year (budget for three ministries are prepared using program classification and financial and non-financial performance information)	Annual	DIPRENA	Revised. Moved to intermediate level, replaces two very similar indicators.



Component 2: Managing Public Resource Information Efficiently								
Indicator	Unit of measure	Baseline	Target Values			Frequency	Responsibility	Change/ Justification
			2017	2018	Dec. 31, 2019			
PDO: Quality of public sector financial information improved	Text	Financial reports do not provide complete information on government revenue and expenditures thus impeding the monitoring of budget execution		The government prepares through ISTMO and publishes within 6 months of the end of the fiscal year consolidated financial statements of the Central Government that include disclosure of adherence to accounting standards (either IPSAS or National)	The government prepares through ISTMO and publishes within 6 months after the end of the fiscal year consolidated financial statements of the Central Government	Annual	DNC	Revised. Clarification of type of information and dropping of adherence to accounting standards.
Increased institutional coverage of the new ISTMO model in Central Government	Percentage	0		100	100 (25/25 entities)	Annual	DNC	Revised. Refocused to measure type of institutions (central).
Increased institutional coverage of the new ISTMO model in	Percentage	0		80	100 (36/36 entities*as of 2018)	Annual	DNC	New. Measure of roll-out to decentralized entities increased from 80% to 100%



Decentralized Government								
Increased use of ISTMO in Central Government	Percentage	SIAFPA, RAMAN, and all the previous information systems which supported the budget execution, were basically ex-post registry systems. Implementation of ex-ante controls was not feasible			75% of Central Government's Budget is subject to ISTMO controls and registration by Dec. 2019. (excluding transferences, Fondos Financieros, payroll)	Annual	DNC	New. Measure use of the system (central).
Increased use of ISTMO in Decentralized Government	Percentage	SIAFPA, RAMAN, and all the previous information systems which supported the budget execution, were basically ex-post registry systems. Implementation of ex-ante controls was not feasible			75% of Decentralized Government's Budget is subject to ISTMO controls and registration by Dec. 2019. (excluding transferences, Fondos Financieros, Payroll)	Annual	DNC	New. Measure use of the system (decentralized).
Extended functional coverage of	Text	The current SIAFPA does not include functionalities		ISTMO includes all functions and integration	The new IFMIS model integrates functionalities for budget	Annual	DNC	Revised. Clarified relevant interfaces with



the new ISTMO model		for budget preparation and is not harmonized with national payroll, procurement and public investment system		with National Debt (SIGADE) and Single Treasury Account. The only integration missing is that with PanamaCompra 3 and public investment. In addition, ISTMO has implemented integration with payroll (EPD), DGI and SIAFPA Consolidado.	preparation, accounting, budget execution, treasury and accounting; with interfaces with national debt, the treasury single account, and the e-tax system			the system for target value (there is no Central Bank in Panama).
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Component 3: Strengthening public procurement and contracting

Indicator	Unit of measure	Baseline	Target Values			Frequency	Responsibility	Change/ Justification
			2017	2018	Dec. 31, 2019			
PDO: Increased transparency in public procurement	Percentage	60% of competitive procurement processes of Central and Decentralized Govt are publicly and daily available via Panama Compra 2		Government procurement information generated through the upgraded platform Panama Compra 3 and disseminated by DGCP semi-annually	100% of competitive procurement processes of Central and Decentralized entities are publicly available through PanamaCompra 3 on a daily basis		DGCP	Revised. Target for 2019 established.



Indicator	Unit of measure	Baseline	Target Values			Frequency	Responsibility	Change/Justification
			2017	2018	Dec. 31, 2019			
Improved procurement complaint management	Text	The current Panama Compra system has no instruments to facilitate complaints about procurement processes			DGCP has implemented a procurement complaint module through Panama Compra 3		DGCP	New. Addition needed to measure progress.
Modernized legal framework for procurement	Text	Law 22 (2006) and regulation 366 (2006). The law has changed 6 times between 2009 and 2014, but the regulation 366 has never been modified.			Updated procurement law (Law 61) and corresponding regulations (Decreto 40) establishing guiding principles for transparency, professionalization, and efficiency.		DGCP	New. Addition needed to measure progress.



ANNEX 2: PROPOSED NEW CONTRACTS FOR FINANCING

Activity	Component contribution to PDO	Amount (US\$)	Estimated start date	Estimated end date
Programa de las capacidades técnicas para el diseño, implementación y control de Políticas Públicas	Component 1	120,000.00	4-July-18	14-April-19
Consultoría para la Transformación Integral de la DTI	Component 1	265,000.00	4-July-18	31-Oct-19
Consultoría para el servicio de Cyber Seguridad y prueba de vulnerabilidad para la DTI	Component 1	275,000.00	4-July-18	30-July-19
Adquisición de una Solución para la Administración de Cuentas Privilegiadas	Component 1	151,300.00	16-Sept-18	30-Oct-19
Consultoría para la Digitalización de lo archivos físicos y en cartrige	Component 1	230,000.00	16-July-18	30-April-19
Hub de recaudación de impuestos	Component 1	150,000.00	16-Aug-18	14-Aug-19
Plan de Mitigación de Riesgo	Component 1	150,000.00	16-July-18	14-Aug-19
Consultoría - desarrollo e implementación para la actualización de la cuenta corriente tributaria, incorporando ajustes de débito y crédito	Component 1	500,000.00	16-July-18	14-June-19
Adquisición de infraestructura Tecnológica, almacenamiento y licencias	Component 1	350,000.00	16-July-18	14-Aug-19
Nube computacional para los ambientes de desarrollo y pruebas	Component 1	175,000.00	16-Aug-18	30-Sept-19
Consultoría e implementación de Plan de Recuperación de desastres	Component 1	200,000.00	16-Aug-18	14-Aug-19
Cumplimiento de estándares internacionales de transparencia fiscal	Component 1	700,000.00	16-Sept-18	30-Sept-19
Identificación de transferencia recibidas en el Fondo General Cuenta Única del Tesoro de bancos internacionales BID, BM, CAF y otros - DGT	Component 1	35,000.00	16-July-18	30-May-19
Sistema de encriptación de la Información - DGT	Component 1	2,000.00	18-July-18	30-Mar-19
Servicio de entrenamiento para administración y control de Base de Datos AS-400 - DGT	Component 1	3,750.00	21-Aug-18	30-Mar-19
Recaudación de las entidades CUT por Banca en Línea de Bancos Privados y de Gobierno - DGT	Component 1	40,000.00	21-Aug-18	30-Aug-19



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Enhanced Public Sector Efficiency Technical Assistance Loan (P121492)

Consultoría para fortalecer las capacidades de la DIPRENA en el desempeño de los sectores e introducir herramientas de trabajo	Component 1	100,000.00	2-Aug-18	30-Aug-19
Diseño para sectores pilotos en la formulación de la publicación de información del gasto (a nivel global y funcional)	Component 1	250,000.00	2-Aug-18	30-Aug-19
Diseño de la Estructura Organizativa, Estructura y Perfiles de Puestos Y Manuales de Organización y Recursos Humanos para Creación de la Unidad Especializada en Asociaciones Público Privadas (APPs) del Ministerio de Economía y Finanzas	Component 1	25,000.00	4-July-18	30-Dec-18
Elaboración de Manuales de procedimientos/ Guías Metodologicas de la Unidad Especializada en Asociaciones Público Privadas (APPs) del Ministerio de Economía y Finanzas	Component 1	125,000.00	3-Sep-18	30-May-19
Fortalecimiento de las capacidades de la Unidad Especializada en APP	Component 1	60,000.00	4-July-18	30-Oct-19
Consultoría en SAP (FI), orientado en eficiencia e integridad procesos de SAP (transferencia de conocimiento)	Component 2	45,000.00	1-Aug-18	30-April-19
Consolidación de cierres contables basados en una Análisis de Políticas Contables versus MEPP/FMI (2014) Y NICSP's	Component 2	45,000.00	1-Aug-18	30-April-19
Capacitación en Academias SAP- Usuarios de la DNC y la Entidades del Sector Gobierno Central y Descentralizadas	Component 2	99,000.00	1-Aug-18	30-April-19
Alquiler de salas equipadas para Capacitaciones	Component 2	120,000.00	1-Aug-18	30-Sept-19
Desarrollo de sistemas para la incorporación de dispositivos móviles Android como soporte a la recolección de datos de campo para encuestas económica y agropecuaria	Component 2	70,000.00	18-July-18	30-Mar-19
Desarrollo e implementación de Apps para acceso a la información del sitio web de los censos de población y vivienda 2020 y el portal de la estadística panameña	Component 2	45,000.00	18-July-18	30-Jan-19
Asesor en Tecnología de la información, para las modificaciones que se desarrollen en las etapas de desarrollo e implementación de la nueva Plataforma Electrónica de Compras Públicas PanamaCompras	Component 3	44,940.00	1-Oct-2018	30-Dec-19
Estudio sobre Convenio Marco sobre la tendencia de compras del Gobierno	Component 3	150,000.0	1-Aug-18	30-April-19
Asesoría para la formulación de establecimiento de Educación Continua sobre Contrataciones Públicas a Nivel Escolar	Component 3	200,000.00	1-Aug-18	30-Dec-19
Asesoría para potenciar el uso de la catalogación de la UNSPSC	Component 3	75,000.00	1-Aug-18	30-May-19



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Consultoría para la Innovación en Compras Públicas, aplicando Compras Sostenibles	Component 3	150,000.00	1-Aug-18	30-Sept-19
Consultoría para el establecimiento de una metodología para la elaboración de los programas anuales de compras para las entidades del Estado	Component 3	125,000.00	1-Aug-18	30-Sept-19
Consultoría para el Diseño y Elaboración de políticas públicas aplicadas en el Sistema de Contrataciones	Component 3	100,000.00	1-Aug-18	30-Sept-19
Consultoría para la adopción de metodología estándar de contratación abierta "Open Contracting"	Component 3	65,000.00	1-Aug-18	30-April-19
Consultoría para la integración entre ISTMO y PanamaCompra	Component 3	150,000.00	8-Jan-19	30-Oct-19
Consultoría para la integración de Registro de Proveedores	Component 3	150,000.00	8-Jan-19	30-Oct-19
Coordinador de Proyectos Banco Mundial	Component 3	74,900.00	21-Mar-18	30-Dec-19
Especialista de Compras para la implementación del nuevo sistema de PanamaCompra	Component 3	50,000.00	13-Apr-18	30-Dec-19
Especialista de Tecnología para la implementación del nuevo sistema de PanamaCompra	Component 3	50,000.00	17-Apr-18	30-Dec-19
Especialista Legal para la implementación del nuevo sistema de PanamaCompra	Component 3	50,000.00	17-Apr-18	30-Dec-19
Consultor Internacional para la Auditoría del Proceso de Implementación de la Nueva Plataforma Electrónica de Contrataciones Públicas	Component 3	150,000.00	1-Aug-18	30-Oct-19
Auditoria Externa - BDO Audit	Component 4	16,050.00	1-Jul-18	30-June-19
Total		5,931,940		



ANNEX 3: UPDATE OF ECONOMIC AND FINANCIAL ANALYSIS

Component	Types of Activities	Financial Benefits (Potential)	Positive Economic Externalities (Potential)	Notes	Costs
Component 1: Developing Capacities for Results-Based Planning, Budget Management and Evaluation	<ul style="list-style-type: none"> Piloting of performance-based planning and budgeting processes (6+MDAs) Initial foundational work for PPP framework and Medium Term Fiscal & Expenditure Framework 	<ul style="list-style-type: none"> Reduced costs of capital investments through more Public Private Partnerships (PPPs) Savings from less debt financing (and associated interest costs) as sounder fiscal policy management Savings from greater efficiencies resulting from better performance information collected and utilized, including targeting of beneficiaries and elimination of duplicate programs 	<ul style="list-style-type: none"> Improved allocation of budgetary resources to priority areas (MoF), resulting in greater allocative efficiency (resources dedicated to higher return projects and programs) 	<ul style="list-style-type: none"> With the 2nd restructuring new activities will include support to the PPP framework and to increasing transparency of budget and performance information. 	Direct costs of 2.52M + labor costs of official's time + rental costs
Component 2: Managing public resource information efficiently	<ul style="list-style-type: none"> Roll-out of new Integrated Financial Management System (IFMIS) to central government institutions (25) + decentralized 	<ul style="list-style-type: none"> Savings from reduced administrative costs to the state in delivery of public outputs Partial claim to savings on idle working of cash balances from benefits of Treasury Single Account. 	<ul style="list-style-type: none"> Saving from labor costs of consolidating information from disparate systems (MoF + MDAs) and time savings from lower inconsistency in data, less reconciliation from improved controls (MoF + MDAs) 	<ul style="list-style-type: none"> ISTMO processes require fewer bureaucratic steps and paper authorizations Previous system (SIAFPA) did not cover Fondos Financieros (more than 30% of the 	Direct costs of 42.98M + labor costs of official's time + rental costs + annual



	<p>institutions (36) with connections to TSA, Procurement, Debt modules</p> <ul style="list-style-type: none">• Modernization of the external control framework• Support the country's statistical capacity	<ul style="list-style-type: none">• Savings from reduction of floating debt• Cost savings for vendors as payment times have been reduced• Cost savings for state by reducing inputs required to manage payment process		<p>budget), had only partial institutional coverage at central government, and was based on ex-post registration approach. ISTMO will cover 100% of central and decentralized government, 100% of budget.</p> <ul style="list-style-type: none">• The information about payment obligations and cash balances is updated in real-time; allows payments when cash is available, reducing floating debt.• Payment time was reduced because of streamlined and unified processes among budget, accounting and treasury.• Previous system (SIAFPA) was without support & extremely obsolete• ISTMO allows setting of commitment ceilings, which allows MEF to control the	<p>operating costs</p>
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				<p>rhythm of expenditure execution, and avoid financial obligations when resources are not available. Also allows MEF to set austerity rules.</p> <ul style="list-style-type: none">• Before cash balances in government bank accounts were unknown, now MEF knows exactly when more resources are needed or not, allowing for better cash management.• Because the information was locally distributed, the consolidation of information required important effort in terms of time and human capacities. Now the information is centralized and the consolidation is automatic.	
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<p>Component 3: Strengthening public procurement and contracting</p>	<ul style="list-style-type: none"> • Institutional Strengthening of DGCP • Legal and regulatory reform • Panama Compra 3 Platform (ICT) 	<ul style="list-style-type: none"> • Cost savings from reduced prices and transaction costs for government procurement 	<ul style="list-style-type: none"> • Cost savings from greater competition, i.e., more facilitation of the ability of existing or new firms, especially small and medium-size enterprises that are not currently doing much business with the government, to successfully offer their goods and services, and eventually works, if the law is expanded to cover all aspects of procurement. (MoF + MDAs) • Labor and time savings from some process simplification. (MoF + MDAs) • Reduced corruption in procurement as a result of greater transparency and documentation. 		<p>Direct costs USD \$9M + labor costs of official's time + rental costs + annual operating costs</p>
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Note: Limitations for substantiating with quantitative data at this stage:

The two main areas where conducting a more fine-tuned economic and financial analysis should, in theory, be more feasible are the two major ICT investments: ISTMO and Panama Compra3. In the case of ISTMO, the analysis would require information about short-term debt, financial investments, bank account analysis, etc. The analysis also requires information from spending units about cash balances from 3 – 5 years ago, and in all likelihood this information will not be available in all cases. This kind of analysis would demand a significant amount of time and resources and joint work with MEF. In the case of the Panama Compra3 contract (which has not yet been implemented), it would require a detailed analysis jointly with procurement offices at the stage of roll-out and a thorough assessment of the transaction process under the previous system. Building on the framework developed in this Annex, as part of the Implementation Completion and Results Report, a quantitative analysis of the projects costs and benefits will be carried out to demonstrate the project's efficiency contribution.