

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

**PROGRAM TO STRENGTHEN COMPETITIVENESS AND IMPROVE THE
SUSTAINABILITY, INCLUSIVITY, AND RESILIENCE OF THE
PANAMANIAN TOURISM SECTOR**

(PN-L1175)

LOAN PROPOSAL

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ABBREVIATIONS

ATP	Autoridad de Turismo de Panamá [Panama Tourism Authority]
ECLAC	Economic Commission for Latin America and the Caribbean
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH [German Agency for International Cooperation]
INEC	National Institute of Statistics and Census
MAP	Ministry of the Environment of Panama
MEF	Ministry of Economy and Finance
PBP	Programmatic policy-based loan
PMTS	Master Plan for Sustainable Tourism
PNRF	Programa Nacional de Restauración Forestal [National Forest Restoration Program]
PROMTUR	Fondo de Promoción Turística de Panamá [Panama Tourism Promotion Fund]
UNWTO	World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel & Tourism Council

PROJECT SUMMARY
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Financial Terms and Conditions				
Borrower			Flexible Financing Facility ^(a)	
Republic of Panama			Amortization period:	20 years
Executing agency			Disbursement period:	1 year
Ministry of Economy and Finance			Grace period:	4 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital):	150,000,000	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	150,000,000	100	Weighted average life:	12 years
			Approval currency:	U.S. dollar
Project at a Glance				
<p>Program objective/description: The program's objective is to promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector. The specific objectives are to: (i) improve access to tourism data and analysis to help inform public policy design and sector investment; (ii) strengthen the diversification of the country's tourism products; and (iii) reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.</p> <p>This operation is the first in a programmatic series of two consecutive, single-tranche operations that are technically linked but financed independently, pursuant to "Policy-Based Loans: Guidelines for Preparation and Implementation. Update" (document CS-3633-2).</p> <p>Special contractual conditions precedent to the first and only disbursement of the loan: The single disbursement will be subject to fulfillment by the borrower of the policy reform commitments set forth in the Policy Matrix (Annex II) and in the Policy Letter (required link 1) and of the other conditions established in the loan contract (paragraph 3.2).</p>				
Strategic Alignment				
Challenges: ^(d)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>	
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	
<p>^(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.</p> <p>^(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.</p> <p>^(c) The credit fee and 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.</p> <p>^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).</p> <p>^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).</p>				

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Country context.** Panama's marked economic slowdown after the completion of the Panama Canal expansion emphasized the need to increase the diversification of its productive structure. Prioritizing the development of new sources of growth—while addressing sustainability, inclusiveness, and resilience criteria—and implementing measures to promote export sectors with a strong multiplier effect and the capacity to expand the geographic scope of socioeconomic development, such as tourism, became national priorities (IDB, 2021).¹
- 1.2 The COVID-19 pandemic brought the progress made in implementing this strategy to an abrupt halt, as tourism was one of the hardest-hit sectors. In the coming years, Panama needs to strike a balance between the implementation of actions to mitigate the impacts of the crisis and initiatives to improve the tourism sector's structural competitiveness. These efforts need to carefully consider the growing threat of the impact of climate change as well as the importance of achieving greater inclusion of rural areas and vulnerable population groups in this new productive development process.
- 1.3 **Tourism and economic growth.** The positive benefits of tourism have been widely documented in the economic literature (Balaguer and Cantavella-Jordà, 2002; Durbarray, 2004; Nowak et al., 2007; Brida et al., 2008; Katircioglu, 2009a; Kadir and Jusoff, 2010; Brida et al., 2014). Empirical findings demonstrate that tourism, particularly international tourism, is a significant driver of economic growth. The evidence also proves that the scale of this cause-effect relationship varies considerably between countries, with institutional and policy frameworks, especially at the sector level, standing out as factors that determine the magnitude of this causal relationship (Candias et al., 2010; World Economic Forum (WEF), 2022; Tang and Tan, 2017).
- 1.4 In the case of Latin America and the Caribbean, the literature has demonstrated a positive, unidirectional causal relationship between economic growth and tourism development in the low-performing tourism cluster and a positive, bidirectional (growth-tourism-growth) causal relationship in the high-performing tourism cluster (Brida et al., 2021). In addition, an evaluation of the impact of tourism spending on growth and poverty at the province level in Panama (Klytchnikova and Dorosh, 2012) found that the tourism sector has large multiplier effects on the country's economy and, if suitable policies and incentive frameworks are implemented, also has great potential to help reduce poverty and improve living conditions for the most vulnerable population segments.
- 1.5 **Tourism competitiveness.** The significance of tourism competitiveness as a determinant of the magnitude of the economic growth generated by tourism development has been widely demonstrated (Crouch et al., 1999; Enright and Newton, 2004; Bazargani and Kiliç, 2020; Fernandez et al., 2022). Because of this significance, tourism researchers have made major efforts to identify and

¹ See full list of bibliographic references ([optional link 1](#)).

quantify the importance of the various causal and determining factors of tourism competitiveness (Pearce, 1997; Kozak and Rimmington, 1999; Crouch et al., 2000; Crouch et al., 2001; Alonso, 2010; Abad and Kongmanwatana, 2015). In the past 50 years, the scientific literature has systematically identified the complexity and multifaceted nature of tourism competitiveness, emphasizing unanimously that it depends on a large set of factors and determinants, including: (i) the quality and uniqueness of the pull factors that motivate tourist visits; (ii) overarching and sector-specific governance and policy frameworks; (iii) the basic and productive infrastructure of tourist destinations; and (iv) the mainstreaming of innovation.

- 1.6 In this regard, the evidence shows that recognizing the multidimensional nature of tourism competitiveness is vital to promoting sustainable growth in the sector. Comprehensive strategic policy frameworks that guide and regulate the development of destinations and promote the strengthening and diversification of tourism products are fundamental to structuring, shaping, and setting a direction for tourism development (Crouch et al., 2003). Without such frameworks, it is almost impossible to develop competitive destinations while simultaneously improving the quality of life of host communities and their residents. The evidence has also demonstrated that a lack of such frameworks usually translates into an ineffective and unregulated development of tourism activities, which places the pull factors of destinations—especially natural, cultural, and heritage resources—at risk and poses a threat to the environment. In some cases, the damage is irreversible, undermining the sector’s competitiveness for good (Otero, 2007; Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), 2013). Moreover—given the severe impacts expected from climate change—the lack of effective, comprehensive policy and regulatory frameworks, could pose a threat to the survival of tourism businesses and endanger the physical safety of tourists and residents alike (Economic Commission for Latin America and the Caribbean (ECLAC), 2021; GIZ, 2013).
- 1.7 The sector’s development policies should be formulated as an integrated system of strategies, plans, tools, and mechanisms designed to work together to achieve sector sustainability and competitiveness. Core pillars of such systems include: (i) regulatory frameworks to govern tourism activities as a whole; (ii) regulatory and policy frameworks to preserve and develop tourism resources; (iii) suitable data and information systems that enable efficient and effective policy, business,² and investment decision-making; and (iv) strategies to create quality tourism products and experiences (Crouch et al., 2003).
- 1.8 In Panama, this integrated system is being coordinated through the 2020-2025 Master Plan for Sustainable Tourism (PMTS, [optional link 4](#)), approved in September 2020. Prepared in collaboration with the Bank and with several public entities, international organizations, associations, and private sector representatives, the PMTS establishes “tourism-conservation-research” as the strategic paradigm for Panamanian tourism in the coming years. In this regard, and as reflected in the PMTS, the tourism-conservation-research approach is based on the premise that the quality and uniqueness of a destination’s natural,

² This includes defining positioning strategies and branding for tourism.

cultural, and heritage attractions define its competitive strength, and therefore, should be preserved, strengthened, and improved.³ This operation, as described below, will help support the implementation of this vision by promoting policy measures that have not only been identified as key pillars of tourism competitiveness but have also been designated as priorities in the PMTS.

- 1.9 **The tourism sector in Panama.** Tourism is a significant socioeconomic contributor for the country. In 2019, tourism directly contributed to generating 5% of GDP (US\$3.3 billion).⁴ That same year, the sector generated US\$4.5 billion in exports, accounting for 16% of the country's total exports.⁵ As evidence of the sector's significant contributions, it is worth noting that exports from international visitor spending in Panama exceed the exports from the Panama Canal and the financial sector combined (Panama Canal Authority, 2022; National Institute of Statistics and Census (INEC), 2022).
- 1.10 Prior to the pandemic, there were 140,000 jobs in the tourism sector, more than 8% of total employment (Panama Tourism Authority (ATP), 2022a). These jobs were inclusive⁶ and predominantly held by women. For example, women account for approximately 60% of the workforce in the "hotel and restaurant" tourism industries, with that figure rising to 75% in some provinces and Indigenous comarcas (INEC, 2021). In addition, between 60% and 70% of Panama's tourism businesses are led by women (World Travel & Tourism Council (WTTC), 2019; INEC, 2021), one of the highest rates in the world. The sector also includes a significant number of micro, small, and medium-sized enterprises (ECLAC, 2021).
- 1.11 However, after experiencing double-digit growth rates for several five-year periods, the tourism sector stagnated between 2014 and 2019, despite very significant sector growth worldwide (WTTC, 2020).

³ See optional link for the institutional framework.

⁴ Data for the travel and tourism sector. Source: "2020 Annual Research: Key Highlights," WTTC, London, United Kingdom, June 2021; and WTTC Database.

⁵ Total exports for the travel and tourism sector are US\$7 billion. Of that amount, international visitor spending accounts for approximately 65% (US\$4.5 billion), while passenger transportation accounts for approximately 35% (US\$2.5 billion). Therefore, exports from the travel and tourism sector account for nearly 25% of the country's total exports (ATP, 2022; INEC, 2022).

⁶ The sector has employees from all income quintiles and socioeconomic profiles, and also employs a higher than average percentage of people from vulnerable worker groups, such as women, indigenous peoples, young people, and migrants.

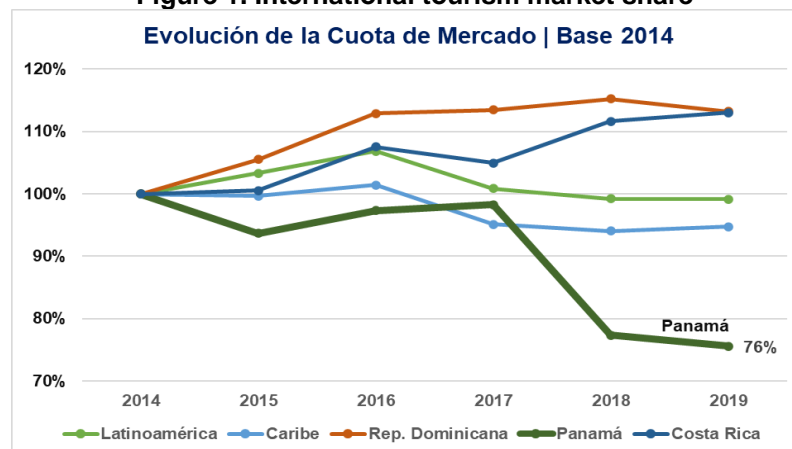
**Table 1. Average growth in direct tourism GDP
(2014-2019)**

Country or region	Average growth
Costa Rica	4.95%
Panama	0.36%
Dominican Republic	7.08%
Latin America	1.00%
Caribbean	2.73%
The Western Hemisphere	2.81%
European Union	3.23%
Worldwide	4.23%

Source: Data for the travel and tourism sector. WTTC Database. Downloaded in May 2020.

- 1.12 Another significant fact is that the average spending per international tourist decreased in 2019 for the first time in several years. That year, the number of international visitors and hotel occupancy rates fell below 2015 levels (ICEX, 2020), as the sector contended with structural challenges that resulted in a gradual loss of its market share of international tourism.⁷

Figure 1. International tourism market share



Source: Prepared by the authors with data from the WTTC Database.

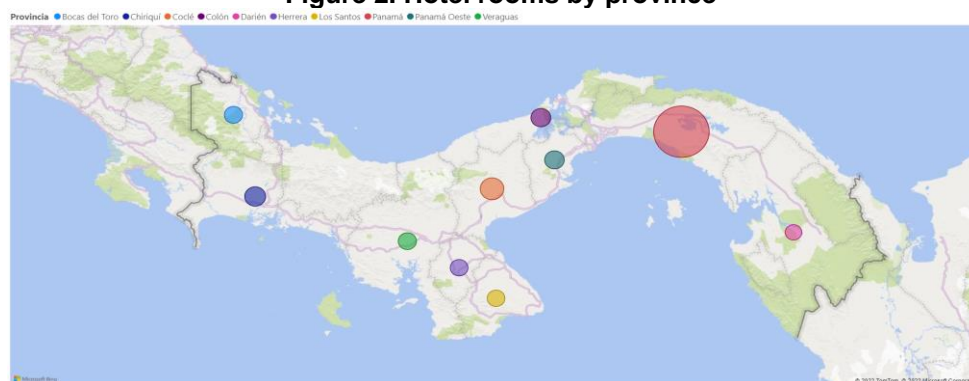
- 1.13 **The impact of COVID-19 on tourism.** Making matters worse, the measures implemented to contain the pandemic significantly curbed tourism growth worldwide, with Panama's tourism sector being hit particularly hard. International tourist arrivals to Panama decreased by 76.4% in 2020 and 64.9% in 2021 compared to 2019, resulting in contractions in international tourism revenues of 75.3% in 2021 (World Tourism Organization (UNWTO), 2021) and 53.4% in 2022 (UNWTO, 2022). The impact of COVID-19 has posed an unprecedented

⁷ The market share is tourism spending by international visitors at a given destination divided by tourism spending by international visitors worldwide.

challenge for the Panamanian tourism sector, adding new challenges to existing ones.

- 1.14 **Institutional framework of the tourism sector in Panama.** The ATP, the sector's lead agency, is responsible for planning, designing, and developing the country's national tourism policy, including developing tourism products and promoting tourism domestically and internationally. Other relevant organizations in the sector are the Panama Tourism Promotion Fund (PROMTUR), created in 2017,⁸ which acts as a destination marketing organization with independent legal status, its own assets, and autonomy. Its main function is promoting and marketing Panama as a destination abroad. Panama also has a National Tourism Council, a public-private organization created to provide guidance and support to the ATP with respect to policies, lines of action, and projects, among other objectives. Lastly, in 2019, the Tourism Cabinet was created and began operations as an "interagency political-administrative structure" whose purpose is to ensure the competitiveness of Panama as a destination by coordinating priority actions and major tasks across central government agencies and public and private services involved in tourism development.
- 1.15 **Institutional challenges for the Panamanian tourism sector.** Panama has important tourist attractions, mainly related to its natural and cultural resources, which are the foundation of an emerging tourism sector. Despite the high tourism potential of the areas where these resources abound, the country has been mostly unable to attract significant investments in tourism outside the province of Panama. More than 50% of the country's tourist accommodations are in Panama City and Chiriquí, and nearly 60% of the rooms available nationwide are concentrated in the province of Panama (ATP, 2020).

Figure 2. Hotel rooms by province

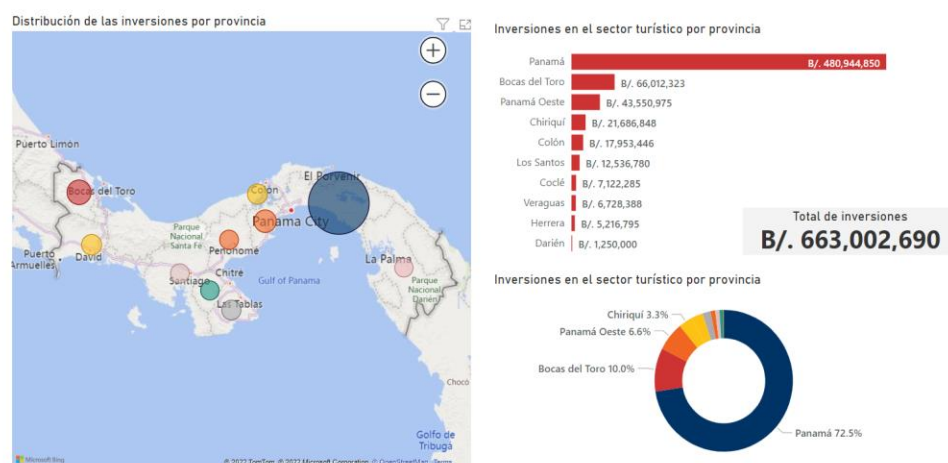


Source: 2021 ATP data. Map prepared with a data visualization tool that is under development.

⁸ PROMTUR was created by Law 9 of 14 March 2017 and amended by Law 58 of 2018, which grants it independent legal status, its own assets, and autonomy. It began operating as a destination marketing organization in August 2019, after receiving the first funds for a proper launch.

- 1.16 This extreme concentration of tourism activities and the lack of public and private investment to improve tourism offerings in other destinations have negatively impacted Panama's competitiveness.⁹ Some factors that have been identified as obstacles to development of tourism outside of the province of Panama include the lack of transportation infrastructure to conveniently connect destinations outside the province of Panama and the lack of water, sanitation, and solid waste management services to support the sustainable expansion of tourism activities, particularly in Indigenous comarcas and provinces outside the capital (WEF, 2019; IDB, 2021).¹⁰
- 1.17 Given that most tourism offerings are concentrated in urban environments, there is a need to promote the creation of new tourism products based on the wealth of natural, heritage, and cultural resources in the rest of the country, with a view to further diversifying the tourism portfolio, building capacity to attract new inbound and domestic tourism markets, and better aligning Panama's tourism offerings with post-pandemic demands, as there are indications of robust growth in nature and wellness tourism as well as growing demand in segments where culture and heritage are critical pull factors (IDB, 2022a).

Figure 3. Investments in tourist accommodations by province (2015-2019)



Source: 2021 ATP data on private investment in tourist accommodations. Figures prepared with a data visualization tool that is still in development.

⁹ The lack of suitable tourism services, infrastructure, and facilities poses a challenge for the development of tourism activities in Panama (IDB, 2019).

¹⁰ In the WEF's Travel & Tourism Competitiveness Report 2019, Panama was ranked 80th out of 140 countries for road density, 73rd for paved road density, and 72nd for wastewater treatment (WEF, 2019). As indicated in the infrastructure sector note that informed the IDB Country Strategy with Panama 2021-2024, "there is a strong disparity between the central region and the provinces in the rest of the country, ... only 4 of the 12 provinces have more than 30% of their roads paved, and in the indigenous comarcas that figure drops to 2% ... leaving some areas relatively isolated from the rest of the country and limiting the rural population's access to basic services, as well as impacting the development of tourism and the agriculture sector." These shortcomings, which "are partly because of insufficient allocation of resources for planning and maintenance, and institutional weaknesses" (ibid), "significantly limit the development of the sector."

- 1.18 Other factors that contribute to the decline in Panama's tourism competitiveness relate to sector policy and governance. The country's public spending on tourism has been inconsistent, is concentrated in the province of Panama, and, due to the lack of a comprehensive tourism intelligence system, has not been grounded in statistical data or analyses with sufficient granularity and depth to guide investments and resource allocation.¹¹ As a result, public tourism spending has varied widely and has been strongly impacted by external shocks, undergoing significant cuts during periods of crisis that are disproportionate to those in other categories or sectors, despite the economic importance of tourism. The accrued budget for investment for the ATP¹² fell from US\$15.2 million in 2008 to US\$7.6 million in 2009. During the COVID-19 crisis, it fell even more abruptly, from US\$91 million in 2019 to US\$35.5 million in 2020 and US\$24.6 million in 2021.
- 1.19 Notably, of the US\$24.6 million accrued budget for investment in 2021, 62% was allocated to the Amador International Convention Center, located in Panama City. As of 31 July 2022, public spending allocated to the Convention Center accounts for 80% of the ATP's accrued budget for investment, compared to 8.8% for PROMTUR, whose allocated budget has been capped at US\$1.5 million for fiscal year 2022. Article 2 of the law regulating PROMTUR states: "Contributions [to PROMTUR] will be for an annual amount of twenty million balboas (B 20,000,000) and will be sourced primarily, but not exclusively, from the ATP budget item or items for advertising expenses."
- 1.20 In this regard, empirical evidence has widely shown that low-quality market intelligence systems hinder comprehensive planning for destinations, identification of key target markets, and preparation of marketing and product development strategies based on current and potential supply and demand¹³ needs (Petrović and Papachashvili, 2021; Mariani et al. 2021; Casado-Aranda et al. 2022). Identifying higher-value market segments with greater growth potential; analyzing their preferences in a granular, differentiated manner; analyzing tourism offerings and their performance at the destination level; and analyzing consumption patterns and tourism's geographical footprint are essential to boosting sector competitiveness (Stylos et al., 2021). These types of analysis have also been proven essential to natural capital preservation, both in the selection of target demand segments whose consumption patterns are less harmful to natural capital and in more effective management of carrying capacity, reduction of seasonal fluctuations in demand for destinations, and better planning

¹¹ In the WEF's Travel & Tourism Competitiveness Report 2019, Panama ranked 65th out of 140 countries for comprehensiveness of sector data and statistics, 72nd for effectiveness of marketing and branding to attract tourists, and 67th for country brand strategy rating (WEF, 2019).

¹² Or the equivalent entity prior to its establishment.

¹³ The ATP acknowledges that "one of the complaints most often mentioned by members of the tourism sector interviewed while writing this diagnostic assessment [the Master Plan for Sustainable Tourism] is the lack of reliable, relevant statistical information that could be used for identifying (among other things) current customers and making decisions on investment, marketing, etc., based on those profiles. This lack of data refers to both international tourists visiting the country and domestic tourists (Panamanians traveling within their country)" (ATP, 2020).

for the infrastructure needed to promote a sustainable tourism development model (Gerry et al., 2015).

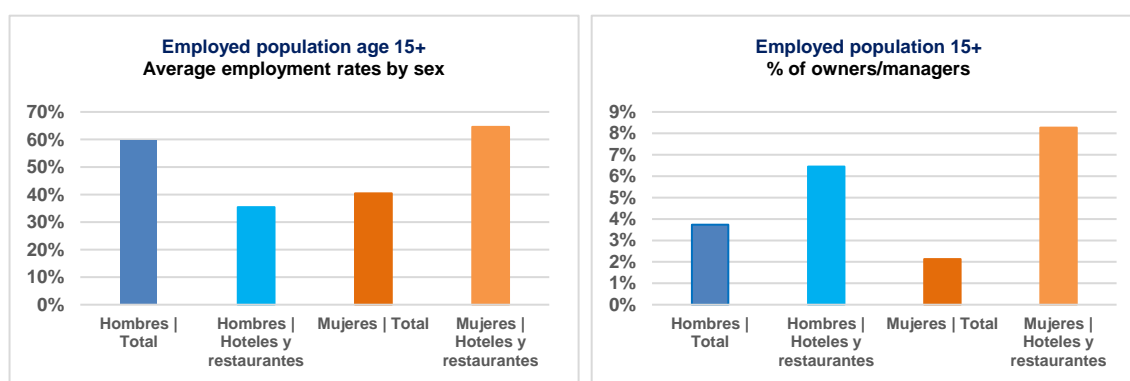
- 1.21 The tourism sector urgently needs new analysis and evaluation tools, as well as a more effective use of information and communications technologies to measure, analyze, and study sector supply and demand in a timely manner (Petrović et al., 2021). Currently, Panama lacks such tools, which are needed to prepare and implement effective, cost-efficient tourism development strategies. This would also enable more effective management of tourism flows in vulnerable ecosystems, seasonal fluctuations in sector demand, and marketing and investment strategies (IDB, 2022). In addition, implementing methodologies for collecting, processing, and publishing updated data will help strengthen tourism management at a local level and help boost both the socioeconomic impact of private investment and sector productivity in general (ECLAC, 2007).¹⁴ A comprehensive tourism intelligence system could also be used to better tailor governance and regulatory frameworks to the sector's new realities, thereby strengthening decision-making processes in various public policy areas. Due to all of this, the effective implementation of a tourism intelligence system to support decision-making for public policy and prioritization of public and private investment is another key concern to be addressed in the PMTS.
- 1.22 Promoting the recognition of the country's tangible and intangible cultural heritage and tailoring the legal framework for the development and marketing of new tourism products should be priorities. Indigenous tourism, agritourism,¹⁵ and cultural tourism merit particular attention. These types of products have been shown to help boost the multiplier effect at the sector level, deseasonalize tourist destinations, and lengthen the average stay, (Organisation for Economic Co-operation and Development, 2015; Roman et al., 2020; Hannonen, 2020; Loryn, 2022). To develop these products, the sector should deploy comprehensive product strategies that coordinate in an integrated, temporary manner the core supply- and demand-side factors that enable their development (Ritchie, 2003; Wijayanti and Dewi, 2016).
- 1.23 Measures to better identify and address gender and ethnicity gaps in tourism employment should also be implemented, with a view to developing comprehensive strategies aimed at fostering inclusion of Indigenous peoples and

¹⁴ As mentioned in the ECLAC study "Políticas activas para atraer inversión extranjera directa en América Latina y el Caribe" (2007), all of the core factors for selecting a country or city for investment depend on the availability of information, with information about "access to consumers" carrying particular importance. In addition, several studies have found a negative causal relationship between uncertainty and private investment. Producing quality data and analysis should help decrease uncertainty in the sector and therefore, support the promotion of private investment.

¹⁵ This tourism product will be culturally appropriate and developed in coordination with Indigenous and community-based tourism strategies.

gender equality at the sector level.¹⁶ The employment rate among women nationwide stands at 40%, but women account for 65% of the population employed in the hotel and restaurant tourism industries. In addition, the national average rate of male business owners is more than triple the rate of female business owners. However, in the hotel and restaurant industries, the rate of female business owners is one third higher than for male business owners, and four times higher than the national rate of female business owners. In the comarcas, that rate increases to 23% for hotels and restaurants, while in general the average rate of women residents of Indigenous comarcas who are business owners is 0.5%.

Figures 4 and 5. Employment rates and employment status



Source: INEC, Encuesta de Mercado Laboral [Labor Market Survey]. October 2021.”

- 1.24 However, information gaps make it impossible to fully understand what these data represent. For example, higher rates in the “self-employed” and “owner/manager” statuses are common in the tourism sector, but in countries where disaggregated gender-based data on average wages and formal employment are available, the data show that women-owned businesses and jobs held by women are more precarious (WTTC, 2019). In addition, women who work for an employer are usually underrepresented in senior management positions. In Panama, an analysis of average wages for sector employees found that the gender wage gap in the hotel and restaurant industries is wider than the national average. Therefore, the percentage distribution by wages earned reflects that, although the mode wages are the same for men and women (between US\$600 and US\$799), 27.4% of women earn monthly wages of less than US\$399, compared to 13.9% of men. Part of this difference can be

¹⁶ Despite the preponderance of women in the sector, most senior management and leadership positions are still held by men, and there is high occupational segregation in the lowest paid positions. Studies from the International Labour Organization (ILO) found that women are usually represented in lower skills and lower paid areas, notably housekeeping, customer service, and internal management (ILO, 2013). Moreover, women hold an estimated 25%-33% of leadership positions worldwide, with the restaurant and travel agency industries having higher employment inequality. However, the average number of women in leadership positions is even lower in the other sectors, with tourism being ranked third with respect to women as directors or leaders in relative terms worldwide (WTTC, 2019) (IDB, 2020).

attributed to the fact that more women work part-time jobs,¹⁷ with the rate of part-time work among women in “hotels and restaurants” being much higher than the national average (25% compared to 17%). This higher rate of part-time employment is particularly elevated in Indigenous comarcas and in provinces where a substantial percentage of the population is Indigenous. For example, in Bocas del Toro, almost 60% of women employed in “hotels and restaurants” hold part-time jobs (INEC, 2021).

Figure 6. Percentage distribution of employees by monthly wages earned (US\$)



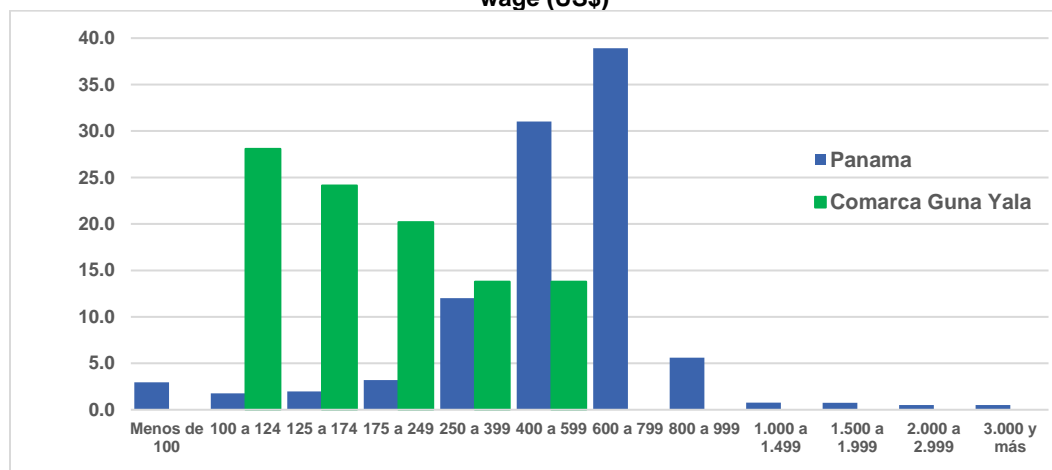
Source: INEC, Labor Market Survey. October 2021.”

- 1.25 Though the comarcas offer great potential for the tourism sector due to their wealth of natural, cultural, and heritage resources, 66% of Panama’s Indigenous population works in agriculture. The employment rate for hotels and restaurants in the comarcas is below 1% (specifically, 0.8%), while the national average is nearly 6%. The tourism sector has demonstrated that it has significant promise in the effective promotion of poverty reduction strategies (UNWTO, 2013; Croes et al., 2015), with evidence specific to the case of Panama (Klytchnikova and Dorosh, 2012). In this regard, the promotion of Indigenous tourism grounded in a comprehensive strategy that identifies the main gaps that need to be addressed within key elements of tourism competitiveness (governance, tourism intelligence, product, infrastructure, and innovation) in coordination with the organizations that represent Indigenous communities in Panama could be a key piece in the reduction of poverty and inequality in the country and in the fostering of the sector’s development in general.
- 1.26 In addition to being culturally appropriate in its design and implementation, this strategy should identify employment gaps, and especially wage gaps, in the sector and promote an action plan to narrow them. Ethnicity gaps are very pronounced in all economic sectors but are particularly severe in hotels and restaurants. Figure 7, for example, shows the gap between the Guna Yala

¹⁷ Part-time employment is defined as working fewer than 40 hours per week. Among women working in “hotels and restaurants,” 16% work fewer than 25 hours per week.

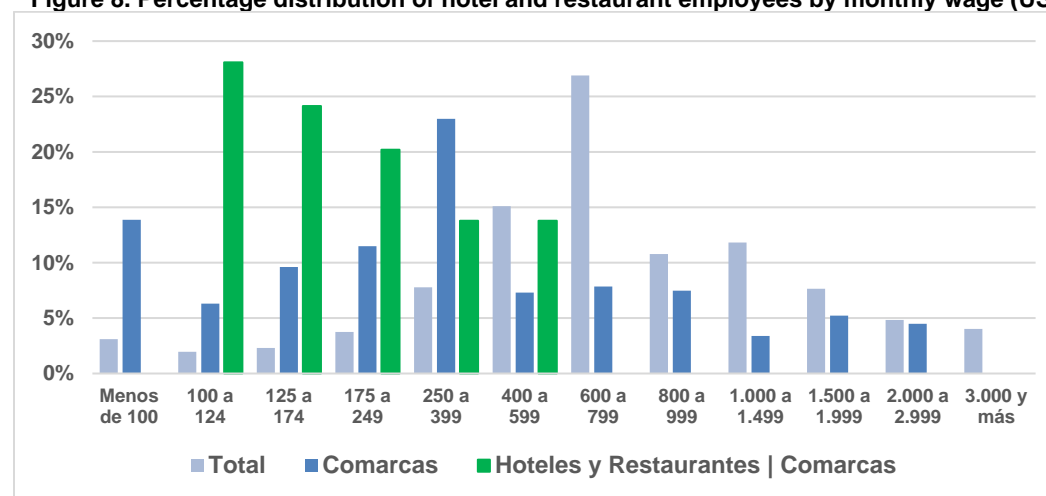
comarca and the national average with respect to the percentage distribution by wage of employees in the hotel and restaurant tourism industries. The mode wage in this comarca is between US\$100 and US\$124, compared to the country average of between US\$600 and US\$799.¹⁸

Figure 7. Percentage distribution of hotel and restaurant employees by monthly wage (US\$)



Source: INEC, Labor Market Survey. October 2021."

Figure 8. Percentage distribution of hotel and restaurant employees by monthly wage (US\$)



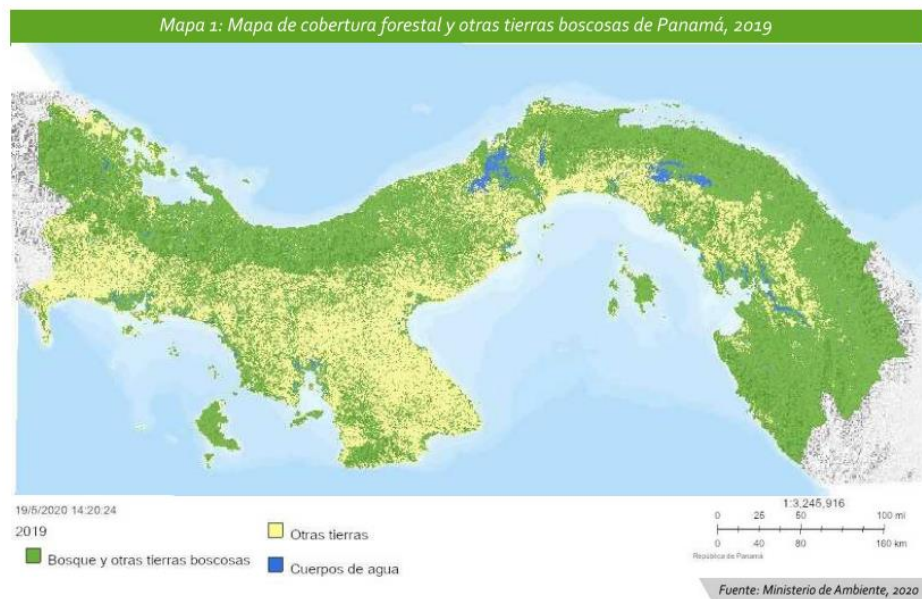
Source: INEC, Labor Market Survey. October 2021."

- 1.27 In addition to the issues discussed above, an essential consideration in the promotion of the country's tourism competitiveness is the preservation and enhancement of its vast and distinctive natural capital. Panama's natural capital is unique and has great potential to serve as the basis for a booming tourism

¹⁸ Data from the Labor Market Survey (INEC, 2021) are reported in balboas in the original source. This large gap can be explained, in part, by the higher rate of part-time employment in the comarcas, but an effort should be made to identify the drivers of this trend and reverse it.

industry. Panama is among the countries with the most biodiversity per square meter, as it is home to approximately 3.4% of the world's amphibian species, 2.3% of reptile species, 9% of bird species, 4.8% of mammal species, and 3.3% of known plant species.¹⁹

- 1.28 Forests and other wooded land account for 68% of the country's territory, with 32% of forests located in comarcas. The National System of Protected Areas protects 43% of the country's forests (Ministry of the Environment of Panama (MAP), 2021). Panama also has more than 165,000 hectares of mangroves, distributed between its Caribbean (92.7%) and Pacific (7.3%) coasts (ECLAC, 2020). According to the World Atlas of Mangroves (International Tropical Timber Organization, 2017), Panama has the widest variety of mangrove species in the Western Hemisphere. Specifically, 12 of the 65 pure species identified worldwide have been reported in Panama. The country also has 770 square kilometers of coral reefs, 754 in the Caribbean Sea and 16 in the Pacific Ocean. The Guna Yala Indigenous comarca is home to 81% of the coral reefs in Panama's Caribbean coast. Forests, mangroves, and coral reefs are essential elements in preserving biodiversity.²⁰



- 1.29 Biodiversity, and natural capital in general, are vital to tourism (UNWTO, 2013). The positioning of biodiversity as a key pull factor for tourists and a key

¹⁹ Panama accounts for 0.05% of the world's land surface and 0.28% of its ocean surface. It has more than 1,300 endemic species, including 1,176 species of plants, 49 amphibians, 33 reptiles, 8 birds, 16 mammals, and 64 freshwater fish.

²⁰ Both forests and mangroves are indispensable for the successful implementation of the carbon neutrality strategies to which Panama has committed.

coordination element for tourism competitiveness²¹ has been widely documented (UNWTO, 2013; Freytag and Vietze, 2006; Buckley, 2002). Coasts, mountains, oceans, rivers, and forests, as well as their associated flora and fauna, are very attractive to tourists from all over the world. Competitiveness in almost all types of tourism is strongly correlated to the recreational opportunities offered by the destination's ecosystems and natural environments. Biodiversity and the environment significantly contribute to the attractiveness of destinations and tourists' perceptions about the quality of these destinations, and they are the backbone of ecotourism and nature tourism, and play a significant role in other types of tourism, such as adventure tourism and wellness tourism. The economic literature has identified coral reefs, rain forests, cetaceans, birds, wildflowers, and biological rarities as major biodiversity-related pull factors for the development of the tourism sector.

- 1.30 Several authors have demonstrated that tourism helps conserve biodiversity. However, they also indicate that this positive relationship can be upended when sound, effective legal systems and legal and policy frameworks are not in place, especially as regards development and allocation of land use; identification, promotion, and stewardship of protected areas; and sound regulatory frameworks that help establish limits on the use and enjoyment of natural resources in general (i.e., whale and dolphin watching, birdwatching, hiking, etc.) (Buckley, 2002). Therefore, tourism can provide incentives to conserve biodiversity, but sound governance and regulatory frameworks are a must if those incentives are to be leveraged meaningfully and sustainably.
- 1.31 The pivotal relationship between the regulatory framework for biodiversity and biodiversity's potential as a pull factor has also been demonstrated through the testing of other causal relationships. For instance, evidence has shown (Loureiro et al., 2012) that most biodiversity and scenery indicators are statistically significant in determining tourists' choices regarding trip duration. The study concluded that policies to conserve biodiversity have a positive impact on increasing tourism activities, not just through more visitors but also longer average lengths of stay. This is particularly important for Panama, which has one of the shortest average lengths of stay per international visitor in the region and in the world (Table 2).

²¹ More than just a pull factor, biodiversity provides basic inputs for the development of all types of tourism, including agricultural inputs and materials for local handicrafts (Thrupp, 2008).

**Table 2. Average length of stay
(nights - for all commercial accommodation services)**

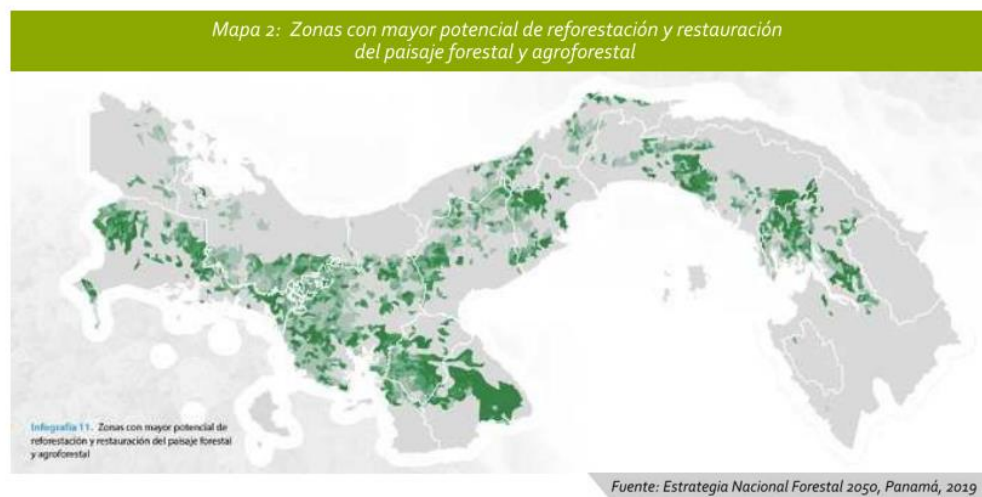
País / Año	2015	2016	2017	2018	2019
Panamá	2.6	3.3	3.5	3.7	4.3
Costa Rica	11.3	12.1	11.9	11.7	12.6
Chile	8.5	7.9	10.3	11.5	11.7
Argentina	9.5	10.4	10.3	11.0	10.5
México	10.3	10.1	9.8	10.2	10.3
Rep. Dominicana	8.3	8.5	8.6	8.4	8.5
Ecuador	8.0	8.0	8.0	8.0	8.0
España	7.9	6.9	6.8	6.5	6.2

Source: UNWTO World Tourism Barometer, May 2022.

- 1.32 Studies have also shown that ecotourism and nature tourism generate incentives to prevent overcrowding and the disorganized, unplanned development of destinations—fostering more efficient management of tourism carrying capacity for the country in general, and for tourism sites in particular. Nature tourists strongly prefer destinations that are not overcrowded, and the perceived quality of a destination is inversely proportional to its degree of massification (Nyaupane and Poudel, 2011; Christ et al., 2003). In addition, the average daily spending by nature tourists is considerably higher than for visitors in general (Lanfranchi et al., 2014; Mehmetoglu, 2017). Tourism has also been shown to help change local people’s attitudes toward biodiversity conservation and reduce the vulnerability of rural populations. Tourism, particularly small-scale, locally owned ecotourism businesses, has also been identified as a tool for improving the livelihoods of people living near protected areas (Nyaupane and Poudel, 2011) and near natural areas in general.
- 1.33 Unfortunately, Panama’s immense natural wealth is strongly threatened by several stress factors that might result in irreversible losses for the country. One such factor is the crosscutting threat of climate change, which makes it necessary to strengthen mitigation and adaptation strategies and comprehensively manage sector risks and resilience measures. Implementing climate change adaptation measures is a particularly important priority for vulnerable ecosystems such as Panama’s.²² Therefore, it is essential to develop national strategies for climate change adaptation, record climate change adaptation initiatives, and create financial instruments that support the adaptation measures needed to maintain tourism competitiveness.
- 1.34 As in most countries in the region, wooded areas in Panama have become progressively endangered over the course of the last three decades. In the years for which disaggregated data are available, the worst losses were in the “mature forest” and “mangrove” categories (United Nations Programme on Reducing

²² Central America and the Caribbean are two subregions that stand out because of their high vulnerability to climate change, despite accounting for a low share of carbon emissions worldwide (ECLAC, 2020). In the WEF’s Travel & Tourism Competitiveness Report 2019, Panama fell from 38th to 74th out of 140 countries ranked in “sustainability of travel and tourism industry development” (WEF, 2019).

Emissions from Deforestation and Forest Degradation, 2015; MAP, 2022).²³ To roll back this trend, in the past 10 years, Panama has implemented a series of policy frameworks and incentives intended to reverse deforestation (National Forest Strategy 2050, Law 69 on Forestry Incentives, National Strategy on Climate Change, and Nationally Determined Contribution). To complement these efforts, the country identified the need for a National Forest Restoration Program (PNRF) to guide the planning of reforestation actions taken by the Department of Forest Conservation and Recovery of the Forestry Division of MAP. The PNRF will factor in and coordinate the involvement of all MAP divisions and all other public agencies that could be involved in this issue nationwide. There are also plans to involve civil society, private enterprise, schools, and universities in implementation of this program, so each can contribute insights from their areas of expertise and programs to the national restoration target. The main objective of the PNRF is to increase forest cover, leading all actions for reforestation in Panama and making the preservation, monitoring, and recording of forest surfaces a priority. The National Forest Strategy 2050 shows the areas with greatest reforestation potential, which cover nearly 2.5 million hectares, many located in areas with tourism potential.



- 1.35 To that end, one of the action lines set out in the PMTS for tourism development in Panama is “Green Heritage,” in which forests play a central role. The PMTS seeks to promote a tourism product called “Forests of Life,” which recognizes the central role that forests play in the preservation and promotion of biodiversity, while acknowledging that forests are themselves a pull factor with their own specific importance. The plan also identifies several tourism routes and subroutes to be developed, presenting these natural resources as a focal point for sustainable tourism development in Panama. Against this backdrop and in light of the boom in forest tourism, the country needs to develop a comprehensive, specific strategy for forest tourism to evaluate its current status

²³ The “land cover and uses” of “mature forests” stood at 44.7% in 1992 compared to 35.6% in 2012, representing an approximate loss of 686,000 hectares of “mature forests.” Over the same period, some 13,000 hectares of mangroves were lost.

- and set a baseline for progress. This strategy should also analyze what is needed to sustainably and holistically develop this type of tourism, addressing the perspectives of demand, land-use and regulatory management, marketing, and infrastructure development that generates tourism spending with a multiplier effect, as well as crosscutting and sector-specific measures to mitigate the environmental impact of visitors.
- 1.36 Other key considerations yet to be developed are strategic plans for the preservation of mangroves and oceans. These plans should include measures for the clean up and sustainable conservation of these ecosystems as well as identify actions that enable their sustainable use for recreational activities, so their potential as pull factors in their own right can be tapped while minimizing the possible risks that tourist visits and recreational use pose. To achieve this, the country will need to promote regulatory frameworks and plans that govern and guide the development of tourist activities in these spaces. Actions identified as priorities include strengthening regulations for whale and dolphin watching (a booming tourism activity in Panama), protection of sea turtles and their habitats, and measures against the trafficking of protected species. Coral reefs also need to be protected with a regulatory framework that requires an evaluation of their status, systematic monitoring, and bans or restrictions on the construction of infrastructure that could threaten coral ecosystems, including tourism infrastructure. Regulations that prohibit anchoring vessels and extracting, collecting, exploiting, importing, and commercializing any coral species from the natural environment are also needed. These activities were identified as major causes and drivers of coral reef degradation in Panama (MAP, 2022).
- 1.37 **Rationale.** Based on the review presented above and as a result of the intensive, productive technical support and sector dialogue with the Panamanian government, the program proposed below complements the portfolio in execution with components focused on promoting the competitiveness of Panama's tourism sector and developing an institutional environment that aims to consolidate sustainable, pronounced growth in this sector. This includes promoting public policy effectiveness and efficiency, private investment profitability, and creation of jobs and entrepreneurship opportunities with gender and ethnicity approaches. These initiatives focus on improving the tourism sector's sustainability and resilience, with a particular emphasis on the comprehensive preservation of natural, cultural, and heritage resources and on the Panamanian tourism sector's adaptation to climate change.
- 1.38 The program's design is based on the multisector technical dialogue and work carried out by the Bank in Panama over the last 10 years and also draws from the Bank's extensive experience with sustainable development in the tourism sector in other countries in the region, such as El Salvador, Costa Rica, Guatemala, Argentina, Barbados, The Bahamas, and Uruguay. Key considerations and lessons learned that have informed the design of this operation include: (i) it is important to address tourism competitiveness with a multifaceted approach; (ii) sound, holistic governance frameworks and comprehensive, data- and evidence-based destination and product strategies are vital to the effectiveness and sustainability of public and private investments; (iii) tourism intelligence systems are crucial to the development of effective public policies and investments; and (iv) preservation of natural, cultural, and heritage

resources, and identification of climate change impacts and mitigation and adaptation measures are essential for tourism competitiveness.

- 1.39 Execution of this program will benefit from the groundwork and expertise developed in tourism sector operations, including: Tourism Competitiveness Studies and Post-COVID-19 Tourism Strategy (operation [ATN/OC-18255-PN](#)); Mainstreaming Biodiversity Conservation Through Low-Impact Ecotourism in the Sistema Nacional de Areas Protegidas (SINAP) (operation [ATN/FM-12798-PN](#)); Mainstreaming Biodiversity Conservation through Low-Impact Ecotourism in SINAP II (ECOTUR-AP Second Phase) (operation [ATN/FM-16476-PN](#)); Economic Diversification and Competitiveness Promotion Program (loans [4899/OC-PN](#) and [5319/OC-PN](#)); Support for the Conservation and Management of Cultural and Natural Heritage (loan [4450/OC-PN](#) and [4451/OC-PN](#)); Digital Transformation of Indigenous-Led Ecotourism and Conservation (operation [ATN/ME-18569-PN](#)); Valuing, Protecting, and Enhancing Coastal Natural Capital (operation [ATN/BB-18013-PN](#)); Support for Institutional Strengthening to Promote Green Innovation in Panama (operation [ATN/OC-19076-PN](#)); Integrated Management of Priority Watersheds for Adaptation to Climate Change (operation [ATN/OC-17513-PN](#)); Support for the Implementation of Living Heritage in Panama (operation [ATN/OC-18830-PN](#)); Support to the Creative and Cultural Ecosystem of Panama (operation [ATN/OC-16676-PN](#)); Support to the Implementation of the Program to Support Gender Equality Policies – Phases I and II (operations [ATN/OC-17841-PN](#) and [ATN/OC-18640-PN](#)); Diagnostic Assessment of Agricultural Innovation in Panama (operation [ATN/OC-17783-PN](#)); Tools for the Sustainable Preservation and Management of Panama's Cultural and Natural Heritage (operation [ATN/OC-16462-PN](#)); and Exchange Experiences with Chile on Territorial Economic Development and Financial Inclusion of Indigenous Peoples (operation [ATN/OC-16543-PN](#)). Together, the technical assistance programs listed above (identified with the ATN prefix) amount to a total of nearly US\$10.5 million, of which nearly US\$7 million has already been disbursed. Economic Diversification and Competitiveness Promotion Program (loans [4899/OC-PN](#) and [5319/OC-PN](#)) and Support for the Conservation and Management of Cultural and Natural Heritage (loan [4450/OC-PN](#) and [4451/OC-PN](#)) are loan operations. The sum total of these programs is US\$457 million, of which more than US\$370 million has been disbursed.
- 1.40 The Bank has also provided technical support in the development of the reforms included in this program through its involvement in official meetings and technical forums with the public and private sectors, including: its work with the Latin American and Caribbean Parliament, which is based in Panama;²⁴ the Bank's participation in several technical briefings by the Tourism Cabinet; its involvement with the National Competitiveness Forum and the National Tourism Convention, and its involvement in several private-sector forums, including the Annual Panamanian Executives Conference. The Bank will continue its technical

²⁴ Minutes available for consultation here: <https://parlatino.org/wp-content/uploads/2017/09/xxxiii-3-julio-2020.pdf>

dialogue with the government through a technical cooperation operation, currently in preparation, which will help ensure fulfillment of the policy conditions for the second loan under this programmatic series. This program will coordinate with other operations in Panama's portfolio currently in the execution phase, including both public sector operations and IDB Invest and IDB Lab operations, especially with those that directly address the tourism sector, climate change, or the strengthening of natural capital.²⁵ Several of those operations complement this program and are working to close investment gaps that are affecting tourism sector competitiveness and expansion of the sector's geographic footprint (for example, gaps in water and sanitation and solid waste management services at emerging destinations).

- 1.41 **Conceptualization and horizontal logic.** This program seeks to foster an institutional and regulatory reform process that comprehensively addresses key elements for the transformation of the Panamanian tourism sector, with a view to tackling the growing competitiveness, resilience, inclusion, and sustainability issues facing the sector, especially with regard to climate change adaptation and mitigation and conservation of the country's significant natural capital. Along these lines, **the first operation** of this programmatic series will: promote the adoption of a tourism intelligence system as a public policy and the approval of a new tourism brand and positioning strategy (**Component II**); and promote the diversification of the mix of core tourism products in Panama, with a view to reducing the environmental footprint and expanding the geographic footprint of the tourism sector, thereby increasing its multiplier effect and its ability to promote social inclusion (**Component III**). To achieve this, the program will promote the approval of a law that designates Indigenous tourism as a national priority and authorizes the ATP to coordinate a strategic national plan for the sustainable development of Indigenous tourism. Other actions under this component include the development of regulations for the Agritourism Act and the registration of the dances and expressions associated with Panama's Corpus Christi festivity in UNESCO's Representative List of the Intangible Cultural Heritage of Humanity. The first operation will also support the comprehensive institutional reform of the tourism sector (**Component IV**) through assistance in the development of a proposed tourism law that would update and strengthen sector governance and strengthen the positioning of the sector within the country's policy framework by recognizing tourism as a national priority, a public good, and a socially beneficial activity that helps preserve the "ecological balance" and "respect for the customs" of the inhabitants of Panama. As part of this comprehensive reform, the program plans to promote measures aimed at fostering the inclusion of Panama's Indigenous peoples in the tourism sector and strengthen the sector's contribution to gender equality countrywide. Other key actions under this component of the first operation include a series of far-reaching and comprehensive legal and regulatory measures aimed at promoting climate change adaptation and mitigation and the conservation of the wealth of natural capital and biodiversity in Panama. Those measures include development

²⁵ The program is expected to coordinate with IDB Lab's "Digital Transformation of Indigenous-Led Ecotourism and Conservation" program (operation PN-T1276) and with IDB Invest's [Financial Guarantees Program](#) for local banks' tourism loan portfolios.

of the regulations for Environmental Law 41, including regulations relating to the inclusion of key policy measures for promoting climate change adaptation measures in the public and private sector; development of a proposed law on the conservation and protection of sea turtles and their habitats with a view to mitigating the impact of climate change and unregulated tourism; promulgation of a law establishing provisions for the comprehensive protection of coral reef ecosystems and associated species; approval of a National Forest Restoration Program and the official Forest Cover and Land Use Map for Panama;²⁶ approval of a National Ocean Policy that incorporates gender and inclusion as a crosscutting issue and includes specific tourism-related actions; development of regulations for Law 187 on the reduction and gradual replacement of single-use plastics; approval of a ministerial resolution regulating whale and dolphin watching; and approval of a catalog of the most-trafficked protected species of fauna and flora in Panama.

- 1.42 The **second operation** will seek to expand the implementation of the measures described in the preceding paragraph. More specifically, it will: expand implementation of the tourism intelligence system through the incorporation of data from other key tourism sector entities such as Tocumen Airport; evaluate the destination Panama tourism brand and positioning strategy; and support measures to make that strategy more effective (**Component II**). The operation will also support: development of regulations for the Indigenous tourism law, development of a comprehensive and sustainable agritourism strategy; and government efforts to develop and market the Colonial Transisthmian Route of Panama as a tourism destination to achieve its inclusion on the World Heritage List (**Component III**). The second operation of the programmatic series also calls for submission of the proposed reform of the tourism law to Panama's Legislative Assembly. The proposed reform, which has been on the agenda for quite some time, would support the modernization of sector governance, harmonize the set of rules and regulations that govern tourism activities, and incorporate specific provisions addressing emerging sector challenges with regard to climate change adaptation and mitigation, environmental sustainability, and preservation of Panama's natural, cultural, and heritage capital. The operation will also seek to help narrow gender and ethnicity gaps through action plans developed using the diagnostic assessments prepared under the first operation and the analyses made possible by the new tourism intelligence system. Other key issues include the approval of an action plan to achieve carbon neutrality in the Panamanian tourism sector and launch of its implementation. Other significant milestones expected for the second operation include approval of a National Strategy for Climate Change Adaptation for the tourism sector, implementation of the national registry of initiatives for climate change adaptation and resilience, and launch of the National Fund for Climate Change Adaptation in the tourism sector. In addition, the operation is expected to support: the design and approval of a strategy for forest tourism, the implementation of the tourism-related activities set out in the National Ocean Policy and in the law on the reduction and gradual replacement of single-use plastics in the tourism sector; strengthening of the regulatory framework for tourism operators specialized in whale and dolphin

²⁶ This map will be developed using advanced satellite techniques.

watching; approval of a law that mandates and regulates the conservation and protection of sea turtles and their habitats with a view to mitigating the impact of climate change and unregulated tourism; development of a strategy to raise awareness among tourists about the impact of the trafficking of protected species; and development of regulations for the law establishing provisions for the comprehensive protection of coral reef ecosystems, associated ecosystems, and associated species (**Component IV**).

- 1.43 **Strategic alignment.** This operation is consistent with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and aligned with the challenges of: (i) productivity and innovation, by enhancing tourism sector competitiveness; (ii) social inclusion and equality, by creating job and entrepreneurship opportunities for the most vulnerable and promoting gender equality and the socioeconomic development of Panama's Indigenous peoples; and (iii) economic integration, by increasing exports of goods and services to countries in the region. It is also aligned with the crosscutting themes of: (i) institutional capacity and rule of law, by strengthening tourism sector entities; (ii) climate change and environmental sustainability, by helping build resilience and sustainability at the targeted destinations (paragraphs 1.31 and 1.32); and (iii) gender equality and diversity (see [optional link 6](#)), through the promotion of a diagnostic assessment and action plan aimed at promoting gender equality at the sector level. In addition, the program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: "agencies with strengthened digital technology and managerial capacity," "amount of international trade supported," "countries with strengthened gender equality and diversity policy frameworks," "beneficiaries of enhanced disaster and climate change resilience," and "habitat that is sustainably managed using ecosystem-based approaches (hectares)." Likewise, the project is aligned with the IDB Group Country Strategy with Panama 2021-2024 (document GN-3055), through the priority areas of "modernizing public management" and "reigniting and diversifying productive activity." This operation is included in the 2022 Operational Program Report (document GN-3087). The program is consistent with the Tourism Sector Framework Document (document GN-2779-12), through the following lines of action: "1. Strengthen recovery in the tourism sector in the wake of the COVID-19 shock;" "2. Increase tourism's economic benefits and contribution to the local economy;" "3. Strengthen the distribution of tourism benefits to the most vulnerable social groups in Latin America and the Caribbean;" "4. Strengthen environmental and climate management in tourism;" and "5. Improve the regional tourism governance framework." Lastly, the operation is consistent with the Bank's Vision 2025 (document AB-3266) as it will contribute to achievement of three medium-term targets: reactivate the productive sector, promote social progress, and strengthen good governance and institutions in Panama. An estimated 42.1% of program resources will be invested in climate finance through eight policies that directly support the country's climate commitments, according to the [2020 joint methodology of the multilateral development banks](#). These resources contribute to the IDB's climate financing target (30% of approvals annually).

B. Objectives, components, and cost

- 1.44 **Objective.** The general objective of this programmatic series is to promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector. The specific objectives are to: (i) improve access to tourism data and analysis to help inform public policy design and sector investment; (ii) strengthen the diversification of the country's tourism products; and (iii) reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.
- 1.45 **Component I. Macroeconomic stability.** The objective of this component is to maintain an economic framework consistent with the program objectives and the guidelines established in the sector Policy Letter.
- 1.46 **Component II. Improve access to tourism data and analysis to help inform public policy design and sector investment (paragraphs 1.42 and 1.43).**²⁷ This component will support the design and implementation of an interactive tourism intelligence system that will serve as a tool for generating updated data and robust analyses to guide tourism planning and public budget prioritization, initiatives to attract foreign and domestic private investment, and development of sector programs, projects, and policies—thereby fostering an evidence-based approach to public policy design and investment. This component will also help develop the country's tourism marketing strategy and develop and publicize its new tourism brand, both of which will be aligned with the PMTS.
- 1.47 **Component III. Strengthen the diversification of the country's tourism products (paragraphs 1.42 and 1.43).**²⁸ This component will help strengthen Panama's emerging tourism products with a strong multiplier effect, specifically through the promotion of Indigenous tourism, agritourism, and culture and heritage tourism. This support will involve adapting the legal framework for the development and marketing of those tourism products; registering differentiated elements of Panama's living heritage in the UNESCO list; and preparing and implementing development strategies tailored to the aforementioned tourism products (Indigenous tourism and agritourism).
- 1.48 **Component IV. Reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector (paragraphs 1.42 and 1.43).**²⁹ This component will: support key legislative and programmatic reforms to strengthen the regulatory and governance frameworks of the tourism sector; foster measures to reinforce sector resilience; and improve the socioeconomic inclusiveness and sustainability of the sector, particularly with respect to gender equality and Indigenous peoples.³⁰ This component will also

²⁷ See Policy Matrix: 2.1, 2.2, and 2.3 under Policy conditions, Programmatic loan I, and 2.1, 2.2, and 2.3 under Triggers, Programmatic loan II.

²⁸ See Policy Matrix: 3.1, 3.2, and 3.3 under Policy conditions, Programmatic loan I, and 3.1, 3.2, and 3.3 under Triggers, Programmatic loan II.

²⁹ See Policy Matrix: 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, and 4.13 under Policy conditions, Programmatic loan I, and 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14, and 4.15 under Triggers, Programmatic loan II.

³⁰ The program will help identify key actions to close the sector's gender and ethnicity gaps, promoting the development and implementation of an interagency roadmap for this purpose.

support the preservation and improvement of Panama's natural capital; and strengthen the framework of sector policy measures and public strategies to promote the implementation of priority actions for climate change mitigation and adaptation in the sector. More specifically, the program will help advance a tourism law that consolidates and harmonizes the major sector regulations currently in effect; establishes a foundation for tourism policy, planning, and programming; recognizes tourism as a national priority, a public good, and a socially beneficial activity; and prioritizes the preservation of natural, cultural, and heritage resources and social sustainability. Other key actions supported by this component include the design and implementation of an action plan to narrow gender and ethnicity gaps; preparing a climate change adaptation strategy for the tourism sector; implementing a national registry of initiatives for climate change adaptation and resilience and a fund for climate change adaptation in the tourism sector; developing a strategy for forest tourism; and a series of regulatory and policy measures that aim to strengthen protections for Panama's flora and fauna, as well as its biodiversity overall. This component also involves promoting a comprehensive regulatory framework for the conservation, monitoring, evaluation, and protection of coral reefs.

- 1.49 Achieving these objectives will help improve the lives of the residents of Panama, especially those residing in tourist destinations in provinces outside the capital, women, and Indigenous peoples. It will also strengthen sector competitiveness and enhance the resilience and sustainability of the country's ecosystem of tourism products.
- 1.50 The end of this programmatic series will help close the main sector gaps identified above (see paragraphs 1.15 **Error! Reference source not found.** to 1.36 **Error! Reference source not found.** and 1.42 to 1.43). The Bank will also continue its technical dialogue with the Panamanian government on the country's tourism sector through other loan instruments and sector programs, as well as with technical cooperation funding (especially technical cooperation operation ATN/OC-18255-PN and operation PN-T1264, currently in preparation),³¹ to strengthen and deepen the progress achieved under this program and address pending gaps. This will include developing comprehensive, evidence-based destination strategies; promoting connectivity improvements in destinations in provinces outside the capital; and addressing concerns related to basic infrastructure improvements, enhancement of human capital, and innovation and technological transformation of the productive ecosystem.

C. Key results indicators

- 1.51 The expected impact is to promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector. This objective will be measured using the following impact indicators: (i) the ratio between total tourism spending by international visitors in Panama and total tourism spending by international visitors worldwide; (ii) the ratio between total tourism spending by international visitors in Panama and total tourism spending by international

³¹ This technical cooperation operation has been declared eligible and should be approved in late September 2022.

- visitors in Central America; (iii) the ratio between domestic tourism spending by Panamanian residents and international tourism spending by Panamanian residents; and (iv) tourism GDP by square kilometer.
- 1.52 The expected impacts will be achieved by improving access to tourism data and analysis to help inform public policy design and sector investment; strengthening the diversification of the country's tourism products; and reinforcing the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector. These specific objectives will be measured with a set of 11 outcome indicators that can be found in Annex III.
- 1.53 **Economic analysis.** Based on the recommendations by the IDB's Office of Evaluation and Oversight in its 2011 Evaluability Review of Bank Projects³² and on the findings of the review of evaluation practices and standards for policy-based loans conducted by the 2012 Evaluation Cooperation Group,³³ and pursuant to paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign-guaranteed and Non-sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary,³⁴ it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this operation does not include an economic analysis and no such analysis will be considered in measuring the evaluability score in the program's Development Effectiveness Matrix.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation was designed as a programmatic policy-based loan (PBP). It is the first of two single-tranche operations that are contractually independent but technically linked. The operation's structure is consistent with the guidelines set forth in "Policy-Based Loans: Guidelines for Preparation and Implementation" (document CS-3633-2). This structure and instrument are justified by the strategic relevance of the measures promoted, the preparatory work needed for program execution, and the complexity of monitoring its institutional preparation and implementation. The amount and timing of the subsequent operation will be determined with the Panamanian government during the Bank's programming exercise, pursuant to document CS-3633-2 and depending on achievement of the triggers set out in this operation.
- 2.2 Given its programmatic nature, the PBP instrument is ideal because it: (i) promotes an ongoing policy dialogue with Panamanian government

³² Document RE-397-1: Currently, the economic analysis section is computed as the maximum between the cost-benefit analysis (CBA) and the cost-effectiveness analysis (CEA). Yet neither a CBA nor a CEA is applicable to policy-based loans and programmatic policy-based loans.

³³ Good Practice Standards for the Evaluation of Public Sector Operations (February 2012). Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition.

³⁴ According to the Evaluation Cooperation Group, policy-based loans should be evaluated based on relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a policy-based loan is related to a country's financing gap, independent of the project's benefits.

authorities; (ii) facilitates monitoring; (iii) provides feedback and updates the reforms with the findings from execution of the first operation under the PBP; (iv) adapts to the changing circumstances of the country and changes in government administration; and (v) supports medium- and long-term reforms with the timeframes needed to implement them. It also provides an opportunity to evaluate progress and adjust reforms based on the knowledge acquired.

- 2.3 **Dimensioning of the operation.** The financing for this first operation will be US\$150 million from the Bank's regular Ordinary Capital resources. Based on the provisions of paragraph 3.27(b) of "Policy-Based Loans: Guidelines for Preparation and Implementation" (document CS-3633-2), the size of the loan was based on the country's broad fiscal resource needs. It is equivalent to 4.4% of the gross financing requirements of Panama's public sector, estimated at US\$4.5 billion for 2022, and amounts to 2.2% of the country's multilateral debt.

B. Environmental and social risks

- 2.4 In its preliminary analysis, the Bank determined that the proposed policy reforms and/or institutional changes supported under this PBP will not have significant direct negative effects on the country's environment or its natural and environmental resources.³⁵ Therefore, and pursuant to the provisions of paragraph 4.7 of the Environmental and Social Policy Framework (document GN-2965-23), this operation falls outside the scope of that framework.

C. Fiduciary risks

- 2.5 In designing this first operation, no fiduciary risks were identified, since the proposed instrument provides unrestricted funding to cover the country's financing requirements and the executing agency has the necessary management mechanisms.

D. Other key issues and risks

- 2.6 The project team has preliminarily identified some possible medium-level risks that might impact the program during execution. These notably include potential roadblocks in the coordination between tourism sector authorities and other public sector entities whose active involvement is vital to the achievement of program objectives. This risk will be mitigated with support for interagency coordination by the Bank's sector specialists and with technical assistance resources in support of the ATP.

³⁵ This PBP will support key reforms to promote the preservation and improvement of natural capital, through measures that regulate tourism activities and tap their potential while avoiding adverse impacts on ecosystems. Moreover, the operation will support the design of key measures to strengthen priority actions for climate change mitigation and adaptation in the tourism sector. Therefore, the program is not expected to generate any direct negative effects on natural habitats or ancestral territories, or on the natural resources in these habitats and territories; therefore, the Environmental and Social Policy Framework should not apply.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Republic of Panama. The executing agency will be the Ministry of Economy and Finance (MEF), acting through its Division of Public Financing, which is responsible for program negotiations. The executing agency will be responsible for monitoring the fulfillment of the Policy Matrix commitments assumed by various government entities, with support from the Division of Tourism Planning and Development of the Panama Tourism Authority (ATP), which will be responsible for the program's strategic coordination in the tourism sector (Annex II). The MEF will have the following responsibilities: (i) communicate officially with the Bank and submit evidence of fulfillment of the operation's conditions and all other reports the Bank may require, under the agreed deadlines and conditions; (ii) promote actions to achieve the policy objectives set, particularly the conditions included as triggers for this program; and (iii) gather and deliver to the Bank all information and indicators that will help the Panamanian government and the Bank monitor, measure, and evaluate program outcomes. The MEF, with technical support from the ATP, will coordinate the gathering of evidence and periodically monitor the commitments assumed by various government entities (including PROMTUR, the Ministry of the Environment, the Ministry of Labor and Workforce Development, the Ministry of Culture, the Ministry of Agriculture, and the Ministry of Health), as specified in the means of verification matrix.
- 3.2 **Special contractual conditions precedent to the first and only disbursement of the loan. The single disbursement will be subject to fulfillment by the borrower of the policy reform commitments set forth in the Policy Matrix (Annex II) and the [Policy Letter](#) and of the other conditions established in the loan contract.** Most of the commitments for this first operation are expected to have been fulfilled prior to its submission for Board consideration.

B. Summary of arrangements for monitoring results

- 3.3 The programmatic commitments set out in the Policy Matrix, as well as in the Means of Verification Matrix and the Results Matrix, establish the parameters for supervision and evaluation of program results. The MEF is responsible for these actions and has been coordinating bilaterally with the other participating ministries and government entities.

IV. POLICY LETTER

- 4.1 The Policy Letter ([required link 1](#)) reiterates the commitment of the Government of Panama to the objectives and actions planned for this programmatic series and to having consistent policy measures to promote sustainable, inclusive economic growth in Panama through improvements to the sustainability, inclusivity, and resilience of the country's tourism sector.

Development Effectiveness Matrix		
Summary		PN-L1175
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Economic Integration</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Amount of international trade supported (\$)</div> <div>-Countries with strengthened gender equality and diversity policy frameworks (#)</div> <div>-Beneficiaries of enhanced disaster and climate change resilience (#)</div> <div>-Habitat that is sustainably managed applying ecosystem-based approaches (ha)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3055	"Modernization of Public Management" and "Reactivate and diversify productive activity".
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational 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		9.8
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		FI
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury. Procurement: Information System, Price Comparison.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation 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	ATN/OC-18255-PN and PN-T1292

Evaluability Assessment Note: This operation is the first of a programmatic series in support of policy reforms, to be made up of two contractually independent and technically linked loans, which seek to promote sustainable and inclusive economic growth in Panama by improving the competitiveness of the Panamanian tourism sector. The specific objectives are: (i) to improve access to tourism data and analysis to help inform the design of public policies and sector investment; (ii) to strengthen the diversification of tourism products in Panama; and (iii) to reinforce the sustainability, resilience, inclusiveness by ethnicity, and gender equality of the tourism sector in Panama.

The diagnosis presented is adequate and the proposed policy measures generally respond to the deficiencies and opportunities identified. The results matrix exhibits vertical logic with result indicators that will allow evaluating the scope of the specific objectives at closing.

The Monitoring and Evaluation Plan meets the expectations for this type of loan. Recommendations are made to reduce the risks associated to the measurement of some of these indicators and to strengthen the attribution analysis in the PCR.

POLICY MATRIX

Objective: The general objective of this programmatic series is to promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector. The specific objectives are to: (i) improve access to tourism data and analysis to help inform public policy design and sector investment; (ii) strengthen the diversification of the country's tourism products; and (iii) reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.

Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I*	Triggers Programmatic loan II
Component I: Macroeconomic stability.			
A. Macroeconomic stability	1.1 Maintain an economic framework consistent with the program objectives and the guidelines established in the sector Policy Letter.	Fulfilled	1.1 Maintain an economic framework consistent with the program objectives and the guidelines established in the sector Policy Letter.
Component II: Improve access to tourism data and analysis to help inform public policy design and sector investment.			
A. Strengthen tourism statistics and support the creation and operational capacity of a tourism intelligence system .	2.1 Develop a digital visualization tool of key tourism indicators, including at least four dashboards with data from the 2015-2021 period for the following variables: <ol style="list-style-type: none"> 1. Trends in the number of international visitors. 2. Breakdown of international visitors by main reason for travel. 3. Breakdown of international visitors by country of residence. 	Fulfilled (Q3 2022)	2.1 Release and provide access to the tourism indicator visualization tool from the first operation on the Panama Tourism Authority (ATP) website, to include updated data for the dashboards developed under the first operation as well as new dashboards with updated data for the following variables: <ol style="list-style-type: none"> 1. Number of airlines operating in Panama. 2. Number of flights per month.

* This information is merely indicative as of the date of this document. Pursuant to the provisions of document CS-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower submits the corresponding disbursement request and will be reflected in the disbursement eligibility memorandum in a timely manner.

Components / Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I*	Triggers Programmatic loan II
	<ol style="list-style-type: none"> 4. Breakdown of visitors by mode of transportation. 5. Breakdown of international visitor arrivals by month. 6. Breakdown of visitor arrivals by main reason for travel. 7. Tourism employment. 		<ol style="list-style-type: none"> 3. Number of airline passenger seats available per month. 4. Occupancy rate of seats available per month. 5. Tourist accommodations by province. 6. Rooms in tourist establishments by province. 7. Occupancy data for tourist accommodations. 8. Types of tourist accommodations.
A. Strengthen tourism statistics and support the creation and operational capacity of a tourism intelligence system .	<p>2.2 Achieve progress in PROMTUR's launch of a tourism intelligence tool, to include implementation of the following key elements at a minimum:</p> <ol style="list-style-type: none"> 1. Database with real-time or quasi real-time data on airline ticket reservations made by international visitors. 2. Database of hotel occupancy rates and average price. 3. Database for the ecosystem of short-stay accommodations. 	Fulfilled (Q3 2022)	<p>2.2 Rollout and full deployment by PROMTUR of a tool or software that enables the integrated use of the various elements of the tourism intelligence tool implemented under the first operation, including the addition of a database of digital marketing for Panama as a destination.</p>

B. Support the development of a comprehensive tourism marketing strategy for Panama as a destination based on the 2020-2025 Master Plan for Sustainable Tourism (PMTS).	2.3 Approve the tourist destination positioning strategy based on the 2020-2025 PMTS and develop and launch a new tourism brand for Panama aligned with the targeted positioning strategy.	Fulfilled (Q3 2022)	2.3 Evaluate the effectiveness of the Panama tourism brand positioning strategy compared to a group of its direct competitors and implement actions to strengthen that strategy.
Component III: Strengthen the diversification of the country's tourism products.			
A. Support the diversification and strengthening of key tourism products for Panama based on the 2020-2025 PMTS.	3.1 Promulgate a law that designates the promotion and development of sustainable Indigenous tourism as a national priority and authorizes the ATP to coordinate a strategic national plan for the sustainable development of Indigenous tourism.	Fulfilled (Q1 2022)	3.1 Issue regulations for the law that designates the promotion and development of sustainable Indigenous tourism as a national priority and authorizes the ATP to coordinate a strategic national plan for the sustainable development of Indigenous tourism.
A. Support the diversification and strengthening of key tourism products for Panama based on the 2020-2025 PMTS.	3.2 Issue regulations for the law that governs agritourism activities in Panama.	Fulfilled (Q2 2022)	3.2 Approve an agritourism strategy.
A. Support the diversification and strengthening of key tourism products for Panama based on the 2020-2025 PMTS.	3.3 Register the dances and expressions associated with Panama's Corpus Christi festivity in UNESCO's Representative List of the Intangible Cultural Heritage of Humanity.	Fulfilled (Q4 2021)	3.3 Submit a revised proposal to UNESCO to register the Colonial Transisthmian Route of Panama in the World Heritage list in which the recommendations made by UNESCO's Intergovernmental Committee for the Safeguarding of the Intangible Cultural Heritage have been addressed.
Component IV: Reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.			
A. Strengthen sector governance.	4.1 Draft a proposed tourism law that consolidates and harmonizes the major sector regulations currently in effect; establishes a foundation for	Fulfilled (Q3 2022)	4.1 Submit to the Legislative Assembly the proposed tourism law that consolidates and harmonizes the major sector regulations currently in effect;

	tourism policy, planning, and programming; recognizes tourism as a national priority, a public good, and a socially beneficial activity; and prioritizes the preservation of natural, cultural, and heritage resources and social sustainability.		establishes a foundation for tourism policy, planning, and programming; recognizes tourism as a national priority, a public good, and a socially beneficial activity; and prioritizes the preservation of natural, cultural, and heritage resources and social sustainability.
B. Achieve progress toward gender equality and strengthen inclusion in the sector and distribution of tourism's benefits among the country's vulnerable groups.	4.2 Analyze the Labor Market Survey, examining the market's characteristics by gender in the "hotel and restaurant" tourism industries.	Fulfilled (Q3 2022)	4.2 Approve and commence implementation of an action plan to narrow the gender gap in Panama's tourism sector, including the tourism gender gap in Indigenous comarcas.
B. Achieve progress toward gender equality and strengthen inclusion in the sector and distribution of tourism's benefits among the country's vulnerable groups.	4.3 Analyze the Labor Market Survey, examining the market's characteristics by type of territory (urban vs. rural, and comarca vs. rest of the country) and by gender in Indigenous comarcas, in the "hotel and restaurant" tourism industries.	Fulfilled (Q3 2022)	4.3 Approve and commence implementation of an action plan to narrow the ethnicity gap in Panama's tourism sector.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.4 Sign an agreement between the World Tourism Organization and the Panama Tourism Authority designating Panama as a pilot country for the implementation of the United Nations Fund for the Climate Neutrality of Tourism.	Fulfilled (Q1 2022)	4.4 Approve and commence implementation of an action plan to achieve carbon neutrality in the Panamanian tourism sector.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.5 Promote and sign, alongside other countries and sector entities, an international declaration attesting to the country's commitment to develop a carbon-neutral, innovative, digitalized, resilient, and socially inclusive tourism economy.	Fulfilled (Q1 2022)	4.5 Submit to the Legislative Assembly a proposed law that mandates the creation of a digital atlas of public tourism resources in Panama to enhance tourism planning and support the conservation of the country's natural, cultural, and heritage capital.

C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.6 Issue regulations for Environmental Law 41 relating to: a) The legal mandate to prepare a National Strategy for Climate Change Adaptation and update it periodically. ¹ b) The creation of a national registry of climate change adaptation and resilience initiatives. c) The creation of a fund for climate change adaptation.	Fulfilled (Q2 2021)	Implement the regulations for Chapter I of Environmental Law 41 relating to: 4.6 Develop a National Strategy for Climate Change Adaptation that identifies climate change adaptation measures for the Panamanian tourism sector. 4.7 Launch operations of the national registry of initiatives for climate change adaptation and resilience for the purposes intended and evaluate its implementation in the tourism sector. 4.8 Launch the National Fund for Climate Change Adaptation and verify its implementation in the tourism sector.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.7 Approve the National Forest Restoration Program and the official Forest Cover and Land Use Map for Panama ² as mandated by Ministry of Environment Resolution DM-0285-2020. ³	Fulfilled (Q2 2021)	4.9 Approve a strategy for forest tourism. ⁴
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the	4.8 Approve a National Ocean Policy for Panama that incorporates gender and inclusion as a crosscutting issue and	Fulfilled (Q1 2022)	4.10 Implement and evaluate Panama's National Ocean Policy and the specific tourism-related actions set out therein.

¹ The Bank is currently supporting the implementation of policy measures 4.7, 4.8, and 4.9, which will serve as the basis to promote important reforms and progress in terms of climate change adaptation for the tourism sector under the second operation.

² This policy action is one of the measures identified as necessary for achieving the long-term national target of carbon neutrality by 2050.

³ This Ministerial Resolution states that "the map will facilitate decision-making on important issues for the development of public policies that conserve [Panama's] forest ecosystems and foster the efficient and sustainable management of those ecosystems." https://www.gacetaoficial.gob.pa/pdfTemp/29131_A/81297.pdf

⁴ This measure will help the country achieve its long-term national target of carbon neutrality by 2050.

effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	includes specific tourism-related actions.		
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.9 Issue regulations for Law 187 of 2 December 2020 on the reduction and gradual replacement of single-use plastics.	Fulfilled (Q2 2022)	4.11 Implement and evaluate the regulations for the law on the reduction and gradual replacement of single-use plastics in the tourism sector.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.10 Approve a ministerial resolution regulating whale and dolphin watching in the jurisdictional waters of the Republic of Panama.	Fulfilled (Q3 2022)	4.12 Implement and evaluate the implementation of Article 24 of Ministerial Resolution DM-0144-2022 on tourism operators specialized in whale and dolphin watching in the jurisdictional waters of the Republic of Panama.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.11 Submit for consideration by Panama's Legislative Assembly, and achieve progress toward parliamentary approval of, a proposed law on the conservation and protection of sea turtles and their habitats in the Republic of Panama with a view to mitigating the impact of such forces as climate change, pollution, accident culture, coastal development, and unregulated tourism.	Fulfilled (Q1 2022)	4.13 Approve a law that mandates and regulates the conservation and protection of sea turtles and their habitats in the Republic of Panama with a view to mitigating the impact of such forces as climate change, pollution, accident culture, coastal development, and unregulated tourism.
C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.12 Approve and disseminate a catalog of the most-trafficked protected species of fauna and flora in Panama.	Fulfilled (Q1 2022)	4.14 Implement and evaluate a strategy to raise awareness among tourists about the impact of the trafficking of protected species of flora and fauna and launch implementation thereof.

C. Support the implementation of measures to: (i) improve natural capital and environmental sustainability ; (ii) mitigate the effects of climate change in the sector; and (iii) promote adaptation to climate change in the sector.	4.13 Promulgate a law establishing provisions for the comprehensive protection of coral reef ecosystems, associated ecosystems, and associated species in Panama.	Fulfilled (Q2 2022)	4.15 Issue regulations for the law establishing provisions for the comprehensive protection of coral reef ecosystems, associated ecosystems, and associated species in Panama.
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RESULTS MATRIX
(See [expanded matrix](#))

Project objective:	The general objective of this programmatic series is to promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector. The specific objectives are to: (i) improve access to tourism data and analysis to help inform public policy design and sector investment; (ii) strengthen the diversification of the country's tourism products; and (iii) reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Promote sustainable, inclusive economic growth in Panama by improving the competitiveness of its tourism sector.							
Ratio between total tourism spending by international visitors in Panama and total tourism spending by international visitors worldwide.	%	0.30	2019	2026	0.32	United Nations World Tourism Organization (UNWTO) World Tourism Barometer.	Revenues from international tourism in Panama / Revenues from international tourism worldwide (in U.S. dollars). ¹
Ratio between total tourism spending by international visitors in Panama and total tourism spending by international visitors in Central America.	%	35.87	2019	2026	37.77	UNWTO World Tourism Barometer.	Revenues from international tourism in Panama / Revenues from international tourism in Central America (in U.S. dollars).
Ratio between domestic tourism spending by Panamanian residents and international tourism spending by Panamanian residents.	%	118	2019	2026	125	World Travel & Tourism Council (WTTC) Database.	In 2019 U.S. dollars.
Tourism GDP by square kilometer.	US\$	43,582	2019	2026	50,700	WTTC and Tommy Guardia National Geographic Institute.	In 2019 U.S. dollars.

¹ To isolate the impact of exchange rate fluctuations and inflation, the UNWTO converts international tourism revenues expressed in U.S. dollars (for comparison purposes) back into the local currencies of each destination, weighted by their share of the total and deflated by the corresponding inflation rate.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
Specific development objective 1. Improve access to tourism data and analysis to help inform public policy design and sector investment.							
Annual average of the number of unique views of the interactive dashboards with tourism sector data and analysis published on the Panama Tourism Authority (ATP) website.	#	0	2019-2022	2023-2026	25,000	Annual statistics generated by the ATP's systems and information technology department.	Target estimated based on the number of views for similar tourism organizations with dashboards and reports similar to those planned.
Annual average number of downloads from interactive dashboards with tourism sector data and analysis published on the ATP website.	#	0	2019-2022	2023-2026	5,000	Annual statistics generated by the ATP's systems and information technology department.	Target estimated based on the number of downloads for similar tourism organizations with dashboards and reports similar to those planned.
Specific development objective 2. Strengthen the diversification of the country's tourism products.							
Percentage of international visitors who mention activities related to nature tourism when surveyed about their trip to Panama.	%	4.2	2019	2026	7.3	ATP statistics.	Activities included: ecotourism, sportfishing, and birdwatching.
Percentage of Panamanian tourists who participate in activities related to nature tourism during their domestic trips.	%	23.20	2019	2026	27.70	ATP statistics.	Activities included: ecotourism, scuba diving, snorkeling, sportfishing, birdwatching, kayaking, ziplining, and rafting.
Percentage of rooms for tourist accommodations in Panama located in the provinces of Bocas del Toro, Chiriquí, Darién, and Veraguas.	%	19	2021	2026	21	ATP statistics.	These provinces are near most of the country's legally recognized Indigenous comarcas and are home to the majority of the country's Indigenous peoples.
Average length of stay of international tourists at commercial tourist accommodation establishments.	Days	4.3	2019	2026	5.0	ATP and UNWTO statistics.	

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
Specific development objective 3. Reinforce the sustainability, resilience, ethnic inclusiveness, and gender equality of Panama's tourism sector.							
Stringency of environmental regulations.	Score	4.0	2019	2025	4.5	Travel and Tourism Competitiveness Report, World Economic Forum (WEF).	See WEF methodology. Response to the survey question "How do you assess the stringency of your country's environmental regulations?" [1 = very lax – among the worst in the world; 7 = among the world's most stringent] 2017-2018 weighted average.
Enforcement of environmental regulations.	Score	3.7	2019	2025	4.2	Travel and Tourism Competitiveness Report, WEF.	See WEF methodology. Response to the survey question "In your country, how do you assess the enforcement of environmental regulations?" [1 = very lax – among the worst in the world; 7 = among the world's most stringent] 2017-2018 weighted average.
Number of adaptation initiatives in the tourism sector included in the national registry of initiatives for climate change adaptation and resilience.	#	0	2022	2026	5	Strategy published on the ATP website.	
Percentage of women employed in the hotel and restaurant industries with monthly wages above US\$399.	%	72.6	2021	2026	77.3	Labor Market Survey.	The minimum wage for tourist accommodation businesses ranges from US\$393.12 for small businesses in region 2 to US\$599.04 for hotels and resorts with more than 200 rooms in region 1.
Percentage of people in Indigenous comarcas employed in the hotel and restaurant industries with monthly wages above US\$399.	%	14.0	2021	2026	15.7	Labor Market Survey.	Ibid.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Panama. Loan ____/OC-PN to the Republic of Panama.
Program to Strengthen Competitiveness and Improve the
Sustainability, Inclusivity, and Resilience of the
Panamanian Tourism Sector

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 aimed at cooperating in the execution of Program to Strengthen Competitiveness and Improve the Sustainability, Inclusivity, and Resilience of the Panamanian Tourism Sector. Such financing will be for the amount of up to US\$150,000,000, 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)