

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

**FISCAL INTELLIGENCE PROGRAM TO IMPROVE SPENDING QUALITY
IN PANAMA**

(PN-L1172)

LOAN PROPOSAL

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REQUIRED LINKS	
1.	Multiyear execution plan / Annual work plan
2.	Monitoring and evaluation plan
3.	Procurement plan

OPTIONAL LINKS	
1.	Economic analysis of the project
2.	Program Operating Regulations
3.	Environmental and social policy filter

ABBREVIATIONS

120/65	Programa 120 a los 65 [120 to the 65s Program]
AIG	Autoridad Nacional para la Innovación Gubernamental [National Authority for Government Innovation]
ANA	Autoridad Nacional de Aduanas [National Customs Authority]
BAFO	Best and final offer
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
CQS	Selection based on consultants' qualifications
CSS	Caja de Seguro Social [Social Security Fund]
DAP	Dirección de Administración de Proyectos [Project Administration Office]
DGI	Dirección General de Ingresos [General Revenue Directorate]
DIPRENA	Dirección de Presupuesto Nacional [National Budget Office]
DTI	Dirección de Tecnología e Informática [Information Technology Office]
ECLAC	Economic Commission for Latin America and the Caribbean
EFI	Ecosistema fiscal inteligente [smart tax ecosystem]
ICB	International competitive bidding
IMF	International Monetary Fund
INEC	Instituto Nacional de Estadística y Censo [National Institute of Statistics and Census]
IRR	Internal rate of return
MEF	Ministry of Economy and Finance
MIDES	Ministry of Social Development
MITRADEL	Ministry of Employment and Labor Development
NCB	National competitive bidding
NPV	Net present value
PPS	Plan Panamá Solidario [Panama Solidarity Plan]
PSC	Project Steering Committee
QCBS	Quality- and cost-based selection
RdO	Red de Oportunidades [Opportunities Network]
RUC	Registro Único del Contribuyente [Single Taxpayer Registry]
SINTYS	Sistema de Identificación Nacional Tributario y Social [National Tax and Social Identification System].
SOFR	Secured Overnight Financing Rate
UCG	Unidad de Calidad de Gasto [Expenditure Quality Unit]
UNDP	United Nations Development Programme

PROJECT SUMMARY

PANAMA FISCAL INTELLIGENCE PROGRAM TO IMPROVE SPENDING QUALITY IN PANAMA (PN-L1172)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Republic of Panama			Amortization period:	15 years
Executing agency:			Disbursement period:	4 years
Ministry of Economy and Finance (MEF), acting through the Project Administration Office (DAP)			Grace period:	4.5 years ^(b)
			Interest rate:	SOFR-based
Source	Amount (US\$)	%	Credit fee:	(c)
IDB (Ordinary Capital)	20 million	100%	Inspection and supervision fee:	(c)
			Weighted average life:	9.75 years
Total	20 million	100%	Currency of approval:	United States dollar
Project at a Glance				
Project objective/description: The general development objective is to increase spending efficiency and equity by implementing the smart tax ecosystem. The specific development objective is to put a smart tax ecosystem into operation for targeting public funds.				
Special contractual conditions precedent to the first disbursement of the financing: The first disbursement of the loan proceeds will be contingent on meeting the following conditions to the Bank's satisfaction: (i) the Expenditure Quality Unit has been created and operating with key staff appointed in the following areas: (a) expenditure quality; (b) technology; (c) data science; and (d) a specialist in gender and diversity budgeting; (ii) a model has been submitted for the interagency agreement to be signed between the MEF and the agencies participating in the smart tax ecosystem, stipulating the methodology for them to collaborate and share information (paragraph 1.18); and (iii) the program Operating Regulations have been approved and have entered into force on the terms agreed upon with the Bank (paragraph 3.10).				
Exceptions to Bank policy: None.				
Strategic Alignment				
Challenges: ^(d)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted, provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Before the pandemic, Panama's economy grew an annual average of 6.8% in the period 2004-2017 but decelerated sharply in 2018 and 2019, due mainly to a slowdown in the construction sector, leading to respective growth rates of 3.7% and 3%, the lowest prior to the COVID-19 pandemic. In economic and social terms, unemployment decreased significantly from 2006 to 2013, when the lowest rate of the past 50 years was posted (4.1%). Since then, unemployment has been on the rise, reaching rates of 7.1% in 2019 and 18.5% in 2020. In 2019, the country's poverty rate was more than twice Chile's (8.6% in 2017) and Uruguay's (8.8% in 2019), the two countries of the region most similar to Panama in terms of per capita income.
- 1.2 In the fiscal area, tax revenue intake declined sharply in the years preceding COVID-19, in response to the aforementioned slowing of growth, as well as the increase in tax exemptions. Tax revenue grew a nominal 12.3% in the period 2010-2014, and 2.2% in 2015-2019, thus decreasing as a percentage of GDP from 10.4% to 8.9%. The COVID-19 pandemic exacerbated the deterioration of Panama's economic activity, which shrank 17.9% in 2020. As a result, national government revenue fell 27% in 2020, and tax revenue sank to 7.5% of GDP in 2020, below the 8.2% in 2019.
- 1.3 Nonfinancial expenditure in the prepandemic period, 2010-2019, averaged 21% of GDP, but its breakdown changed: current expenditure increased from 67% to 71% of total expenditure in the same period, and capital expenditure decreased from 33% to 25%. The expenditure strategy to contain the pandemic focused on keeping all existing prepandemic fixed transfers, subsidies, and expenditures in place and creating new programs to address the new challenges in the health, social, and economic sectors. The Ministry of Economy and Finance (MEF) reallocated US\$2 billion (3.8% of GDP)¹ of the budget to the public institutions and areas that had to combat the health crisis and provide resources to the most vulnerable population, distributed principally to the following: (i) Plan Panamá Solidario [Panama Solidarity Plan] (PPS) (2.0% of GDP);² (ii) health sector (0.6% of GDP); and (iii) economic recovery (0.7% of GDP).³
- 1.4 As part of its immediate spending response to the pandemic between March and June 2020, the government created the PPS⁴ to provide assistance to the citizens hardest hit by the COVID-19 crisis in the form of bags of food, solidarity payments, and digital vouchers. Importantly, the conditions for inclusion in the PPS were based on employment and socioeconomic circumstances. In 2020,

¹ MEF, "Acciones implementadas para reactivar la economía, la productividad, los ingresos y el empleo en Panamá [Actions taken to revive the economy, productivity, income, and employment in Panama]." Presentation by the Vice Minister of Economy. July 2021. Slides 3 and 4.

² The Panama Solidarity Plan (PPS) was created to provide bags of food and payments (both physical and digital, through the Bono Solidario solidarity voucher and Vale Digital digital voucher, respectively) to the population hardest hit by the crisis. Article 3 of Executive Decree 400, published 27 March 2020.

³ Source: MEF.

⁴ Executive Decree 400 of March 2020.

US\$580.1 million was executed for the PPS food assistance and digital voucher programs;⁵ in 2021, this figure was US\$855.9 million. For 2022, US\$400 million is expected to be allocated to the budget of the Ministry of Social Development (MIDES) to finance the digital voucher.⁶

- 1.5 The pandemic's impact on economic activity and, by extension, on tax revenue intake, public expenditure, and its new composition drove the fiscal deficit up significantly, from 2.9% to 10.1% of GDP between 2019 and 2020.⁷ With this increase the fiscal deficit surpassed the statutory ceiling previously in effect (3.5% of GDP).⁸ In this context, the Social and Fiscal Responsibility Law⁹ was amended to raise the statutory ceiling for the fiscal deficit to a range of 9.5% to 10.5% of GDP for 2020; a range of 7% to 7.5% of GDP for 2021; 4% in 2022; 3% in 2023; 2% in 2024; and 1.5% for 2025 and thereafter.¹⁰
- 1.6 The COVID-19 vaccination campaign has yielded positive results. According to Panama's Ministry of Health, as of 25 February 2022, 74% of the target population (those able to receive the vaccine) had been fully vaccinated. This vaccination process is one of the factors behind the economic recovery; real growth of GDP was an annual 25.5% in the third quarter of 2021 for cumulative real growth of 14.9% in the first three quarters of the year,¹¹ and the unemployment rate fell 7.2% from 18.5% in September 2020 to 11.3% in October 2021. In 2021, the tax take recovered, rising 11.5% with respect to 2020, and GDP rose 15.3% with respect to the prior year.¹²
- 1.7 In the area of gender and diversity, the pandemic took a severe toll on women and indigenous populations. In 2019, the unemployment rate for women was 8.8%, three points higher than for men, with young women the most affected: the unemployment rate for women ages 20 to 24 was 20%, whereas for men in the same age group the unemployment rate was 10% (National Institute of Statistics and Census (INEC), 2019). This disparity is much more marked in lower-income populations. For example, in the second income quintile, women's unemployment was 8% higher than men's (14% versus 6%, respectively). Also in the second income quintile, the informality rate was 10% higher for women than for men (76% versus 66%, respectively).¹³ A similar situation occurs with indigenous populations, for whom the informality rate is 72%, versus only 49% for the nonindigenous population, and the poverty rate is 55%, versus 14%. For

⁵ Budget structure and execution (food assistance category), MIDES.

⁶ Article: [Presupuesto del Estado para 2022 destinará US\\$400 millones al Vale Digital](#) [2022 National Budget will allocate US\$400 million to digital vouchers], media outlet La Estrella de Panamá.

⁷ Fiscal deficit figures taken from the [Panama Economic Information Map](#).

⁸ Statement of legislative intent for proposed Law 74, 20 October 2020.

⁹ [Law 185 amending an article of Social and Fiscal Responsibility Law 34 of 2008](#), published 25 November 2020.

¹⁰ Law 185.

¹¹ INEC, Quarterly GDP of the Republic: Third quarter, 2021.

¹² Office of the Comptroller General (CGR) report. 2021.

¹³ Pessino estimates (2022).

example, only 51% of the poor indigenous population receive social transfers.¹⁴ The national government's lack of detailed information on gender and diversity restricts its institutional capacity to serve these groups efficiently and effectively. For example, benefits and transfers cannot be tagged by gender or diversity when the impact of public spending is assessed based on per capita expenditure on households, which is how statistics are recorded in Panama. The Economic Commission for Latin America and the Caribbean (ECLAC) analyzed five countries¹⁵ of the region that use the Classification of the Functions of Government system and found that gender-related public expenditure accounts for between 6.4% and 0.4% of their budgets, or less than 1% of GDP (ECLAC, 2021). Furthermore, Garcimartín et al. (2019) show that from 2013 to 2017, 1.8% of the national budget was allocated to Panama's indigenous comarcas, whereas 98% went to the provinces, meaning that the budget for the provinces was 58 times larger, even though their population is only 16 times larger.¹⁶

- 1.8 Panama has two longstanding fiscal inefficiency problems that affect its fiscal sustainability and have been exacerbated by the pandemic: (i) efficiency, transparency, and spending equity challenges related to income level and other dimensions like gender and ethnicity; in 2018, the average leakage from the Opportunities Network¹⁷ and Food Voucher¹⁸ programs reached 24% and 18%, respectively. Moreover, 70% of the Universal Scholarship program beneficiaries are not poor,¹⁹ and energy subsidies benefit all Panamanians regardless of their socioeconomic circumstances. Total expenditure leakage on social transfers, energy subsidies, and tax spending was 1.6% of GDP; and (ii) the tax ratio is insufficient and below the country's spending needs and level of development and is the lowest in the region (8.2% of GDP versus the regional average of 19% in 2019). According to [Garcimartín et al. \(2020\)](#), not only is Panama among the countries with the least tax revenue (far below the regional average), it is trending downward; between 2006-2010 and 2014-2018 Panama's tax revenue decreased by 1.3 points of GDP, whereas in the region as a whole, tax revenue

¹⁴ The transfers considered include the Opportunities Network, Guardian Angel, and Food Voucher programs, but not noncontributory pensions or the Universal Scholarship.

¹⁵ The countries currently using the spending allocation classifier to guide expenditure are Colombia, Ecuador, Guatemala, and the Dominican Republic. In 2012, Ecuador implemented a spending allocation classifier in its financial management system for expenditure on gender equality policies. This crosscutting classifier relates to activities within the programmatic structure. The labelling methodologies analyzed have been applied to central government spending and, in some cases, to subnational government spending (Mexico City and Montevideo) but have not included State-owned enterprises.

¹⁶ Garcimartín, Carlos; Astudillo, Jhonatan; and Fernandez, Marcos (2019), "*La Desigualdad de Panamá: su carácter territorial y el papel de la inversión pública* [Inequality in Panama: its geographic character and the role of public investment]."

¹⁷ The Opportunities Network is one of four conditional transfer programs for small amounts administered by MIDES. It provides extreme poor households that include children under 18 with a monthly cash transfer of US\$50, conditional on performance of shared responsibilities.

¹⁸ The Food Voucher is a monthly coupon worth US\$50 that can be used only to purchase food at authorized stores.

¹⁹ Presentation of the mission "*Ecosistema fiscal de inteligencia artificial para mejorar la eficiencia del gasto y recaudación en Panamá* [Artificial intelligence tax ecosystem to improve spending efficiency and revenue intake in Panama]," WEF-IDB, February 2021.

increased by an average of 0.8 points. This is due in part to the rate of tax evasion in Panama, estimated at between 30% and 45% of tax revenue intake.²⁰

- 1.9 **Modernization of the Ministry of Economy and Finance.** The responsibilities of the Ministry of Economy and Finance (MEF) include developing initiatives for economic policy; public investment; social strategy; the preparation, execution, and control of the national budget; modernization of the State; and the preparation and execution of public financial planning. The National Budget Office (DIPRENA) directs budget administration to guide public institutions in: (i) preparing and reviewing their preliminary draft budgets; (ii) preparing the preliminary draft national budget for consideration and approval by the Cabinet Council; (iii) periodic allocation, registration, monitoring, and evaluation of national budget execution; (iv) annual closing and settlement; and (v) administering and managing public expenditure. The MEF needs to build its institutional capacity and systematically incorporate the use of digital tools, as well as build its analytical capacity, enabling it to identify opportunities for savings and/or reallocation using information from third parties.²¹
- 1.10 **Building on the Bank's contribution in the social sector.** The government, through the Ministry of Social Development (MIDES), has made a sustained effort to improve the targeting of cash transfer programs by standardizing the criteria for identification and recertification of beneficiaries as poor and extreme poor, and by implementing these criteria through a social protection centralized data file. In 2021, MIDES adopted a new proxy means test to estimate the level of household consumption per capita. This new proxy means test decreased inclusion and exclusion errors by 26% compared to the prior version. Furthermore, management of the proxy means test has improved due to the development and launch of the Integrated IT Platform for Beneficiaries, which makes it possible to verify the beneficiaries' eligibility conditions by crosschecking information with over 11 public institutions.²² Implementation of the smart tax ecosystem at the MEF would build on these efforts. Indeed, [Garcimartín et al. \(2021\)](#) find that, over time, poverty as defined by the proxy used in Panama has ceased to correlate with monetary poverty. Therefore, third-party data²³ is clearly needed to make the programs more efficient and identify potential beneficiaries. This logic also applies to other expenditures to be analyzed, such as payrolls, cost variations in contracting, etc.
- 1.11 **Opportunity for innovation in the MEF's technical and dialogue capacities.** Panama's current spending structure allocates 0.8% of GDP to transfer programs (Opportunities Network, 120 to the 65s, Universal Scholarship, and Guardian

²⁰ Idem footnote 19.

²¹ Third-party data refers to independent information from other public administrations that can be crosschecked to verify and validate whether a person or household qualifies for receiving a transfer. Third-party data is essential for detecting informality, among other issues, and reducing leakages and evasion.

²² The strengthening of MIDES targeting tools was supported by the Social Inclusion and Development Program (loan 3512/OC-PN) and a programmatic series (loans 3485/OC-PN, 3724/OC-PN, and 4594/OC-PN).

²³ Idem footnote 21.

Angel) (2020). Only 33% of all social cash transfers go to the poor, compared to 52% in Latin America and the Caribbean. However, 76% of the spending on Opportunities Network and 82% of the spending on the Food Voucher program goes to the poor and extreme poor; 96.4% of energy subsidy beneficiaries, on the other hand, goes to neither the poor nor extreme poor.²⁴ The country's fiscal management of the pandemic offers an opportunity to improve spending quality; with good targeting and an improved design, Panama could save money without detriment to the neediest.

- 1.12 **The need for third-party data²⁵ to target spending.** The social and tax registers typically used to verify fulfillment of the programs' eligibility criteria are not fed with enough timely, high-quality information to detect undeclared income or to confirm self-reported amounts. Since a high percentage of this universe works in the economy's informal sector, the social and tax registers used are inadequate for detecting undeclared income or confirming self-reported amounts. Given the cost of periodically updating proxies and recertifying beneficiaries, third-party information is invaluable for ensuring that public spending policy can keep up in real time.
- 1.13 To strengthen its mandate as apex agency for spending efficiency, the MEF has sought Bank support to create an Expenditure Quality Unit within DIPRENA that will utilize the smart tax ecosystem to improve the technical efficiency, transparency, and coverage of spending. This smart tax ecosystem will be the first one to be built and launched within a finance ministry in the region, so it will be a pioneering experience for the Bank.
- 1.14 The smart tax ecosystem is an ecosystem of quality data generated and processed by various agencies with high standards of security, integrity, and reliability, accessible in real time without the need for a centralized megadatabase. It allows each agency to maintain autonomy in processing its data according to an agreed standardization process, to ensure interoperability; the information remains confidential and private, since the original data never leave their original repository. Furthermore, the smart tax ecosystem makes it possible to transition away from static, isolated information towards information that is updated in real time and interoperable among various agencies for decision-making. It allows agencies to access algorithms that use third-party data to make decisions on including or excluding beneficiaries from social programs, and on payrolls, changes in contracting costs, and the verification of eligibility and obligations. As part of the MEF's and participating institutions' use of the smart tax ecosystem, they can make specific, expenditure-targeting queries online through Web services and bulk database exchanges. The ecosystem will make it possible to perform statistical and predictive analyses for planning efficient, equitable public policies. The idea is to improve expenditure targeting, decrease technical inefficiencies in spending, and help minimize tax evasion.

²⁴ Idem footnote 19.

²⁵ Idem footnote 21.

- 1.15 **Legal framework for the smart tax ecosystem and the rule of law.** Public authorities' data will be used for tax purposes only, pursuant to Law 81 "On the Protection of Personal Data" and its implementing Executive Decree 285 of 28 May 2021. The purpose of this law is to establish the principles, rights, obligations, and procedures governing personal data protection by the persons or nonprofit or for profit corporations under public or private law that handle personal data, considering that data's relationship to the lives and other fundamental rights and freedoms of citizens.²⁶ At present, multiple agreements and conventions on interoperability are in place among the stakeholder agencies of the smart tax ecosystem, many of which have been supported by Bank operations. Each such agreement includes clauses on the right to ownership, administration, and confidentiality of the information and the owner's consent. They also bind the data recipients to keeping the data obtained by any of the consultation methods provided strictly confidential.
- 1.16 **Rationale for the intervention.** The MEF lacks the digital tools and methodologies to perform its role of improving expenditure quality and maintaining macrofiscal and macroeconomic stability. This is compounded during budget programming and formulation, since the MEF has neither the institutional capacity nor a specialized unit to analyze interoperable data held by other agencies that would enable it to generate dialogue on performance and efficiency in the use of resources with government entities. Two reviews were done in 2021 by the Center for Educational and Social Studies and the United Nations Development Programme (UNDP), to analyze public spending efficiency and efficacy in Panama. The documents, which include a descriptive analysis of the country's public budget, conclude that there is still not enough information available (disaggregated budget data and performance indicators) to measure public expenditure performance. Likewise, the Bank publication "[Better Spending for Better Lives](#)" looked at fiscal spending in Latin America and the Caribbean and revealed major inefficiencies that, for Panama, are estimated at 3.8% of GDP and include limited targeting on payrolls, electricity subsidies, and procurement.
- 1.17 Panama's 2019 Government Strategic Plan identifies the digitalization of processes to improve the effectiveness of spending and public management as a priority.²⁷ The government reconfirmed the priority nature of improved spending quality as a pillar for fiscal consolidation and public investment during the postpandemic economic recovery.
- 1.18 In this context, Panama requested support from the Bank to address the following specific problems: (i) the MEF's lack of an organizational structure that would enable it to coordinate, analyze, and simulate different public spending scenarios, for example: spending on payrolls, transfer programs, and subsidies to curtail public expenditure leakages; (ii) lack of human resources specialized in data processing, interoperability, and data analysis techniques (big data, data science), to provide technical support for the promotion of efficient management of public expenditure and collaborate to reduce evasion; (iii) lack of consolidated,

²⁶ Article 1. Law 81 of 26 March 2019, "On the Protection of Personal Data." March 2019.

²⁷ Operation request letter, 12 April 2021.

- timely, high-quality information provided independently by third parties (paragraph 1.12), especially on informal workers and the self-employed, that would make it possible to check in real time whether someone qualifies for a social program or should be excluded from a current benefit; and (iv) lack of a specialized technology infrastructure that would allow the smart tax ecosystem to operate efficiently without affecting the operation of other MEF systems.
- 1.19 **The Bank's experience in the country.** The Bank has conducted studies on leakage from social transfers and on unexpended budget impacting the generation of floating debt, performed a diagnostic assessment of the public investment management system, made recommendations for short- and medium-term improvements, and analyzed the Public Procurement Office database to quantify the impact of cost variations and noncompetitive hirings on spending quality. The Bank has also provided technical and financial support for several projects that have contributed to the sustainability of public finances through expenditure targeting, digital strengthening, and increased revenue collection, notably: (i) Panama Online Program (loan [3683/OC-PN](#) for US\$30 million, approved in 2016) through strengthening of the National Authority for Government Innovation (AIG), the apex authority on national government technology solutions and infrastructure standards, which updated the interoperability platform and enabled digital voucher use and access for some 16,000 people; and (ii) Social Inclusion and Development Program (loan [3512/OC-PN](#) for US\$50 million, approved in 2015), which supports the targeting and distributive efficiency of social spending, strengthening the consolidation of the four social transfer programs administered by MIDES (120 to the 65s, Guardian Angel, Opportunities Network, and Food Voucher programs). The Program to Support the Digital Transformation of the Tax Administration in Panama (loan [5126/OC-PN](#) for US\$40 million, approved in 2020) is designing a technology solution for data interoperability among Panama's Social Security Fund (CSS), National Customs Authority (ANA), Public Registry, and Electoral Tribunal, to update the Single Taxpayer Registry (RUC).
- 1.20 **The Bank's experience in the region.** The Bank has supported technological modernization operations for tax institutions, notably: Program to Enhance the Efficiency of Tax Administration and Public Expenditure Management in the Dominican Republic (loan [4114/OC-DR](#), approved in 2017); Fiscal Consolidation Support Program in Honduras (loan [3590/BL-HO](#), approved in 2015); Fiscal Strengthening for Inclusive Growth in El Salvador (loans [4542/OC-ES](#) and [4807/OC-ES](#), approved in 2018 and 2019); Public Finance for Sustainable Development in Paraguay (loan [4667/OC-PR](#), approved in 2018); and Program to Support Social Equity and Fiscal Sustainability (loan [5059/OC-CH](#), approved in 2020). The operation is also supported by the Bank's prior experience in projects involving major technology components in their execution, such as the Project to Boost Efficiency in Public Investment Management and Public Procurement in Peru (loan [4428/OC-PE](#), approved in 2017).
- 1.21 **Lessons learned from Bank operations.** The following lessons learned were taken into account in preparation of this operation: (i) the importance of country context and economic policy to ensure a viable, strategic design for successful execution; (ii) strengthening of interagency coordination and consensus on projects with a crosscutting scope in the areas addressed; (iii) consideration of

the institutional capacity of the entities involved in the operation, to create a clear plan with aligned targets and priorities; and (iv) the recognition that use of new information technologies should not be the project's end but rather a means for facilitating information analysis and achievement of the primary objective of improved decision-making by the authorities. These lessons have been incorporated into such activities as the effective coordination among DIPRENA, the Information Technology Office (DTI), the General Revenue Directorate (DGI), and the Project Administration Office (DAP) within the MEF, and the relationship of cooperation and mutual, ongoing learning among the MEF, the AIG, and the authorities that will participate in the first stage of the smart tax ecosystem, including the CSS, Public Registry, and MIDES. Another important lesson learned is the value of coordinating with the AIG on approving the software and technology infrastructure designs and bidding processes.

- 1.22 **International evidence.** A similar ecosystem, the National Tax and Social Identification System (1997), provides evidence in support of using digital tax ecosystems for targeting. With an investment of US\$40 million, this system was able to help the tax administration detect evasion and save at least US\$120 million annually. The system currently includes over 42.8 million people with their own unique identification codes, historical records for 8.7 million deceased persons, and 1.43 million corporations. It references all their identifying, social, fiscal, ownership, socioeconomic, and health coverage attributes with data from various integrated central government databases and 20 provinces within the system.²⁸ More than 410 agencies actively interact in the system. In 2021, there were over 3,900 bulk data exchanges, 20,000 digital forensic investigations, and around 22.6 million individual queries made through the Web service.²⁹
- 1.23 [Government of Australia studies](#) on using information to target public spending have also identified “virtual” social registries, which are focused on ensuring that the various government databases will be interoperable, and usually work better when single identification systems with broad coverage are in place. The systems developed according to this approach are Chile’s Social Registry of Households and Turkey’s Integrated Social Assistance System. [Chile’s](#) system provides for the interoperability of data from Chile’s civil registry, 43 state agencies, 345 municipalities, and others, which have signed legal agreements for information-sharing and remain responsible for the quality of the data they provide. [Turkey’s](#) system (Butunlesic) is based on the virtual integration of databases from public institutions via Web services, with additional information from 1,000 social assistance offices covering 45% of the population. This experience has reduced social program costs and delivery times, reduced overlap, and facilitated audit and control mechanisms.

²⁸ Office of the President of the Argentine Nation, National Council for the Coordination of Social Policy, [National Office. Sistema de Identificación Nacional Tributario y Social \(SINTYS\), 20 años](#) [National Tax and Social Identification System (SINTYS), 20 years]. December 2018.

²⁹ [SINTYS, 2022](#). Data published in Accesado.

- 1.24 **Coordination with multilateral agencies.** DIPRENA is receiving support from the UNDP to develop a results-based budgeting methodology that includes a targeting model with a gender and diversity lens, to be fed by the expenditure quality analysis outputs from the smart tax ecosystem. The International Monetary Fund's Regional Technical Assistance Center is also doing analytical work on expenditure quality issues. The operation will communicate and work with both institutions to coordinate on spending quality issues.
- 1.25 **Technical cooperation.** In 2021, the Bank approved US\$200,000 in operational support under technical-cooperation operation ATN/OC-19038-PN to support the program launch with regard to analytical issues; preparation and adaptation of the information-sharing agreements; preparation of the terms of reference for the first technological outputs; and the technical collaboration, data exchange, and mutual learning relationships among DIPRENA and the administrations that will be members of the smart tax ecosystem, emphasizing the targeting policies to mitigate climate change and promote the design and launch of spending transparency portals.
- 1.26 **Coordination with other IDB operations in Panama.** This operation will actively coordinate with other Bank operations, notably: (i) Panama Online Program (loan 3683/OC-PN, approved in 2016) through strengthening of the AIG, the apex authority on national government technology solutions and infrastructure standards; (ii) Digital Panama (loan 5501/OC-PN, approved in 2022), which provides support for lowering the costs of interaction among citizens, businesses, and the government; (iii) Social Inclusion and Development Program (loan 3512/OC-PN, approved in 2015), which supports the targeting and distributive efficiency of social spending and strengthening of MIDES's targeting tools; (iv) the programmatic series Program for Transparency and Equity in Spending on Social Protection I, II, and III (loans 3485/OC-PN, 3724/OC-PN, and 4594/OC-PN, approved in 2015 and 2018); (v) Program to Support the Digital Transformation of the Tax Administration in Panama (loan 5126/OC-PN, approved in 2020); and (vi) Program to Support Gender Equality Policies II (loan 5397/OC-PN, approved in 2021). These operations are complementary and will be coordinated during execution, which will make it possible to establish up-to-date, interoperable databases, and to improve expenditure targeting and traceability with regard to gender and diversity. The operation will also coordinate with the technical-cooperation operation ATN/OC-18751-RG (approved in 2021), Gender and Diversity Mainstreaming in the Fiscal Area in Latin America and the Caribbean.
- 1.27 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with the development challenge of productivity and innovation, by providing management tools that will make it possible to better target social assistance resources. It is also aligned with the crosscutting themes of: (i) gender equality, through methodologies that make it possible to track public spending allocations by gender (paragraph 1.29); (ii) diversity, by developing a model that will generate databases to identify vulnerable populations (cross-referencing the variables of income, gender, and indigenous population) (paragraph 1.29) and by targeting

subsidies using inclusion and exclusion criteria that will lead to fiscal savings; and (iii) climate change, by purchasing equipment that is more energy efficient³⁰ and has a small carbon footprint. According to the joint methodology of the multilateral development banks³¹ for estimating climate finance, 46.02% of the loan proceeds will be invested in climate change mitigation activities, through the purchase of equipment that is more energy efficient and has a small carbon footprint. These resources contribute to the IDB's climate finance target of 30% of the volume of annual approvals; and (iii) institutional capacity and the rule of law, by improving DIPRENA's human talent management to build capacities that promote spending efficiency and equity, as well as by implementing a spending transparency portal.

- 1.28 Additionally, the program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12), particularly the following indicators: (i) countries with strengthened tax and expenditure policy and management; (ii) agencies with strengthened digital technology and managerial capacity; and (iii) agencies with strengthened transparency and integrity practices. The program is aligned with the Sector Strategy: Institutions for Growth and Social Welfare (document GN-2587-2) through support for long-term sustainability; and consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-8) through support for the public sector in institutional capacity-building for more efficient and effective fiscal management, to increase spending efficiency. It is also consistent with the IDB Group's Vision 2025 "Reinvest in the Americas: A Decade of Opportunities" (document AB-3266) and aligned with the following medium-term strategic targets: (i) promote social progress through improved social protection systems; and (ii) strengthen good governance and effective institutions through: (a) digital government and more effective and efficient public management; and (b) spending efficiency and enhanced redistributive effects of tax and spending policies. The program also contributes to the immediate opportunity of strengthening gender equality by empowering women and vulnerable populations, who bear the heaviest burden of the health and economic crisis. Its support of these measures is consistent with the Gender and Diversity Sector Framework Document (document GN-2800-8). The program is also aligned with the IDB Group Country Strategy with Panama 2021-2024 (document GN-3055), by contributing to the following strategic objectives: (i) enhance the effectiveness of the tax administration; and (ii) promote the digital transformation of public administration. The 2019 Government Strategic Plan identifies the digitization of processes to improve the effectiveness of spending and public management as a priority.³² Lastly, the operation is included in the 2022 Operational Program Report (document GN-3087).

³⁰ The most efficient equipment in terms of electricity use is identified by seals like Energy Star (United States and other countries) and Procel – Class A (Brazil) and uses less energy than similar, uncertified equipment.

³¹ [Mitigation](#) and [Adaptation](#), see annex B.

³² Idem footnote 27.

- 1.29 **Targeting of public spending to gender and diversity.** The smart tax ecosystem will give Panama the ability to promote a public spending policy that will help close the identified gaps and support vulnerable women's participation in the formal labor market, especially indigenous, rural, and disabled women, and women heads of single-parent households. When operational, the smart tax ecosystem will lead to the development of a methodology for analyzing and tracking the allocation of public expenditure by gender and diversity, to generate databases that identify vulnerable populations, based on the progress made in the citizen registry because of pandemic vaccination efforts.

B. Objectives, components, and cost

- 1.30 The general development objective is to increase spending efficiency and equity by implementing the smart tax ecosystem. The specific development objective is to put a smart tax ecosystem into operation for targeting public funds.
- 1.31 **Component 1. Improved governance, institutionalization of the system, and human talent management (US\$4,900,000).** This component will finance the following activities: (i) implementation of the governance plan; (ii) organizational strengthening in the transformation of the DIPRENA Monitoring and Evaluation Unit, design and launch of the Expenditure Quality Unit (UCG), including the reengineering of positions and functions; as well as the addition of a specialist in gender and diversity budgeting at the UCG and digital tools management approach; (iii) entry into effect of the regulations that determine the role of the UCG's analytical outputs in budget programming and formulation and evaluation of the quality of public spending, based on criteria that include equity and efficiency; (iv) launch, supervision, and control of the information-sharing agreements;³³ and support for the creation of the Project Steering Committee (PSC), to be chaired by the Office of the Vice Minister of Economy and to include the AIG and the institutions participating in the smart tax ecosystem (paragraph 3.6); (v) development of methodologies for measuring leakage in social programs, gas and electricity subsidies, and government procurement and payrolls; (vi) development of algorithms based on the interoperability of MIDES, Ministry of Labor and Professional Development (MITRADEL), DGI, Electoral Tribunal, and digital voucher databases to generate information based on gender and diversity criteria; (vii) design and launch of a spending transparency portal and study of energy subsidies; (viii) design and development of databases enabling identification of women in the economically active population, urban indigenous groups, and in indigenous comarcas in the informal sector, to explore policies for targeting employment and support through targeted social transfers; and (ix) design, development, and launch of a model for targeting current and new programs within a fiscal responsibility framework, to close the gender gap in employment for women and indigenous groups and to monitor public spending in both areas.

³³ The institutions that have participated in technical dialogues with the MEF and the Bank team and will also participate in the first stage of the smart tax ecosystem are: DGI, Public Registry, Electoral Registry, electricity companies, National Land Administration Authority, Vehicle Registration Department of the Traffic and Land Transportation Authority, CSS, MIDES, and CGR. These agencies meet the requirement of having information on wealth, poverty, gender, and diversity, useful for targeting public expenditure and tax revenue.

1.32 Component 2. Strengthening of technology management (US\$14,800,000).

This component will include: (i) strengthening of technology management at the MEF, including approval of a DTI strategic plan to identify gaps and a road map for establishing an enabling technology environment for bulk data processing, as well as technology staff training on the smart tax ecosystem support environments; (ii) implementation of the smart tax ecosystem data interoperability and governance model, through the creation and maintenance of a data catalogue, which includes: diagnostic assessment of the availability of data in the public sector for the identification of individuals,³⁴ evaluation and selection of the available tools for implementing the interoperability and exchange models with holistic algorithms, and support for the institutions participating in the smart tax ecosystem through the contracting of technical assistance; (iii) determination and procurement of technology infrastructure equipment with energy efficiency labelling and a small carbon footprint; (iv) development and implementation of the information security and privacy model and cybersecurity protocols; (v) development of the medium-term maintenance plan to ensure the sustainability of the MEF investment; and (vi) implementation of the infrastructure procured and put into use by the UCG and the MEF Information Technology Office (DTI).

1.33 Program administration and management (US\$300,000). This component will finance: (i) audits; (ii) evaluations; and (iii) contingencies.

1.34 The principal categories of eligible expenditures to be financed will be consulting firms and technology infrastructure and software.

1.35 Beneficiaries. The principal beneficiaries of the smart tax ecosystem are citizens, businesses, and public officials. The crossreferencing of data for the targeting reports will specifically benefit the vulnerable populations (identified as women and indigenous populations), because it will help channel resources to those most in need. Also notable are the benefits for public officials through better information, processes, regulations, and tools to manage public resources; and for the government through increased State capacity. These smart tax ecosystem benefits will be achieved through a network, so the more users who connect, the greater the benefits. In the future, the smart tax ecosystem may benefit not only central government agencies, but also local governments, and may even be expanded to nongovernmental agencies and the private sector.³⁵

C. Key results indicators

1.36 Key results indicators. The general development objective will be measured through the impact indicator of leakage in the three main transfer programs (Opportunities Network, 120 to the 65s, and Guardian Angel) that can be studied to quantify the efficiency and equity of social spending. The specific development objective will be measured through the: (i) number of public spending programs with reports on targeting scenarios; and (ii) number of interoperated databases.

³⁴ Identification data includes the family unit, personal data, address (including georeferencing), associated properties and businesses.

³⁵ [Estonia](#) case study.

- 1.37 **Economic evaluation.** The project's socioeconomic viability analysis used the cost-benefit method. The benefits under consideration derive from the tax savings that result from use of the smart tax ecosystem system through the crossreferencing of bulk data for the targeting reports. The analysis looked at the project costs according to the disbursement schedule and the costs of infrastructure maintenance. The internal rate of return (IRR) was used as a criterion for decision-making. The net present value (NPV) was calculated based on a social discount rate of 12%. The analysis yielded an NPV of US\$4.1 million and an IRR of 16% for a project time horizon of 15 years; for a 20-year time horizon, the NPV was US\$8 million, and the IRR 18%. According to the sensitivity analyses, at 15 years, the IRR is 7% in the worst-case scenario and 32% in the best-case scenario (see [optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The total cost of this operation is US\$20 million, to be financed with a specific investment loan from the Bank's Ordinary Capital resources. This instrument is appropriate because the National Budget Office (DIPRENA) and the Information Technology Office (DTI) of the Ministry of Economy and Finance (MEF) have specific needs and outputs that have already been identified and evaluated in coordination with the operation. Table 1 shows the distribution of funds by source of financing and categories.

Table 1. Program estimated costs (US\$)

Components	IDB (Total)	%
Component 1. Improved governance, institutionalization of the system, and human talent management	4,900,000	24.5
1.1 Implementation of the governance plan	170,000	0.9
1.2 Organizational strengthening of the Expenditure Quality Unit (UCG)	365,000	1.8
1.3 Regulations for the UCG	175,000	0.9
1.4 Information-sharing agreements	160,000	0.8
1.5 Models for improved spending quality	4,030,000	20.2
Component 2. Strengthening of technology management	14,800,000	74.0
2.1 Strengthening of technology management at the MEF	600,000	3.0
2.2 Governance and data interoperability model	5,200,000	26.0
2.3 Technology infrastructure	9,000,000	45.0
Program administration and management	300,000	1.5
Financial audit	100,000	0.5
Evaluation	150,000	0.8
Contingencies	50,000	0.3
Total	20,000,000	100

Note: Amounts at the activities level are indicative.

- 2.2 **Disbursement schedule.** Disbursements will be made over four years, as shown in Table 2. The disbursement period was based on the average time for design and implementation of the activities proposed in the program.

Table 2. Disbursement schedule (US\$)

Source	Year 1	Year 2	Year 3	Year 4	Total
IDB (Total)	1,992,000	9,796,000	7,039,500	1,172,500	20,000,000
%	9.96	48.98	35.20	5.86	100

B. Environmental and social safeguard risks

- 2.3 This operation is classified as Category “C” under the Environmental and Social Policy Framework (document GN-2965-23). Since it will entail minimal or no environmental and social impacts, no substantial or high socioenvironmental risks, and low natural disaster and climate change risks, there are no specific requirements derived from the environmental and social policy framework.

C. Other key risks and issues

- 2.4 Three risks have been identified and rated medium-high:

- (i) **Political environment:** If the government administration changes in 2024, the smart tax ecosystem’s institutional and financial sustainability could be affected, jeopardizing the overall fulfillment of the program outcomes. As this risk cannot be managed within the project, it must be monitored through ongoing, fluid dialogue with the authorities. Furthermore, funds from technical-cooperation operation ATN/OC-19038-PN will be used to provide knowledge inputs and support analytical outputs in the first half of the program, which will create awareness, credibility, and legitimacy during the current administration.
- (ii) **Institutional environment:** If the Expenditure Quality Unit (UCG), where the smart tax ecosystem will be located, does not have the necessary authority and seniority to perform the information-sharing agreements with the participating public administrations, the specific objective of putting a smart tax ecosystem into operation to target public funds would be jeopardized, and the data would be unavailable to analyze expenditure on gender and diversity. To mitigate this risk, the Bank will provide technical support (paragraph 1.25) to the MEF for preparation of the ministerial regulation ensuring the authority and seniority required for the smart tax ecosystem (paragraph 3.10 (ii)).
- (iii) **Project governance environment:** Delays in the technology bidding process approvals and agreements of the National Authority for Government Innovation (AIG) and in contract signature by the Office of the Comptroller General of the Republic (CGR) could affect the program execution timeline, jeopardizing the overall fulfillment of the Component 1 and 2 outcomes. This risk will be mitigated by setting up working groups on technology infrastructure issues with the AIG, as well as similar ones with CGR to support the bid award confirmation processes.

- 2.5 **Program sustainability.** To ensure the sustainability of the created capacities, the operation includes outputs that will help improve public spending efficiency, for example: (i) analytical inputs and outputs for preparing and evaluating the medium-term fiscal framework budget, for the MEF to submit analytical outputs to

the Social Cabinet, which evaluates management of the social transfers; and (ii) the use of third-party data to verify wealth, informality, and poverty in tax management. The foregoing will all lead to greater tax savings and an increased capacity to cover persons/households identified as potential public spending beneficiaries. To support the institutional legitimacy and long-term sustainability of the smart tax ecosystem, the operation will: (i) create a smart tax ecosystem management and governance committee, the Project Steering Committee (PSC), led by the Office of the Vice Minister of Economy (paragraph 3.4); (ii) perform an annual study to quantify potential savings and identify potential beneficiaries as part of the budget planning process; (iii) perform an ex post analysis of expenditure quality and efficiency in all public expenditure categories, to be submitted to the authorities during the first six months after the close of the fiscal year, with a section dedicated to quantifying improvements in gender and diversity spending efficiency and coverage; (iv) promote a culture of ongoing improvement of the smart tax ecosystem, ensuring the availability of budgetary resources for maintaining and updating the technological investment financed by the operation; (v) strengthen the cybersecurity measures executed in Component 2, jointly with the MEF's DTI and the AIG; and (vi) generate outputs early in the operation, to demonstrate the benefits of the smart tax ecosystem within the MEF, for example: estimates of savings scenarios from adjustments to the targeting of energy subsidies and the Universal Scholarship, which are not yet targeted by socioeconomic level and therefore result in allocation inefficiencies.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Republic of Panama, and the executing agency will be the Ministry of Economy and Finance (MEF), acting through the Project Administration Office (DAP), which is the multidisciplinary execution unit within the MEF organizational structure that reports directly to the Office of the Vice Minister of Economy. DAP is organized into three departments: (i) procurement and contracting; (ii) accounting and finance; and (iii) monitoring and supervision. As the project execution unit, DAP will be responsible for all technical, administrative, and fiduciary aspects of the operation but will receive support from the MEF's various line offices and the government institutions relevant to its implementation. To strengthen DAP, the project design will include the contracting of the following technical assistance (with technical cooperation funds (paragraph 1.25)): (i) technology specialist (expert in software, applications, and technology solutions); and (ii) contract management specialist (assigned to DAP to prepare bidding processes and manage contracts).
- 3.2 DAP's main functions are: (i) to implement and ensure implementation of the strategy to get the smart tax ecosystem up and running at the National Budget Office (DIPRENA); (ii) proper fiduciary and project management; and (iii) change management. To coordinate progress, DAP will: (i) plan the execution of activities; (ii) prepare, implement, and update the project's operational tools, namely the: [multiyear execution plan](#), [annual work plan](#), [procurement plan](#), and [monitoring and evaluation plan](#); (iii) supervise execution and deliver project

status reports; (iv) coordinate preparation of the terms of reference with DIPRENA and the Information Technology Office (DTI), bidding processes, procurement of goods, selection and contracting of services; (v) submit disbursement requests and justifications to the Bank; (vi) prepare the financial statements; and (vii) submit the project evaluation. The borrower will adhere to the program [Operating Regulations](#) agreed upon with the Bank for this operation, which include: (i) eligibility criteria for projects and outputs eligible for financing; (ii) project execution functions, procedures, and policies; and (iii) operational and contractual relationships among the parties involved in the project. The program [Operating Regulations](#) will be submitted to the Bank by the executing agency through DAP.

- 3.3 The findings of the institutional capacity analysis indicate that the operation, as executed by DAP, does not entail risks that could significantly affect efficient and effective execution. The analysis reveals remediable risks resulting from DAP's lack of experience with actions in technology and spending quality, and in implementing loan projects with IDB funds. The institutional capacity analysis concluded that, with adequate support from and close monitoring by the Bank, the MEF has the technical, administrative, and fiduciary capacities to execute this program. In executing the project, the Bank will adhere to the following recommendations made in the institutional capacity analysis: (i) the fiduciary team at the Bank's Country Office should hold regular training sessions for DAP staff on Bank procurement and fiduciary policies and procedures; (ii) the MEF technical team should be strengthened in the area of preparing technology terms of reference; and (iii) to streamline execution and minimize bottlenecks in procurement and payment approval processes, etc., the current level of coordination for the IDB operation should be improved, with the various public agencies relevant to the project participating on the Project Steering Committee (paragraph 2.4 (iii)).
- 3.4 **Interagency coordination mechanism.** A Project Steering Committee (PSC) will be established, comprised of DIPRENA, DTI, DAP, the Public Policy Office, and the General Revenue Directorate (DGI) and led by the Office of the Vice Minister of Economy, to facilitate coordination among the various offices involved in the program benefitting from its outputs. The PSC's objective will be to: (i) coordinate the project's results-based management; (ii) monitor the performance indicators to be used to measure progress within the government's budgetary context; and (iii) support and provide advisory support on database management and the exchange of information with the key agencies involved, such as the National Authority for Government Innovation (AIG), Ministry of Social Development (MIDES), Social Security Fund (CSS), Public Registry, Electoral Tribunal, electricity utilities, etc. The agreements for sharing information with the participating agencies will include collaboration and interoperability mechanisms. The MEF has noted the positive experience of forming working groups with the Office of the Comptroller General of the Republic (CGR) (to support preparation of the terms of reference and the bidding documents, as well as the awarding of technology infrastructure and innovation projects (paragraph 2.4 (iii)) and their positive impact on shortening execution times. This practice will be adopted for the project. The program [Operating Regulations](#) will establish the mechanisms for

coordination, agreements, and governance of the PSC, which will be chaired by the MEF and meet four times a year.

- 3.5 The smart tax ecosystem will be established within the Expenditure Quality Unit (UCG), and a ministerial regulation will be created to provide a regulatory framework (paragraph 3.10 (ii)) of legal, institutional, governance, and information security policies for the agencies that will share and access databases under bilateral agreements. This will be done with each of the administrations participating in the smart tax ecosystem, for fiscal purposes.
- 3.6 **Institutional arrangements for operation of the smart tax ecosystem.** The smart tax ecosystem is a long-term project whose first stage will include the Electoral Tribunal, CSS, Public Registry, Ministry of Labor and Professional Development (MITRADEL), DGI,³⁶ and other agencies (paragraph 1.31 (iv)); each institution will sign a single agreement, under which it will access the ecosystem to improve and validate its data, and draw upon its data for the ecosystem. When the MEF or other agency requests a result (targeting of a program, simulation of a public policy scenario, descriptive analysis, artificial intelligence, etc.), the smart tax ecosystem will develop and run the algorithm application to produce that result and facilitate decision-making.
- 3.7 **Location of the smart tax ecosystem at the MEF.** In this first stage, the MEF has decided to house the smart tax ecosystem at DIPRENA.³⁷ To do so, it decided to convert the Expenditure Monitoring and Evaluation Unit into a new Expenditure Quality Unit (UCG), which will have novel technical and technological staff for the MEF (paragraph 3.10). The UCG technical/fiscal team at DIPRENA will administer, utilize, and maintain the ecosystem with support from the MEF's DTI. In addition, DIPRENA has a Computing Unit responsible for maintaining the information technology solutions that DIPRENA uses to perform its functions. The Computing Unit will serve as a technical liaison to coordinate the smart tax ecosystem needs with DTI and the AIG. DTI will provide technical support for smooth operation of the smart tax ecosystem, exclusive storage space, connectivity, and technological infrastructure.
- 3.8 **Operation implementation strategy and progress.** The MEF has taken important steps to prepare for the launch of this operation: (i) two missions were conducted during preparation that included interviews and talks with the CSS, DGI, MIDES, the Ministry of Education, Electoral Tribunal, electricity companies, and the AIG, which shared their database structures; this made it possible to determine with the MEF that it will be feasible to save on electricity and gas subsidies in the first 18 months of execution of the operation; (ii) the key infrastructure bidding processes were planned with the MEF, and market studies were done to determine prices, which are reflected in the operation budget; the terms of reference for these bidding processes are expected to be ready by

³⁶ These entities were selected for the first stage because they have databases meeting the minimum conditions for interoperability (shared identification code) and information that will make it possible to approximate the income levels for the identified individuals.

³⁷ The UCG will replace the Expenditure Monitoring and Evaluation Unit, which is part of DIPRENA's organizational structure and is responsible for evaluating programs, identifying opportunities for savings, and advising on budget allocation improvements.

- mid-2022; (iii) based on the lessons learned in Bank projects with DGI, MIDES, and the digital voucher, the format of the information-sharing and interagency-collaboration agreements has been developed; (iv) as part of the technical support for the MEF, a draft ministerial regulation has been developed to strengthen UCG; and (v) job descriptions have been defined for the key UCG positions: a tax expert focused on spending quality issues; a data scientist; a professional with experience in gender and diversity budgeting; and an expert in technology infrastructure maintenance.
- 3.9 To coordinate procurement activities associated with the management of human resources, procurement, internal control, and communication outreach, flows of information and processes among the beneficiaries will be identified and mapped. The mapping will identify roles, responsibilities, and time frames and will be incorporated into the institutional structure through the program [Operating Regulations](#).
- 3.10 **Special contractual conditions precedent to the first disbursement of the financing. The first disbursement of the loan proceeds will be contingent on meeting the following conditions to the Bank's satisfaction: (i) the Expenditure Quality Unit has been created and operating with key staff appointed in the following areas: (a) expenditure quality; (b) technology; (c) data science; and (d) a specialist in gender and diversity budgeting; (ii) a model has been submitted for the interagency agreement to be signed between the MEF and the agencies participating in the smart tax ecosystem, stipulating the methodology for them to collaborate and share information (paragraph 1.18); and (iii) the program [Operating Regulations](#) have been approved and have entered into force on the terms agreed upon with the Bank.** These conditions are essential to ensure that the UCG will be fully staffed and that the minimum regulations for initiating project execution will be in place.
- 3.11 The MEF's DAP has the regulatory authority to make project management decisions and to formalize management of the project budgets. For Bank-financed projects that include the procurement of information technology, it is fundamental to have a team that can respond to this type of needs. Consultants will therefore be engaged to support the MEF team and DAP in designing solutions and preparing terms of reference for all technology bidding processes. The program [Operating Regulations](#) will also establish the execution mechanism and operational aspects of the program prior to the start of activities. The [Operating Regulations](#) will be subject to periodic review and may be modified with the Bank's express approval.
- 3.12 **Fiduciary agreements and requirements.** The fiduciary agreements and requirements establish the framework for financial management and planning, as well as supervision and execution of procurements involved in execution of the operation. The loan proceeds may be disbursed via the modalities of advance of funds, reimbursement of expenditures, and direct payment to the supplier. DAP will deliver the program's annual and final audited financial statements on the terms and deadlines required by the Bank in its policies. To that end, DAP commits to select and contract an independent audit firm acceptable to the Bank for the duration of the operation.

3.13 The [procurement plan](#) will be managed online through the Procurement Plan Execution System or other system determined by the Bank. Procurement and contracting for the operation will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), as subsequently updated.

3.14 **Audited financial statements.** The borrower will deliver the audited financial statements to the Bank annually within the first 120 days after the close of each fiscal year. The audit will be conducted by an independent consulting firm engaged with loan proceeds.

B. Summary of arrangements for monitoring results

3.15 **Monitoring.** The Bank and the borrower have agreed to use the Results Matrix and the [monitoring and evaluation plan](#) as the principal project monitoring instruments. Monitoring will be based on the: (i) [multiyear execution plan](#) and [annual work plan](#); (ii) [procurement plan](#); (iii) Results Matrix; and (iv) [monitoring and evaluation plan](#). DAP will deliver six-monthly status reports on financial, outcome, and output targets met for the Bank's approval. The Bank will make inspection visits and perform ex post reviews as part of its project monitoring.

3.16 **Evaluation.** The operation will be evaluated in accordance with the annual targets and outcome and output indicators listed in the Results Matrix, using before-and-after comparison of results. The [monitoring and evaluation plan](#) provides for an independent midterm evaluation and a final evaluation. The borrower will prepare and deliver a midterm evaluation report to the Bank within 90 days after the date on which 50% of the loan proceeds have been disbursed, or after 36 months of program execution, whichever occurs first. The final evaluation will be performed when the original disbursement period, or the extensions thereof, have concluded, or when 90% of the loan amount have been committed. The report will be delivered 90 days after the evaluation is performed, and a project completion report will also be prepared. The ex post evaluation and the project completion report will be prepared at the end of execution. The project includes an impact assessment using the quasi-experimental interrupted time series method to evaluate its impact on spending efficiency, specifically, leakage in cash transfer programs.

Development Effectiveness Matrix		
Summary		PN-L1172
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Countries with strengthened tax and expenditure policy and management (#) -Agencies with strengthened digital technology and managerial capacity (#) -Agencies with strengthened transparency and integrity practices (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3055	(i) enhance the effectiveness of the tax Administration; and (ii) promote the digital transformation of public administration.
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operations Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.6
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		1.9
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		7.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The Bank is also providing support through a regional Technical Cooperation ATN/OC-19038-PN to strengthen fiscal management.

Evaluability Assessment Note:

The general development objective is to increase the efficiency and equity of spending through the implementation of the Smart Fiscal Ecosystem (EFI). The specific objective is to have an operating EFI that allows improvements in the targeting of public spending. EFI is an ecosystem of quality data, generated and processed by different organizations, which can be accessed in real time without the need to create a centralized mega database. The EFI allows to generate reports and algorithms that, using third-party data, improve the efficiency and targeting of public spending. The diagnosis clearly expresses the need for an EFI that allows improving technical efficiency and coverage of expenditure. As indicated by the POD, inefficiencies of spending in Panama reach 3.8% of GDP. The specific problem that the project wants to address is the absence of resources (institutional, human, access to information and technological) in the Ministry of Economy and Finance (MEF) that allow strengthening the efficiency, equity, and transparency of public spending in Panama. The vertical logic of the project is suitable to achieve the specific objective of the project. However, it is important that the MEF coordinates with the agencies in charge of social programs (end users) to achieve the expected impact on improvements in efficiency and equity of spending. Project activities are organized into two components: (i) Improving governance, institutionalizing the system, and managing human talent; and (ii) strengthening technology management.

The results matrix presents appropriate outcomes indicators for the program specific objective. The project appropriately addresses monitoring and evaluation requirements. The MEP includes a proposal for evaluation by experimental methods to measure the impact of the program on spending leakages three relevant transfer programs (impact level indicator). It should be noted that some aspects of the proposal, such as the source of data to be used, are yet to be defined. The cost-benefit analysis is appropriate and shows that the program has the potential to generate relevant efficiency gains with respect to the investment.

The operation risk is medium high. The main risks identified are those related to the political environment, institutional environment and the governance of the project. Among others, three relevant mitigation measures are proposed: (i) providing technical support to the government for the preparation of a ministerial act that provides hierarchy to the EFI; (ii) form working groups with other government agencies, especially the AIG, to facilitate the progress of technological tenders and acquisitions; and (iii) provide inputs of knowledge that give early visibility and legitimacy to the project in the face of an eventual change of administration in the government.

RESULTS MATRIX

Project objective:	The specific development objective is to put a smart tax ecosystem into operation for targeting public funds. Achievement of this objective will contribute to the general development objective to increase spending efficiency and equity by implementing the smart tax ecosystem.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Increase spending efficiency and equity by implementing the smart tax ecosystem.							
1. Leakage in the three main transfer programs: Opportunities Network, 120 to the 65s, Guardian Angel	Leaked funds/Total funds (%)	52%	2021	2026	44%	Sources of information: (i) programs' administrative data; (ii) multipurpose or labor market surveys; (iii) Garcimartín et al. (2021) ; and (iv) U.S. Agency for International Development. See the monitoring and evaluation plan for details.	Baseline: Total annual leakage 2021 = # Leaks Opportunities Network x annual payment + # Leaks 120 to the 65s x annual payment + # Leaks Guardian Angel x annual payment Total funds 2021 = # Beneficiaries Opportunities Network x annual payment # Beneficiaries 120 to the 65s x annual payment # Beneficiaries Guardian Angel x annual payment Indicator = Total annual leakage 2021 / Total funds 2021 * 100% Target: 16% reduction in leaked funds, corresponding to an 8% reduction in the leakage rate. ¹

¹ The three programs selected for this indicator have documented targeting problems as well as prior experiences aimed at improving targeting (e.g., Garcimartín et al. 2021). Accordingly, they are expected to be prioritized for implementation of the smart tax ecosystem functionalities. The smart tax ecosystem is expected to be operating by the end of project year 3; its impact will be measured two years later. For more details on this indicator, the baseline, and targets, see the [monitoring and evaluation plan](#), impact assessment section, and indicator [spreadsheet](#).

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Base-line value	Base-line year	Year 1 2023	Year 2 2024	Year 3 2025	Year 4 2026	End of project	Means of verification	Comments ²
Specific development objective 1: The specific development objective is to put a smart tax ecosystem into operation for targeting public funds.										
1.1 Public spending programs with reports on targeting scenarios	Programs	0	2021	-	1	2	3	6	Targeting report prepared by the UCG in the smart tax ecosystem framework.	Programs with targeting reports: Digital Voucher, energy subsidy, Pase-U, Opportunities Network, Guardian Angel, 120 to the 65s.
1.2 Number of interoperated databases	Databases	0	2021	-	2	1	2	5	UCG report on the data catalog in the smart tax ecosystem framework.	Corresponds to connection to the system of at least one database from each of the following agencies: DGI, MIDES, Electoral Tribunal, MITRADEL, Public Registry.

² The outcome indicators measure the use of the program's outputs. The program will provide the inputs for the information-sharing and production of reports; however, achievement of the indicators will depend on the participating agencies' willingness to cooperate, trust, and share, as well as on their own efforts to prepare the data to be shared for analysis of the information provided by the other participating agencies.

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	End of project	Means of verification	Comments
Component 1: Improved governance, institutionalization of the system, and human talent management										
1.1 Governance plan implemented	Plan	0	2022	0	1	0	0	1	Bank-approved implementation report.	For more details, see the monitoring and evaluation plan . Pro-gender indicator.
1.2 Organizational strengthening in the transformation of the DIPRENA Monitoring and Evaluation Unit; design and launch of the Expenditure Quality Unit (UCG)	Report	0	2022	0	1	0	0	1		
1.2.1 Milestone: Reengineering of UCG positions and functions, approved	Report	0	2022	0	1	0	0	1		
1.2.2. Milestone: Inclusion in the UCG of a budget specialist with a gender perspective and digital tools management approach	Person	0	2022	1	0	0	0	1		
1.3 Regulation defining the UCG's roles and responsibilities, approved	Regulation	0	2022	0	1	0	0	1	Approved regulation. Bank-approved implementation report.	
1.4 Information-sharing agreements signed and managed by the Project Steering Committee (PSC)	Agreement	0	2022	2	3	0	0	5	Signed information-sharing agreements. Bank-approved implementation report.	
1.5 Methodologies developed for measuring leakage in social programs, gas and electricity subsidies, and government procurement and payrolls	Report	0	2022	2	2	1	0	5	UCG report including the findings on leakage in social programs and government procurement and payrolls.	

Indicators	Unit of measure	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	End of project	Means of verification	Comments
1.6 Algorithms developed, based on the interoperability of MIDES, MITRADEL, DGI, Electoral Tribunal, and Digital Voucher databases to generate information based on gender and diversity criteria	Report	0	2022	0	1	1	2	4	Report on the use of the data analytics, generated by the tool and submitted by the UCG.	Pro-gender indicator
1.7 Spending transparency portal and a study of energy subsidies, designed and launched	Report	0	2022	0	1	1	0	2	Bank-approved UCG reports on: (i) development of the public spending transparency portal; and (ii) energy subsidies study.	
1.8 Databases designed and developed, enabling identification of women in the economically active population, urban indigenous groups, and in indigenous comarcas in the informal sector, to explore policies for targeting employment and support through targeted social transfers	Report	0	2022	0	1	0	0	1	UCG report containing the algorithms, databases for interoperation, and the results of implementing the methodology for identifying women in the economically active population and urban indigenous groups, and in indigenous comarcas.	Pro-gender indicator.
1.9 Model designed, developed, and launched for targeting current and new programs within a fiscal responsibility framework, to close the gender gap in employment for women and indigenous groups and to monitor public spending in both areas	Report	0	2022	0	1	0	0	1	Report on the use of the data analytics, submitted by the UCG.	Pro-gender and pro-diversity tool.

Indicators	Unit of measure	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	End of project	Means of verification	Comments
Component 2: Strengthening of technology management										
2.1 Strengthening of technology management at the MEF, implemented	Report	0	2022	0	0	1	0	1	Bank-approved implementation report.	For more details, see the monitoring and evaluation plan .
Milestone 2.1.1: DTI strategic plan approved	Plan	0	2022	0	1	0	0	1	Plan signed by the MEF chief technology officer.	
Milestone 2.1.2: Technology staff trained on smart tax ecosystem support environments	Staff members trained	0	2022	0	3	0	0	3	Bank-approved implementation report.	
2.2 Governance and data interoperability model implemented ³	Report	0	2022	0	1	0	0	1		
2.3 Technology infrastructure with energy efficient label and small carbon footprint, procured	Certificate	0	2022	0	1	0	0	1	Certificate of delivery of equipment. Bank-approved implementation report.	
2.4 Security and information privacy model and cybersecurity protocols, developed and implemented	Report	0	2022	1	0	0	0	1	Bank-approved report, including the security and information privacy model. DTI-approved cybersecurity protocols.	
2.5 Medium-term maintenance plan to ensure the sustainability of the MEF investment, developed.	Plan	0	2022	1	0	0	0	1	DTI-approved medium-term maintenance plan.	
2.6 Technology infrastructure implemented	Report	0	2022	0	0	1	0	1	Bank-approved implementation report.	

³ The interoperability and data governance model defines the frame of reference that makes it possible to establish a uniform vision of the different data sources.

Country: Panama

Division: IFD/FMM

Operation no.: PN-L1172

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Economy and Finance (MEF), acting through the Project Administration Office (DAP)

Operation name: Fiscal Intelligence Program to Improve Spending Quality in Panama

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country system in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> NCB
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Framework agreement
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input type="checkbox"/> Cofinancing	None.
<input type="checkbox"/> Coexecuting/Subexecuting agencies	None.
<input type="checkbox"/> Special features of fiduciary execution	None.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency will be responsible for all technical, administrative, and fiduciary aspects of the operation but will receive support from the various MEF line offices, particularly the Administration and Finance Office, which will be responsible for planning, direction, coordination, control, supervision, and execution of the administrative and financial plans, programs, and activities executed at the institution through the General Budget Administration Policies. DAP will also be responsible for managing procurement, for which it has the necessary competencies.</p> <p>The executing agency has the technical, administrative, and fiduciary capacities to execute the program with the Bank's supervision and support.</p> <p>The executing agency's fiduciary capacity has been assessed as medium.</p>
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4. Fiduciary risks and risk response

Taxonomy	Risk	Risk level	Risk response
Internal processes	Delays in execution of the project's fiduciary activities (procurement, financial management, and accounting) could negatively impact the program's execution timetable.	Medium-low	The Bank's fiduciary team will provide close support to DAP with training sessions on applying the Bank's financial and procurement policies to streamline processes, improve procurement planning and execution, and strengthen internal and external controls and financial reports. Supervision support will be provided throughout program execution.
Internal processes	Insufficient allocation of budgetary resources to the executing agency could delay contract awards and program execution.	Medium-low	The Bank will facilitate coordination among DAP, the Administration and Finance Office, and DIPRENA, to ensure timely availability of sufficient budgetary resources.
Institutional	The constant corrections required by the Office of the Comptroller General of the Republic (CGR) during the control process prior to procurement operations and payments could delay program execution.	Medium-low	The Bank will promote proactive dialogue between the executing agency and the CGR on the topic of procurements in the program's critical path. It will also work with the CGR to establish consensus-based model reports for use by the executing agency to evaluate bids and proposals with the aim of minimizing the need for corrections.

5. Policies and guidelines applicable to the operation: IDB Access to Information Policy (Operational Policy OP-102); Financial Management Guidelines for IDB-financed Projects (document OP-273-12); Operational Policy on Natural Disaster Risk Management (Operational Policy OP-704); procurement policies (documents GN-2349-15 and GN-2350-15).

6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Applicable exchange rate for the justification of expenditures incurred in the local currency of the borrower, the legal tender in Panama is the balboa, which is equivalent to and freely exchangeable with the United States dollar.

Program audited financial statements: Throughout the loan disbursement period, the executing agency will deliver the program's annual audited financial statements to the Bank within 120 days after the close of the fiscal year. These financial reports will be audited by an independent audit firm acceptable to the Bank.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The Bank's standard bidding documents will be used for works, goods, and nonconsulting services subject to international competitive bidding (ICB) and procured in accordance with Bank procurement policies (document GN-2349-15). Likewise, the selection and contracting of consulting services will be conducted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank. The Project Team Leader will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.						
<input checked="" type="checkbox"/>	Use of country systems	Framework agreement subsystems may be used for the procurement of goods and nonconsulting services up to the established threshold of US\$250,000 for national competitive bidding (NCB) and up to US\$50,000 for small-scale purchases, as approved by the IDB Board of Executive Directors (document GN-2538-11). The procurement plan for the operation will list the procurement processes to be conducted using the country system within the approved scope. If the scope of the Board's approval for the use of the country system is expanded, the country system will be applicable to this operation.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except in the case of international procurement processes (ICB and international shortlist) or smaller procurement and selection processes that, given their technical complexity, the Project Team Leader considers advisable to remain under ex ante review. Procurement processes conducted via the country system will be supervised using the country supervision system. The project procurement plan will determine the supervision method for each selection process: (i) ex ante, (ii) ex post, or (iii) country system. Ex post reviews will be every 12 months as per the project supervision plan, subject to change during execution. Ex post review reports will include at least one physical inspection visit, selected from among the procurement processes subject to ex post review. At least 10% of the contracts will be reviewed physically. The thresholds for ex post review are:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/Nonconsulting services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>250,000</td><td>50,000</td><td>Individual consultants</td></tr> </tbody> </table>	Works	Goods/Nonconsulting services	Consulting services	250,000	50,000	Individual consultants
Works	Goods/Nonconsulting services	Consulting services						
250,000	50,000	Individual consultants						

<input checked="" type="checkbox"/>	Records and files	The program Operating Regulations will include procedures and instructions that ensure proper record-keeping.
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Main procurements

Procurement description	Procurement method	New procedures/ Tools	Estimated date ¹	Estimated amount (US\$000s)
Goods				
Procurement of standard smart tax ecosystem support tools adhering to energy efficiency criteria	ICB	BAFO	3 September 2023	9,050
Nonconsulting services				
Training of technology staff on smart tax ecosystem support environments	NCB	N/A	11 October 2022	100
Consulting firms				
Development and implementation of the plan for governance and coordination among the agencies participating in the ecosystem	QCBS	N/A	17 September 2022	170
Reengineering of UCG positions and functions	QCBS	N/A	22 September 2022	190
Development and implementation of a change-management mechanism	QCBS	N/A	27 September 2022	175
Preparation, dissemination, and implementation of UCG regulations	QCBS	N/A	27 September 2022	175
Evaluation, selection, and implementation of IT tools and development of a data warehouse within MEF	QCBS	N/A	17 September 2022	1,000
Implementation of data analytics - development of analytical products and models for improving expenditure quality	QCBS	N/A	20 March 2023	2,850
DTI strategic plan to identify gaps and improve the management of technological for bulk data processing	QCBS	N/A	17 September 2022	200

¹ Estimated date for the publication of requests for expressions of interest.

Procurement description	Procurement method	New procedures/ Tools	Estimated date ¹	Estimated amount (US\$000s)
Diagnostic assessment and documentation of the availability of data in the public sector for crosschecking administrative, identification, and tax collection information from multiple agencies' databases	QCBS	N/A	17 September 2022	600
Development and implementation of data governance model and technological support tools	QCBS	N/A	3 September 2022	1,650
Evaluation and selection of tools available for implementing the exchange and interoperability models	QCBS	N/A	3 September 2022	1,650
Technical assistance to support the institutions participating in the smart tax ecosystem	QCBS	N/A	20 March 2023	1,300
Development and implementation of the security and information privacy model and cybersecurity protocols	QCBS	N/A	18 October 2022	250
Legal assistance for developing the agreements	CQS	N/A	1 November 2022	100
Development of the spending transparency portal	CQS	N/A	18 May 2023	90
Study of energy subsidies to benefit vulnerable populations	CQS	N/A	18 May 2023	90
Impact assessment	CQS	N/A	18 May 2025	20
Financial audit	QCBS	N/A	6 March 2023	100

Access the initial [procurement plan here](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	The 2022 budget act will create the National Public Investment System codes and lines for the IDB financing.
<input checked="" type="checkbox"/>	Treasury and disbursement management	<ul style="list-style-type: none"> The disbursement method will be advance of funds, with direct payments to the supplier from the borrower. The disbursement mechanism will entail submission of physical disbursement requests.

		<ul style="list-style-type: none"> ▪ The disbursement mechanism will be manual. ▪ The IDB will transfer the proceeds to a single treasury account to be used exclusively by the program, which will be requested by the project execution unit, approved by public financing, and opened at the National Bank of Panama. ▪ Disbursements will be made as advances to cover liquidity needs, pursuant to the respective financial plan, for a period of up to 180 days. A fresh advance may be requested when 80% of the cumulative resources pending justification have been accounted for. Reimbursements of payments or direct payments to suppliers are also possible.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<ul style="list-style-type: none"> ▪ DAP will be responsible for financial management, accounting, preparation of budgets and disbursement requests, preparation of the procurement plan, and preparation of the financial and technical reports, as well as contracting financial audits. Program accounting will be governed by the regulations issued by the CGR, which are based on International Public Sector Accounting Standards. ▪ The accountability report will be prepared through the ISTMO [Integration and Technological Systems of the Operational Management Model] system. ▪ Accounting will be on an accrual basis, using the balboa, which is pegged to and freely exchanged with the United States dollar.
<input checked="" type="checkbox"/>	External control and financial reports	<ul style="list-style-type: none"> ▪ The CGR has focused its efforts on ex ante checks on disposal of state property, since its audit function is weak. Moreover, as it participates in administrative processes through prior control, it lacks the necessary independence to conduct audits. ▪ The project's audited financial statements, prepared on an annual basis by an independent auditing firm acceptable to the Bank, will be requested within 120 days after the close of each fiscal year or the date of last disbursement.
<input checked="" type="checkbox"/>	Financial supervision of the operation	<ul style="list-style-type: none"> ▪ Financial supervision will focus on the reports mentioned in the guidelines document OP-273-12, and supporting documentation for disbursements will be reviewed ex post by the auditors at the time of their audits or during their financial inspection visits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Panama. Loan ____/OC-PN to the Republic of Panama
Fiscal Intelligence Program to Improve Spending
Quality in Panama

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Fiscal Intelligence Program to Improve Spending Quality in Panama. Such financing will be for the amount of up to US\$20,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)