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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

DIGITAL PANAMA

(PN-L1171)

LOAN PROPOSAL

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ABBREVIATIONS	
ADE	Agenda Digital Estratégica [Strategic Digital Agenda]
AIG	Autoridad para la Innovación Gubernamental [National Authority for Government Innovation]
BAFO	Best and final offer
CGR	Contraloría General de la República [Office of the Comptroller General]
CNIG	National Council for Government Innovation
CSIRT	Centro de Respuesta a Incidentes [Computer Security Incident Response Team]
ENC	Estrategia Nacional de Ciberseguridad [National Cybersecurity Strategy]
ENEFem	Estrategia Nacional de Emprendimiento Femenino [National Strategy for Women's Empowerment]
GRP	Government resource planning
Hub (the)	Digital Government Innovation Hub
ICB	International competitive bidding
ICTs	Information and communication technologies
IDAAN	Instituto de Acueductos y Alcantarillados Nacionales [National Water Works and Sewerage Services Institute]
IRR	Internal rate of return
MEF	Ministerio de Economía y Finanzas [Ministry of Economy and Finance]
MOP	Ministry of Public Works
NCB	National competitive bidding
OECD	Organisation for Economic Co-operation and Development
PCU	Program Coordination Unit
PEIM	Política Pública de Empleabilidad e Inserción Laboral de las Jóvenes y Mujeres en Condiciones de Vulnerabilidad Socioeconómica [Public Policy on the Employability and Workforce Integration of Young People and Women in Vulnerable Socioeconomic Conditions]
PEMIP	Plan de Empoderamiento Económico de las Mujeres Indígenas de Panamá [Plan for the Economic Empowerment of Indigenous Women in Panama]
QCBS	Quality- and cost-based selection
SAP	Systems, Applications, and Products in Data Processing
SDG	Sustainable Development Goals of the United Nations
SENACYT	Secretaría Nacional de Ciencia, Tecnología e Innovación [National Department of Science, Technology, and Innovation]
SES	Sistema de Evaluación de Solicitudes [Request Evaluation System]
SOFR	Secured Overnight Financing Rate
UCIP	Unidad Coordinadora de Infraestructura Pública del Ministerio de Obras Públicas [Public Infrastructure Coordination Unit]
UNDP	United Nations Development Programme.

PROGRAM SUMMARY

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<table>
<tr><th colspan="6">Financial Terms and Conditions</th></tr>
<tr><td colspan="3">Borrower: Republic of Panama</td><td colspan="3">Flexible Financing Facility[a]</td></tr>
<tr><td colspan="3" rowspan="2">Executing agency: National Authority for Government Innovation (AIG)</td><td colspan="2">Amortization period:</td><td>20 years</td></tr>
<tr><td colspan="2">Disbursement period:</td><td>5 years</td></tr>
<tr><td colspan="3" rowspan="2">Loan modality: Specific investment loan</td><td colspan="2">Grace period:</td><td>5.5 years[b]</td></tr>
<tr><td>Source</td><td>Amount (US$)</td><td>%</td><td colspan="2">Interest rate:</td><td>SOFR-based</td></tr>
<tr><td>IDB (Ordinary Capital):</td><td>60 million</td><td>80.6</td><td colspan="2">Credit fee:</td><td>[c]</td></tr>
<tr><td>Local:</td><td>14.4 million</td><td>19.4</td><td colspan="2">Inspection and supervision fee:</td><td>[c]</td></tr>
<tr><td rowspan="2">Total:</td><td rowspan="2">74.4 million</td><td rowspan="2">100.0</td><td colspan="2">Weighted average life:</td><td>12.75 years</td></tr>
<tr><td colspan="2">Approval currency:</td><td>U.S. dollar</td></tr>
<tr><th colspan="6">Program at a Glance</th></tr>
<tr><td colspan="6">Program objective/description: The program's general objective is to lower the interaction costs of citizens and businesses with the government, thereby contributing to an inclusive economic recovery. Its specific objectives are to: (i) enhance the efficiency of transaction services delivery and of services for citizens and businesses; (ii) improve cybersecurity effectiveness in digital services; and (iii) increase the demand for digital transactions and services, with emphasis on vulnerable population groups.</td></tr>
<tr><td colspan="6">Special contractual conditions precedent to the first disbursement of the loan proceeds: The executing agency will present evidence that: (i) the program Operating Regulations have been approved and entered into effect, under the terms agreed upon previously with the Bank; and (ii) the following have either been contracted or appointed: a Program Director and the members of the Program Coordination Unit (PCU): a Program Coordinator, a Financial Specialist, a Planning and Monitoring Specialist, a Legal Specialist, and a Procurement Specialist, under the terms previously agreed upon with the Bank (paragraph 3.9).

Special contractual clauses for execution: Prior to initiating the bidding processes for the work under Component 1, a collaboration agreement will have been signed between the executing agency and the Public Infrastructure Coordination Unit (UCIP) of the Ministry of Public Works, through which the technical management obligations for the construction of the Digital Government Innovation Hub (the hub) will be agreed, under the terms previously agreed upon with the Bank (paragraph 3.10).</td></tr>
<tr><td colspan="6">Exceptions to Bank policies: None</td></tr>
<tr><th colspan="6">Strategic Alignment</th></tr>
<tr><td>Challenges:[d]</td><td colspan="2">SI ☒</td><td colspan="2">PI ☒</td><td>EI ☐</td></tr>
<tr><td>Crosscutting themes:[e]</td><td colspan="2">GE ☒ y DI ☒</td><td colspan="2">CC ☒ and ES ☐</td><td>IC ☒</td></tr>
<tr><td>Sustainable Development Goals:[f]</td><td colspan="5">SDG1 ☐ SDG2 ☐ SDG3 ☐ SDG4 ☐ SDG5 ☒ SDG6 ☐ SDG7 ☐
SDG8 ☐ SDG9 ☐ SDG10 ☒ SDG11 ☐ SDG12 ☐ SDG13 ☐ SDG14 ☐
SDG15 ☐ SDG16 ☒ SDG17 ☐</td></tr>
</table>

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

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

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

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

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

[f] Sustainable Development Goals (SDGs). Click here for more information about the SDGs, and here to consult the IDB Group project classification methodology based on the SDGs.

I. PROGRAM DESCRIPTION AND RESULTS

A. Background, problems to be addressed, and rationale

1.1 **Macroeconomic context.** Since 2016, Panama has been contending with a slowing economy and persistent inequality. Despite average growth of 6.8% between 2005 and 2019, and unemployment of 4.1% (2014)—which is the lowest it has been in the last 50 years—, this progress has not resulted in social gains.[1] In 2019, the country's poverty rate was twice that of Chile and Uruguay (8.6% in 2017 and 8.8% in 2019), countries with comparable per capita income.[2] COVID-19 has exacerbated conditions in the country: estimates show that between 2019 and 2020, overall poverty increased 12.5 points and extreme poverty, 6.8 points; and in 2020, economic activity plunged by 18%, while unemployment increased from 7.1% to 18.5%.[3] Access to government transactions decreased by 50% and, consequently, 24% of citizens were unable to processes those transactions.[4] The immediate challenge for the country is to combine management of the pandemic—adapting government to the changes the crisis has imposed—with initiatives designed to ensure an inclusive economic recovery.[5]

1.2 **Progress on the digital agenda in Panama.** The digital transformation holds enormous potential for accelerating the economic and social recovery, and Panama has made significant progress in that direction, especially as a result of support provided through the Panama Online Program (loan 3683/OC-PN). These advances have helped the country move up 14 positions (2016 and 2020) on the United Nations E-Government Development Index, ranking 84 out of 193 countries—below Uruguay (26th) and Chile (34th)—, and have facilitated a response to the pandemic with an important digital component. Twenty new digital services related to COVID-19 have been developed, including a vaccination program and the *Panamá Solidario* subsidy program, and more than 16,000 Panamanians have been trained in the use of the *Vale Digital* tool to access those subsidies.

1.3 **Legal, institutional, and strategic framework.** The Strategic Government Plan 2020-2024 includes digital government in its Good Governance pillar with the aim of improving the efficiency of citizen services management, narrowing access gaps to these services, and enhancing transparency. The plan establishes as priorities the simplification and digitalization of transactions with government, the modernization of government systems, and improving the quality of the citizen services experience. Accordingly, the Strategic Digital Agenda (ADE) 2021 establishes as lines of action "generating more and better opportunities for the population's use and ownership of information and communication technologies (ICTs), especially for the most disadvantaged and/or excluded groups and sectors"; and "Updating government technology and organizational capacity,

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1 IDB Group Country Strategy with Panama 2021-2024.

2 Impacto social de la pandemia del COVID-19 en Panamá y análisis de eficiencia de los programas de transferencias monetarias. IDB (2021).

3 Idem.

4 Servicios públicos y gobierno digital durante la pandemia. IDB, 2021.

5 Ibid[1].

streamlining and targeting resources for those services, and developing and strengthening technology infrastructure, including use of the interoperability platform, the regulatory framework and organizational aspects, and process improvement." Moreover, the Plan for the Economic Empowerment of Indigenous Women in Panama (PEMIP) 2025, the Public Policy on the Employability and Workforce Integration of Young People and Women in Vulnerable Socioeconomic Conditions (PEIM), and the National Strategy for Women Entrepreneurship (ENEFem),[6] include actions to help narrow gender gaps in the access and use of ICTs.

1.4 **E-government challenges.** Despite these advances, obstacles persist to harnessing the potential of technology. According to the Word Bank's GovTech Maturity Index (GMTI), Panama digital maturity ranking is 82nd out of 198 countries, and 111th and 106th with respect to core government systems and public service delivery indicators, respectively. The institutional capacity of the government and of the National Authority for Government Innovation (AIG), the lead agency tasked with efficiently spearheading the process of integral digital transformation, is limited.[7] In 2021, it was found that 12 necessary profiles for ICT management[8] did not exist at any of the country's main public-sector entities and only 12% of the population uses the digital channel, compared to 29% in Uruguay and 22% in Chile.[9] According to estimates, the national government receives 13.6 million requests from citizens each year for in-person government services, and the cost of managing them is US167 million annually. If half of these requests could be processed online, their number would drop 48%.[10] Lastly, the absence of both an agency with responsibility for cybersecurity and a cybersecurity operations center; the limited capacity of the Computer Security Incident Response Team (CSIRT) Center; and the country's out-of-date legal and institutional framework for combating cybercrime all point to weak and fragmented cybersecurity management.[11] In the regulatory area, Law 144 of 2020 stipulates the obligation to simplify government transactions with citizens and adapt them to the digital environment, the need for an electronic headquarters hub to facilitate unified access to these services, and to establish the conditions for the use of identity and

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6 The PEMIP includes a "digital inclusion" action line to "promote indigenous women's access to and use of ICTs" [...] "promoting their basic and advanced digital capacity building." The PEIM calls for "expanding the crosscutting skill set of women, thereby facilitating their access to better employment opportunities, especially digital, linguistic, and customer care skills [...] through training offerings in these areas that meet their needs" and establishes commitments for "educational programming in digital skills"; and the ENEFem encourages "digitalization support for women-led businesses as well as digital entrepreneurship (startups) promoted by women."

7 In 2020, Uruguay's E-government Agency and Information and Knowledge Society (AGESIC) had a staff of 419, whereas the AIG has a staff of only 135. There is a significant mismatch between the AIG's mandate and the level of staff it has to implement it, especially with respect to addressing the growing demand for digitalization-related technical assistance of other government agencies. Transformación digital y empleo público [Digital Transformation and Public-sector Employment]. IDB, 2021.

8 Three groups of profiles: data analysis, systems architecture, and front- and back-end developers. Study of the current information technology organizational structures financed by loan 3683/OC-PN.

9 Ibid[4].

10 Analysis of the costs and savings of e-government services and cybersecurity management for Panama, based on Wait No More: Citizens, Red Tape, and Digital Government. IDB, 2018, and Servicios públicos y gobierno digital durante la pandemia: Perspectivas de los ciudadanos, los funcionarios y las instituciones públicas. IDB (2021).

11 Cybersecurity: Risks, Progress, and the Way Forward in Latin America and the Caribbean. IDB, 2020.

electronic signatures, interoperability, and electronic document management.[12] However, this law has not been regulated, and therefore hinders the expansion of interoperability, elimination of the requirement to present documentation that is already in the government's possession;[13] and mandatory use of the government Cloud.

1.5 **Problem to be addressed.** The main problem to be addressed are the high costs incurred by citizens and businesses in their interaction with the government for services, as can be seen in Table 1.[14] The main causes underlying these costs are: (i) institutional, operational, and regulatory weaknesses; (ii) a low level of digitalization at the national and subnational levels, which adversely impacts the optimization of processes and services; (iii) low digital skills indicators; and (iv) an insecure digital environment. The combination of these factors results is an excessive economic burden on citizens, businesses, and the government.

Table 1. Average costs of the most used transaction processes in 2018 (US$)[15]

Transaction	Per capita transaction cost[16]			Per capita annual cost[17]	
	Direct	Indirect	Total	Annual total	Hours of work
National					
Real property appraisal	379.91	6.48	386.39	1,908.77	472.47
Social security registration	15.31	8.31	23.62	72.98	18.06
Personal income tax declaration	16.62	7.85	24.47	62.63	15.50
Job contract registration	190.57	4.62	195.19	382.57	94.70
Municipal					
Animal (bovine) slaughter certificate	41.9	4.35	46.25	300.65	74.42
Lease agreement request	313.05	5.77	318.82	2,034.06	503.48
Trash collection request	16.52	4.34	20.86	104.30	25.82
Vehicle registration request (from one municipio to another)	11.0	3.69	14.69	66.11	16.36
Request to transfer vehicle ownership (title transfer)	146.72	7.82	154.44	551.69	136.56
Approval of original plans	355.14	5.63	360.77	1,230.23	304.51
Certificate of good standing	60.40	6.16	66.56	185.05	45.80
Approval of miscellaneous plans	100.0	2.18	102.18	204.36	50.58

12 Official Gazette of Panama, 15 April 2020.

13 The "only-once principle" and implementation of digital identity are challenges in Panama. Ibid[10].

14 Table of costs. Prepared by the authors based on a citizen perception survey of e-government services and their use in agencies of the Panamanian government, IPSOS, 2018. E-government services used one or more times per year. For each transaction, the direct costs in U.S. dollars are calculated as the average cost per person for transportation/gasoline, photocopies, and paperwork, among others. The average indirect costs per person include: time spent in transit, waiting in line, and in service windows, all monetized based on the 2018 median wage in Panama: US$4.04 per hour. Labor market survey, National Institute of Statistics and the Census (INEC), 2018.

15 Idem.

16 The three columns show the cost per person of processing each transaction in U.S. dollars. The total cost is calculated as the sum of the direct and indirect costs.

17 The annual cost per person is calculated as the total cost of a transaction (column 4), multiplied by the average number of times a person processes that transaction in a year. The hours of work are calculated by dividing the resulting value (column 5) by the median salary per hour in 2018.

1.6 Table 1 shows that for middle-income citizens to process a lease application, an appraisal of real property, or a simple request to transfer the title of a vehicle requires the equivalent of working between 17 and 63 days.

1.7 **Institutional weakness of the digital ecosystem**. According to the Organization for Economic Co-operation and Development (OECD), "Panama has a sound governance framework for the development of digital governance [...], led by the AIG and framed by the National Digital Agenda." However, the AIG's operational approach has not facilitated strategic planning for the digital transformation, nor does it create sustainable ICT management capabilities and innovation for government. Its operational and technological capabilities lag far below those of the countries at the digital forefront in Latin America and insufficient to address the growing demand for the digitalization of management and services. One main obstacle is a severe lack of space for the AIG to discharge its duties. Currently, it is leasing three buildings that lack capacity to: (i) house all of its staff and have areas for development and innovation; (ii) generate shared experiences with other ecosystem stakeholders; (iii) facilitate the creation of implementation capacity in different sectors and levels of government; (iv) provide technical assistance to other institutions; (v) manage data centers; and (vi) provide cybersecurity services.

1.8 In addition, the generation of the government's Cloud computing infrastructure, which was installed in 2011, is now obsolete, and there have been no significant updates to it since that time. As a result, the data of 45 government agencies and critical services such as the interoperability bus (ITS-Ibus) and municipal Government Resource Planning (GRP) portal. Although a new organizational structure for the AIG was recently approved, it is not considered a focus for addressing the above-cited challenges or establishing a culture of innovation and the capabilities necessary for the digital transformation of government. Therefore, the significant structural, organizational, and methodological deficiencies of the AIG hinder its ability to form coordinated teams for matrix-based work, use and adopt techniques such as design thinking, and create public value together with other public and private stakeholders, and thereby limit efforts to consolidate the digital ecosystem in Panama.

1.9 **Fragmented and weak cybersecurity management.** The 2021 National Cybersecurity Strategy (ENC) still lacks the requisite economic and professional resources to address challenges such as: (i) comprehensively coordinating and implementing cybersecurity policies and programs; (ii) monitoring and coordinating the protection of digital government assets and critical infrastructure; (iii) responding in a timely way to cyber incidents; (iv) protecting the privacy of fundamental rights in cyberspace; (v) promoting a cybersecurity culture; and (vi) pursuing and prosecuting cybercrime. These weaknesses, which were among those identified in the 2020 Cybersecurity Report of the IDB and the Organization of American States (OAS),[18] qualified the level of cybersecurity maturity in Panama as "early stage."

[18] Cybersecurity: Risks, Progress, and the Way Forward in Latin America and the Caribbean. IDB (2020.

1.10 **Low level of digitalized processes and services.** A significant gap persists between digitized transactions (235) and the 2,700 that have been cataloged,[19] of which 31% require at least three interactions and 4.2 hours to complete, compared with 2.2 hours in Chile.[20] Challenges include: (i) limited interoperability, resulting in the fragmentation of data and services and the need for multiple steps;[21] (ii) document management that is primarily paper-based,[22] resulting in significant costs; (iii) fragmented citizen identification, requiring them to maintain various forms of authentication with the government;[23] and (iv) coverage of the current document management system implemented by the AIG, which includes only 16 government agencies.

1.11 The AIG is responsible for approving government ICT purchases of over US$50,000; however, its Request Information System (SES) does not include a platform to automatically manage such requests, causing delays in the procurement process of government agencies and government inefficiency. At the subnational level, 25% of municipios lack a GRP platform—and for those that have one, it is not integrated with the central government's interoperability bus. Government also still lacks endogenous capacity to provide SAP technical support, which adversely impacts the Ministry of Economy and Finance (MEF), the Social Security Institute, the National Water Works and Sewerage Services Institute (IDAAN), and Panama's metro system, all of which use this solution, resulting in annual technical support costs of more than US$3 million.

1.12 As regards data management, only a few ministries use their data for decision-making and to improve their data management. Between 2016 and 2020, Panama's score on the Open Data Barometer doubled, and now ranks 11th out of 24 countries of the region.[24] However, for the Barometer's indicator measuring whether the government utilizes open data and that such data has positive repercussions for the country, Panama scored 1.7 out of a possible 100 points. This is associated with the government's limitations for utilizing data generated by different government agencies, and appropriately assimilating and using them in decision-making for policy design. This capacity is particularly relevant in addressing gender and diversity inequality and gaps. Accordingly, the OECD states that Panama "has room to improve the promotion of a data culture to enable better monitoring, forecasting, and delivery of public services."[25]

1.13 **Digital capabilities are still weak among citizens, and in the public and private sectors.**[26] The AIG's capacity to lead the digital transformation are limited by: (i) insufficient knowledge about the available and required profiles, and the

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19 According to the *Panamá Tramita* portal. At the municipal level, only 10% of processes are available online.

20 Wait No More: Citizens, Red Tape and Digital Government. IDB, 2018.

21 AIG: analysis mission (December 2021).

22 Ibid[10].

23 The "only once principle" and the implementation of digital identity are challenges in Panama. Digital Government Review of Panama. OECD, 2020.

24 The general index of the Open Data Barometer evaluates the prevalence of open data initiatives in Latin America and the Caribbean. Panama scored 20 out of 100 in 2016 and 43 out of 100 in 2020.

25 Digital Government Review of Panama, 2019.

26 According to the Network Readiness Index 2020, Panama ranks 112th out of 141 economies with respect to digital skills.

absence of talent management systems that include a gender and diversity approach;[27] (ii) ICT functions are not aligned with institutional objectives and processes that have not been standardized; and (iii) the absence of capabilities required for ICT functions. According to a study of the current ICT organizational structures, only two of the 14 ministries analyzed perform database management; and the profiles required to perform data analysis, systems architecture, and front and back-end developer functions are lacking.

1.14 Despite the progress made by the AIG in providing training to the public, *Infoplazas* [information centers],[28] its primary tool for facilitating access to and the use of digital services, has not had the expected impact: 59% of citizens were unaware of the tool; 66% reported having never visited an *Infoplaza*; and 77% reported having visited them "occasionally." In addition, 28.5% reported visiting them to perform tasks or use the Internet, but not to access transactions.[29] Access to digital services is limited due to diversity and gender gaps: Cellular telephone use is 53% in the indigenous territories versus 89% in the country as a whole;[30] indigenous women have a lower connectivity rate than their male counterparts;[31] Internet use among men stands at 59% compared to 51% among women, with the lack of knowledge and skills being the main barrier facing women.[32]

1.15 **Relevant results of the Panama Online Program (loan 3683-OC/PN).** Approved in 2016 for US$22 million,[33] its successes include: (i) digitalization of 235 transactions; (ii) development of the *Panamá Digital* citizen services portal, which has managed 1,516,384 transaction requests; (iii) implementation of a GRP platform for 68 municipios; (iv) integration of agencies and systems into technology platforms; (v) opening of more than 2,472 data sets of 30 government agencies; (vi) implementation of the External Trade and Logistics Portal[34]; (vii) development of an ICT career plan; and (viii) approval of the 2021 National Cybersecurity Strategy.

1.16 **Program design strategy.** Based on the aforementioned results, the design strategy is to continue supporting the implementation of the digital transformation of government and the consolidation and scaling of these results. The strategy also seeks to provide institutional strengthening support to the AIG, through the creation of new tools and capabilities to help it fulfill its roles as the leader, manager, innovator, guarantor, and promoter of digital government (paragraph 1.17). In this

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27 ICT gender gaps are significant: Women account for 70% of university graduates, 67% of whom go on to complete their postgraduate studies. However, women account for just 30% of students enrolled in science, technology, engineering, and math (STEM) fields, and only 10% finish their programs, compared to 26% of men. There are more than twice as many men in engineering jobs than women (United Nations Development Programme (UNDP), 2019).

28 Community centers that offer Internet access and promote the use of digital channels. While there are more than 300 *Infoplazas* [information centers] located in different points throughout the country, with only 18 in the indigenous territories, which have a relatively low use rate. See SENACYT-UNDP, 2018. Gender diagnostic assessment of women's participation in the sciences in Panama.

29 IPSOS Op.cit.

30 Indigenous Latin America in the Twenty-first Century. World Bank, 2015.

31 SENACYT-UNDP, 2018. Gender diagnostic assessment of women's participation in the sciences in Panama.

32 IDB, 2020. ¿Desigualdades en el mundo digital? Brechas de género en el uso de las TIC.

33 Its last disbursement is expected in the second half of 2022.

34 Integrated with the Integrated Customs Management System.

vein, the program will not only increase the number of digitalized transactions, but ensure their point-to-point digitalization by integrating back-office digital management. Accordingly, it will expand the interoperability platform to ensure the inclusion of more agencies and services; develop pilot plans needed to implement an ICT career plan with a gender approach; strengthen digital skill-building actions, incorporating interventions to address the particular needs of vulnerable population groups; and support the implementation of the National Cybersecurity Strategy, all with the aim of enhancing the level of cybersecurity maturity. All of this will be possible as a result of optimizing the AIG's functions and responsibilities as a governance center for digital government, information management, digital innovation, and cyber protection.

1.17 **Lessons learned.** The experienced gained from the Panama Online Program has been very relevant for the design of this operation, which seeks to build on the results it obtained and apply lessons learned,[35] including: (i) the importance of strengthening the coordination and monitoring role of the National Council for Government Innovation (CNIG), in order to mitigate the challenges of interagency coordination, facilitate the implementation of activities, and generate incentives for collaboration; (ii) the need to ensure that the program's management will fall to senior executive levels of the AIG, which in this case would be the organization's Deputy General Administrator, and will be supported by senior management of the beneficiary agencies;[36] (iii) the importance of standing up roundtables with the Office of the Comptroller General (CGR) to ensure efficiencies in procurement approval processes; and (iv) promote greater ownership of the program's activities by AIG technical divisions, and thus enlisting their staff members in the definition of the problem and to help arrive at alternative solutions.

1.18 **The Bank's experience in the sector.** The Bank has provided technical and financial support to a number of projects for the digital transformation of public services and management. These include: (i) Uruguay: the Program to Support E-Government Management (phases I and II) (loans 1970/OC-UR and 2591-OC-UR), the E-Government Management Program in the Health Sector (loan 3007/OC-UR), the Program for Improvement of Public Services and State-Citizen Interaction (loan 3625/OC-UR), and Strengthening Cybersecurity in Uruguay (4843/OC-UR); drawing on these experiences, good practices were identified and incorporated, including a crosscutting program of competitively-awarded funds to support the generation of results and endogenous capabilities of government, and to ensure the availability of professionals and services to make headway on cybersecurity maturity through activities that promote talent formation in this area; (ii) Ecuador: the Internal Revenue Service Improvement Program (loan 3325/OC-EC) and the Program to Improve Public Service Quality (loan 3073/OC-EC; (iii) Colombia: the Citizen Service Efficiency Project (3154/OC-CO); (iv) Jamaica: the Public Sector Efficiency Program (loan 3121/OC-JA); and (v) Chile: Multiphase Program for the Strengthening of Chile's Digital Strategy (loan 1585/OC-CH) and the Public Management and Citizen Services Improvement Program (loan 3298/OC-CH).

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[35] Report on the lessons learned from the Panama Online Program (loan 3683-OC/PN). Montserrat Corbella Valea. November 2021.

[36] By setting up technical roundtables for the sector, comprised of representatives of the entities' senior management teams.

1.19 **The country's strategy in the sector.** The program aligns with Panama's Strategic Government Plan 2020-2024, which includes digital government as one of its major areas of intervention with the aim of enhancing the efficiency and quality of citizen services, and establishes as a national policy instrument the Strategic Digital Agenda, approved in early 2021.

1.20 **The Bank's strategy with the country.** The program is framed in the IDB Group Country Strategy with Panama 2021-2024 (document GN-3055), through the strategic objectives of: (i) promoting the digital transformation of public administration, by increasing government capacity for ICT adoption, use, and innovation; and (ii) improving levels of connectivity and digital adoption, by strengthening the public's ICT skills and spurring demand for digital services. The operation is also included in the Update of Annex III of the 2021 Operational Program Report (document GN-3034-2) and the 2022 indicative pipeline.

1.21 **Complementarity with other operations in Panama.** In addition to aligning with the Panama Online Program, this program also coordinates with: (i) Improving the Efficiency of Expenditures and Collection in Panama through a Fiscal Ecosystem (technical-cooperation operation ATN/OC-19038-PN); and (ii) Promoting Cybersecurity and Youth Employment in Panama (IDB Lab) (technical-cooperation operations ATN/ME-18979-PN, GRC/ME-18980-PN) to identify mechanisms that address government needs in the area of cybersecurity talent formation.

B. Objective, components, and cost

1.22 **Objectives.** The program's general objective is to lower the interaction costs of citizens and businesses with the government, thereby contributing to an inclusive economic recovery. Its specific objectives are to: (i) enhance the efficiency of transaction services delivery and of services for citizens and businesses; (ii) improve cybersecurity effectiveness in digital services; and (iii) increase the demand for digital transactions and services, with emphasis on vulnerable population groups. To achieve these objectives, the program has been structured into three components.

1.23 **Component 1. Institutional strengthening of the digital innovation and cybersecurity ecosystem (US$39.07 million).** This component will help achieve specific objectives (i) and (ii). With the aim of optimizing the current digital government functions of the AIG, the component will finance the design, construction,[37] equipping, and startup of the Digital Government Innovation Hub headquarters building,[38] which will house: (i) the Digital Government Transformation Center; (ii) the Digital Government Data Center and Observatory;

[37] The hub's construction is justified on grounds that the functional areas and technology infrastructure that it will house must meet specific requirements, such as those established under ISO/IEC 27001 – Information Security Management and ISO/TR 11064 – Ergonomic Design of Control Centers, among other international standards. As an emergency mechanism, it will also need to have redundant electrical connections and/or self-sufficient electricity generation facilities to supply technical rooms.

[38] Lot E210 in Ciudad del Saber has been allotted to the AIG for the construction of this building, whose design and construction will comply with Excellence in Design for Greater Efficiencies (EDGE) or an equivalent certification. The Infrastructure Coordination Unit (UCIP) of the Ministry of Public Works (MOP) will provide technical and supervision support under an interagency cooperation agreement with the AIG.

(iii) the Digital Innovation Laboratory; and (iv) the National Cybersecurity Center for the surveillance, prevention, and coordination of cybersecurity. The component will also provide financing to update of the government Cloud and the management framework for government innovation projects, which will optimize the AIG's work processes.

1.24 **Component 2. Government and digital service platform (US$22.618 million).** This component will help achieve specific objective (i). Accordingly, it will finance: (i) the simplification and digitalization of priority processes for economic and social recovery, with emphasis of socioeconomically vulnerable segments[39]; (ii) the expansion of the document management system and the digitalization of documents; and (iii) crosscutting technology tools for human resources management and ICT procurement operations (Request Evaluation System (SES)); a study of the asset management system; SES; expansion of the interoperability platform; improvements to the Unified Citizen's Portal; continuity of the GRP platform for digital municipios and its integration with that of the central government. The component will also provide financing for: the design and implementation of National Data Strategy, to include awareness-raising workshops; a multisector data plan for data management, protection, and use; inclusion of unique digital files in the *Panamá Digital* citizen services portal and SAP technical assistance for the government agencies using it. Lastly, to promote a crosscutting digital transformation, a program of competitively-awarded funds for public agencies will be implemented, based on criteria such as alignment with the Strategic Digital Agenda, the expected impact, and institutional commitment to ensuring sustainability.[40]

1.25 **Component 3. Digital talent, change management, and digital inclusion (US$8.26 million).** This component will help achieve specific objective (iii). Accordingly, it will finance: (i) the creation and strengthening of government ICT skills and government cybersecurity; (ii) an ICT pilot career plan with a focus on gender and diversity in three public agencies; (iii) initiatives to develop talent, as well as awareness-raising and communication to promote a culture of responsible cybersecurity; and (iv) the implementation of a national change management plan. In order to promote greater demand and digital inclusion, this component will also provide financing for: (i) a digital skill-building project for using government services and the economic empowerment of indigenous women with potential to be adapted for other groups[41]; (ii) modular structures and use of *Infoplazas* for training activities, digital transactions, and ICT skills with a gender perspective and an emphasis on vulnerable populations;[42] (iii) the development of digital skill-

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39 The following criteria will apply to the prioritization of the procedures to be digitized : (i) government priorities set out in the Strategic Digital Agenda, sector plans, and health contingencies; (ii) volume and expected times for completing a given procedure; and (iii) cost estimated disaggregated by sex, geographic location, business size, and other demographic data collected from citizen and company surveys.

40 The program Operating Regulations will provide detailed information on the governance of competitively-awarded funds program, as well as the mechanisms and criteria for the allocation and monitoring of funds, and the roles of the participating entities.

41 Proposal for the MI@S Panamá program: Indigenous Women Connected. Document in preparation.

42 The ICT skill-building activities will be included among AIG service offerings in the Plan Colmena [Beehive Plan], a multisector government strategy with the aim of providing citizen services and promoting development through public policy actions in 300 of Panama's most vulnerable *corregimientos* [administrative subdivisions].

building instruments; and (iv) the design and implementation of a communication strategy and awareness-raising campaigns.

1.26 **Program administration (US$4.452 million).** This component will finance the cost of program audits and evaluations, and the operating costs of the Program Coordination Unit (PCU).

1.27 **Main results indicators, benefits, and beneficiaries.** The expected results concern a reduction in the transaction costs of citizens and businesses with the State, as a result of: (i) efficiency gains in the processing of transactions and delivery of citizen and company services, associated with the greater availability of online services and an increase in automated transactions; (ii) improved cybersecurity effectiveness of digital services, as reflected in the level of maturity of their security, and a greater number of public servants trained; and (iii) increased demand for online procedures and digital services, as a result of the total number of persons trained in their use; and more diversified offerings of transactions available online.

1.28 **Benefits.** At the financial level, fiscal savings are expected from the program, as a result of lower processing costs for online transactions. At the technology level, they include investments in cybersecurity, improved technology platforms, and measures to foster the use of data in keeping with the current legal framework. The program's technological and methodological advances will have a positive impact on the efficiency of all processes related to transactions and citizen and company services, due in large measure to the robust investment in improving capabilities and ensuring the interoperability between these systems. Focusing on citizens and businesses will have direct benefits on the social well-being and reduce the number of hours of work required to cover the costs of processing transactions and the time spent in transit and wait times; and also on production costs with potential benefits in businesses' productivity. The State will also benefit, as it will be able to use fewer public resources to generate services offered to the public.

1.29 **Beneficiaries.** The direct beneficiaries will be citizens and businesses, since they will benefit from fewer costs in their interactions with government, a more secure digital environment, and appropriate management and protection of their data; and the population most vulnerable, specifically indigenous women, will have better access to and skills for processing transactions and using digital services. In addition, the staff of the AIG and beneficiary agencies, such as the MEF, the General Directorate of the Career Service (DIGECA), and IDAAN, which will benefit from improved processes, regulations, and tools to discharge their duties.

C. Strategic alignment

1.30 The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenges of: (i) social inclusion and equality, by promoting more equitable access to public services; and (ii) productivity and innovation, by using ICTs to improve service quality, increase productivity at institutions, and incorporate activities designed to generate technological innovation. It also aligns with the crosscutting themes of: (i) gender equity, through specific actions that help narrow gaps in access to and use of digital services by women; (ii) diversity, through actions to provide training

to indigenous people designed to facilitate their access to digital services; (iii) climate change, by including compliance with design criteria and EDGE or an equivalent certification for the construction of the hub, and by procuring services, software, and infrastructure with energy efficiency criteria, a low carbon footprint, and reduced consumption of paper and other inputs used in processing services. In all, 24.96% of the operation's resources are being invested in climate change mitigation activities, in accordance with the joint methodology of the multilateral development banks for tracking climate finance. These resources contribute to the IDB target of increasing lending for climate change-related projects to 30% of approvals in 2022 (see optional link 4); and (iv) institutional capacity and rule of law, by promoting the adoption of ICTs to enhance service efficiency, transparency, and quality, as well as build the ICT skills of public servants. The program will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicator *agencies with strengthened digital technology and managerial capacity*. Lastly, the program aligns with the IDB's Vision 2025 document, in terms of strengthening good governance and the appropriate institutions for achieving sustainable and inclusive economic growth.

1.31 **Gender and diversity considerations.** In accordance with the Policy on Indigenous Peoples (Operational Policy OP-765), the program will finance actions to strengthen the digital skills development of indigenous women, facilitating their access to and use of public services and digital economic development tools. This program is aligned with: the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19) and the Diversity Action Plan for Operations (document GN-3001), as it promotes access to and the ethical use of technology for development with identity and inclusion; and with the Gender and Diversity Sector Framework Document (GN-2800-8), as it "improve[s] the well-being of women and children by expanding access to quality public services that are culturally relevant" and "improv[es] women's access to more productive and better-paid jobs and occupations."

1.32 **Socioenvironmental considerations.** Attaining the program's objectives will require investments in works and new hardware and software systems. Through criteria for the procurement of goods and services under parameters of energy efficiency and a low-carbon footprint, and EDGE or equivalent certifications, the program will reduce energy use and greenhouse gas emissions versus a scenario without the program. A reduction in greenhouse gas emissions will also be obtained with support provided to effect institutional changes with respect to processes and systems which, together with training activities, will drive green and sustainable procurement operations. These measures will contribute to the IDB's climate change mitigation financing objectives.[43]

[43] In Panama, the economic cost of climate change over the last three decades has amounted to approximately US$3.5 billion, with the production-related, infrastructure, and agriculture sectors being most affected. Climate change scenarios project rising temperatures and significant changes in precipitation patterns that will further exacerbate the increased frequency and intensity of climate phenomena. These will seriously impact water resource availability, agriculture, infrastructure, energy generation, health, tourism, and other areas that are essential to the economic development and well-being of the Panamanian population. The updated Nationally Determined Contributions (NDC) of Panama note the importance of sustainable construction to reducing greenhouse gas emissions (update of CDN1 of the Republic of Panama). See optional link 4.

D. Viability analysis

1.33 **Technical viability.** The launch of online transactions and services, electronic document management, and the expansion of interoperability have been determining factors in the efficiency gains of government and in lowering the cost of citizen-government transactions. Drawing on the successes and failures of this experience, the AIG has developed a strong knowledge base that it will be incorporating into the program as lessons learned (paragraph 1.17). The technical proposals that would continue supporting the progress being made on Panama's digital transformation are based on those successes, propose recognized and tested methodologies and standards, and incorporate successful experiences from Estonia, Israel, Spain, and Uruguay. Thus, by generating endogenous capacity for the innovation of processes that address citizen needs; strengthening the nuclei of information technologies at the various government entities, incubating new digital projects through competitively-awarded funds, strengthening cybersecurity, and expanding the coverage and access of the population to online services—especially its most vulnerable groups—in a way that considers its specific needs, these proposals become technically viable and the most appropriate alternatives for the needs identified.

1.34 **Socioeconomic viability.** The program's benefits are derived from: (i) savings for government due to more efficient government processing of transactions, reflecting a cost-benefit ratio of between US$1.25 and US$2.67 for each dollar invested over a 15-year horizon, and a 23% internal rate of return (IRR) for the base case (ranging from 15% to 34%, depending on the estimate scenario); (ii) savings for citizens due to lower transaction costs, reflecting a cost-benefit ratio of between US$1.31 and US$1.59 for each dollar invested over a 15-year horizon, and an IRR of between 16.5% and 19.5%; and (iii) savings in the area of cybersecurity due to better detection of cyberattacks, generating a return of between US$1.23 and US$6.68 for each dollar invested, along with an IRR of between 15.3% and 71.6%. The foregoing confirm the program's elevated social returns, even under conservative scenarios. In accordance with the Bank, it is recommended that the program's returns reflect an IRR of more than 12%. With this in mind, the calculations of the base case show that the program will have an IRR of 10% in year 5, and an IRR of 16% in year 6. See the economic analysis.

1.35 **Institutional and financial viability.** The AIG is currently the executing agency of the Panama Online Program (loan 3683/OC-PN) and has performed satisfactorily with regard to that program's activities and products. Therefore, there was no need to perform an institutional capacity assessment using the Platform for the Analysis of Institutional Capacity. However, additional support for the executing agency was deemed necessary to ensure the appropriate and timely implementation of all program activities. Consequently, the loan will finance the engagement of technical support staff and a team of financial-administrative consultants to complement the PCU.

II. Financing Structure and Main Risks

A. Financing instruments

2.1 **Modality and financial structure.** This program is designed as a specific investment loan (i.e. loan for specific projects) for US$60 million, charged to the Bank's Ordinary Capital resources, and a US$14.4 million local counterpart contribution (see Table 2 and the project execution plan.) This lending modality is justified based on the completeness of the planned intervention logic, as it includes a technical and economic estimate, and the type of investments to be financed.[44]

Table 2. Estimated program costs (US$ millions)

Component	IDB	Local counterpart	Total	%
1. Institutional strengthening of the digital innovation and cybersecurity ecosystem	**27.7**	**11.4**[45]	**39.1**	**52.6**
Digital Government Innovation Hub	25.0	11.4	36.4	48.9
Implementation of cloud computing infrastructure	2.7	0	2.7	3.7
2. Government and digital service platform	**22.6**	**0**	**22.6**	**30.4**
Digitalization of transactions and processes	8.0	0	8.0	10.8
Crosscutting management and technology platforms	4.6	0	4.6	6.2
Strengthening of SAP capabilities	2.5	0	2.5	3.4
Program of competitively-awarded funds	3.3	0	3.3	4.4
National Data Strategy	1.8	0	1.8	2.4
Unique Digital Record	2.4	0	2.4	3.2
3. Digital talent, change management, and digital inclusion	**8.3**	**0**	**8.3**	**11.1**
Digital talent development and cybersecurity awareness-raising	3.0	0	3.0	4.0
ICT skills development	4.0	0	4.0	5.4
Communication strategy and monitoring of users	1.3	0	1.3	1.7
Program Administration*:*	**1.4**	**3.0**	**4.4**	**5.9**
Program Coordination Unit	0.5	3.0	3.5	4.7
Evaluation and audits	0.9	0	0.9	1.2
Total	**60.0**	**14.4**	**74.4**	**100.0**

2.2 **Disbursement schedule.** A five-year disbursement schedule (see Table 3) was selected, primarily due to: (i) the average time involved in designing and implementing the proposed activities; (ii) alignment with the Strategic Digital Agenda; and (iii) the fact that it was request by the counterpart to execute as many of the activities as possible during that period, in order to leverage synergies with other interventions of the current government's digital agenda.

[44] See the project execution plan and Regulation PR-201.

[45] A counterpart contribution of US$10 million is anticipated to gradually incorporate, over the five years of the program, the payments approved by MEF for the AIG's reorganization in 2020.

Table 3. Disbursement schedule (US$ millions)

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	1.1	13.7	19.2	21.2	4.8	**60.0**	80.6
Local counterpart	0.4	0.5	4.0	5.5	4.0	**14.4**	19.4
Total	**1.5**	**14.2**	**23.2**	**26.7**	**8.8**	**74.4**	100.0
%	2.0	19.1	31.2	35.9	11.8	100.0	

B. Environmental and social safeguard risks

2.3 The program primarily entails investments in facets of digital innovation. Therefore, the only potential risks it could entail would be minimal, localized, and temporary, associated with the typical impacts of construction, and health and occupational safety associated with the design of the financing, construction, equipping, and startup of the Digital Government Innovation Hub building. The hub will be a four-story building covering a total area of 6,711.47 square meters. The site where the building will be constructed is appropriately zoned for the activities to be carried out and is located in Ciudad del Saber, which is zoned for office buildings, universities, and scientific research facilities. Accordingly, it will be located in an urban area that will not entail impacts on natural habitats, displacements, ways of life, nor will it involve demolition, resettlements, or expropriations. Because no significant environmental or social risks are anticipated under the program, it has been classified as a Category "C" operation, pursuant to Directive B.3 of the Banks' Environment and Safeguards Compliance Policy (document GN-2208-20, Operational Policy OP-703). See required link 3.

2.4 The AIG has capacity to implement an environmental and social management system (ESMS), as well as to supervise compliance with COVID-19 prevention protocols. The process of obtaining the requisite environmental permits included securing the approval of an environmental impact assessment (EIA). As part of that process, the requirement to notify all interested parties of the future execution of control and mitigation measures for the environmental impacts identified in the environmental and social management plan of the EIA was satisfied.

C. Fiduciary risks

2.5 A medium-low level of fiduciary risk has been identified.

D. Other key risks and issues

2.6 Three medium-high level development risks were identified:

a. **Human resources.** In the event that the executing agency lacks the necessary capabilities to appropriately address the technical complexities involved in coordinating and planning for the implementation of the program's activities, including the construction of the hub, the outputs may not be achieved by the expected time or lack the appropriate quality, thus affecting the attainment of the program's results. Accordingly, the following are proposed as mitigation measures: (i) procurement—with program resources—of specialized technical assistance, either by component or for specific products, to prepare terms of

reference and documents for the most complex procurement operations, which include defining the scope of these operations, provider profiles, price-setting mechanism, counterpart arrangement, service-level agreements, and sanctions system; (ii) conduct internal participatory planning workshops and strengthen the essential coordination arrangements for execution; (iii) facilitate the implementation of procurement strategies that reduce delays in the design, development, and rollout of digital technologies; (iv) subscription of the UCIP-MOP agreement to support the management and technical supervision of the hub; and (v) subscription of an agreement with the Ministry of the Interior to establish the rules for implementing the program with indigenous women.

b. **Institutional.** In the event that the coordination arrangements and appropriate commitments between the executing agency and the beneficiary institutions for the simplification and digitalization of the transactions for which they are responsible have not been developed and implemented, this situation could adversely impact the fulfillment of the program objective. The following measures are proposed to mitigate this situation: (i) form sector technical roundtables as a coordination mechanism, through which staff members at the most senior level of the involved agencies will participate; (ii) enlist the support of CNIG in promoting, among its members, the appointment of high-level staff members to sit on the roundtables; and (iii) activate CNIG's monitoring role with regard to progress on meeting the program's targets, any achievements made, and difficulties that could occur; and to monitor any agreements adopted by the roundtables, through accountability reports on progress made, risks, delays, and any obstacle impeding the digitalization of transactions and, in general, the development of program activities.

c. **Sustainability.** In the event the MEF fails to allocate the budget that the executing agency needs to fill the approved staff positions and thus consolidate its technical capacity, this situation could hinder the implementation of critical program activities and technological developments, thus adversely affecting of its sustainability objectives. The following actions are proposed to mitigate this situation: (i) conduct awareness-raising activities with MEF regarding the importance of the program to the country's economic and social recovery, as a result of increased government efficiency, and the negative impact of the absence of these human resources at the AIG; and (ii) submit a request to CNIG asking for its support in that regard.

2.7 **Program sustainability.** The sustainability of the program is based on four factors: (i) at the political-institutional level, its activities are framed in the Strategic Digital Agenda and in the Strategic Government Plan, which are political commitments assumed by the government; (ii) in financial terms, the program will generate fiscal savings due to the lower costs of providing digital services as opposed to providing them in person,[46] i.e. the rates of return will be high; (iii) from the technical and innovation perspective, the planned advances will have a positive impact on the efficiency of government management processes, especially those

[46] In-person services tend to have increasing costs associated with growing demand for them, due to the need for new customer care centers and more staff to provide service to the public and higher costs of inputs (such as paper), thus reflecting higher costs for the State and its citizens. Once the initial investments in digital services are made, their average costs tends to fall as demand rises.

aimed at the delivery of services and the creation of endogenous capacity to generate innovation, thereby facilitating their ongoing improvement;[47] and (iv) from the social perspective, the activities promoted by the program translate into real improvements in the well-being of the population, associated with the lower costs of processing essential transactions, as reflected in growing demand and the unwavering response of the State to meet it. All these factors reinforce the sustainability of the program's results, by ensuring the continuity of their maintenance and updating.

III. Arrangements for Execution, Monitoring, and the Evaluation of Results

A. Execution arrangement

3.1 **Borrower and executing agency.** The borrower will be the Republic of Panama, and the executing agency will be the AIG. The program is aligned with the AIG's legal mandate and current administrative and operational structure.[48] The applicable regulations establish that the AIG is the agency responsible for coordinating all activities associated with the modernization of government through the use of ICTs,[49] specifically with the administrative simplification of processes and the launch of online transactions with government.

3.2 The AIG will be responsible for the coordination, execution, and the technical and fiduciary management of all program resources. It will be supported by a Program Director, a role for which the Office of the Deputy Administrator will be responsible. Accordingly, the Program Director will report to the AIG's Administrator General. The AIG will also be supported by the Program Coordination Unit (PCU). The PCU will be managed by its Coordinator, engaged specifically for that purpose, who will be supervised by the Program Director. The latter, in turn, will be responsible for preparing, coordinating, and consolidating all program administration information to be presented to the Bank, ad described in the monitoring and evaluation plan. The PCU will be comprised of: (i) a General Coordinator; (ii) a Planning and Monitoring Specialist; (iii) two Procurement Specialists; (iv) a Financial Management Specialist; and (v) a Legal Specialist, all of which will be financed with resources from the local counterpart contribution.

3.3 The line departments of the AIG, according to their specific areas of expertise, will be responsible for the program's technical management, which will necessitate the identification of needs, terms of reference, and technical specifications required for procurement operations, and for monitoring technical supervision of the contracts. The loan proceeds will finance technical support consultants to that end. The

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47 The program Operating Regulations provides detailed information on the AIG's commitment to assume responsibility for updating and maintaining the technology infrastructure and software acquired by the program.

48 Law 65 of 2009 establishes the AIG with its own legal personality, assets, and internal autonomy. Among other objectives, it establishes that the AIG is responsible for "Coordinating the development of initiatives form modernizing the State, through the use of technology tools with special emphasis on projects aimed at improving the efficiency and quality of government services."

49 Article 18 of Law 83 of 2012, which regulates the use of electronic media for transactions with the government, stipulates that public institutions are to prepare on an annual basis a plan for the progressive simplification of transactions and administrative processes involving users, which are to be approved by the AIG and subsequently published on the official *Panamá Tramita* portal.

program Operating Regulations will define the roles and responsibilities of the involved actors.

3.4 CNIG will be responsible for the strategic aspects of the program and will have the following functions: (i) provide advice on the strategic guidelines; (ii) monitor the overall progress and results of the program; and (iii) promote appropriate interagency coordination at the strategic level for program execution.

3.5 Three formal instruments are envisaged for coordination between the various program actors: (i) a collaboration agreement with the UCIP, which will be in charge of technical direction for the hub's construction, supervision of the contractor and of the firm responsible for supervising the work (paragraph 3.10); (ii) a collaboration agreement with *Infoplazas*, the Ministry of the Interior, other public agencies, and civil society for the execution of the ICT skill-building programs, which will be included in the program Operating Regulations; and (iii) interagency agreements to be subscribed with the beneficiary entities, which will stipulate the roles and responsibilities, timelines, and commitments for the sustainability of the investments received.

3.6 To facilitate the coordination of the agencies responsible for critical outputs, whenever more than one agency is involved, technical roundtables will be set up, the main functions of which will be: (i) coordination of technical management activities, including the provision of the technical inputs required and the approval of deliverables; (ii) coordination of program communications and visibility at the institutional level, as well as ensuring the continued support of the institutions with a view to attaining the targets; and (iii) securing and monitoring the intra- and interagency agreements required for the proper implementation and maintenance of the improvements introduced by the program.

3.7 Given the complexity entailed in the program's execution, the loan proceeds will be used to hire three project managers, who will provide technical support for each of the program components as well as guidance to the PCU in developing the implementation, planning, and monitoring and control strategies involved with respect to quality control, risk management, execution problems and changes, conflict management, and communications.

3.8 **Program Operating Regulations.** The program Operating Regulations will establish the program guidelines, regulations, and procedures, as well as its execution mechanism. They will include: (i) the program organizational structure, to include the mechanisms of coordination between the executing agency and the participating beneficiary agencies; (ii) the interagency model conventions and agreements to be subscribed; (iii) work flows and internal controls, specifying the requirements and procedures applicable to program execution; (iv) the profiles and specific responsibilities of the Program Director, the Coordinator of the PCU, and each of that unit's members; (v) the programming, monitoring, and outcome evaluation mechanism; (vi) the guidelines for financial, audit, and procurement processes, including the requirements for maintaining records and files; and (vii) the regulations for executing the program of competitively-awarded funds.

3.9 **Special contractual condition precedent to the first disbursement of the financing. The executing agency will present evidence that: (i) the program**

Operating Regulations have been approved and entered into effect, under the terms agreed upon previously with the Bank; and (ii) the following have either been contracted or appointed: a Program Director and the members of the PCU: a Program Coordinator, a Financial Specialist, a Planning and Monitoring Specialist, a Legal Specialist, and a Procurement Specialist, under the terms previously agreed upon with the Bank. These measures are necessary because: (i) the approval of the program Operating Regulations contributes to the internal organization of the executing agency for the successful implementation of the operation; and (ii) the program must have dedicated staff in place to achieve the proposed development objectives.

3.10 **Special contractual conditions for execution:** Prior to initiating the bidding processes for the work under Component 1, a collaboration agreement will have been signed between the executing agency and the Public Infrastructure Coordination Unit of the Ministry of Public Works, through which the technical management obligations for the hub's construction will be agreed, under the terms previously agreed upon with the Bank. This measure is necessary to ensure that the AIG has the required specialized technical support in place to build the hub.

3.11 **Procurement of works, goods, and services.** The procurement of works and goods and the selection of consulting services will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15). The subsystems of the Framework Convention up to the threshold established for national public bidding (NPB) US$250,000 and purchases of less than US$50,000 may be used for the procurement of goods and nonconsulting services (see Annex III).

3.12 **Disbursements.** Disbursements will be made in the form of advances of funds to cover liquidity needs according to the respective financial plan for a period of up to 180 days. A new advance may be requested once 80% of the cumulative resources pending justification have been accounted for. Reimbursements and/or direct payments may be made to providers. The financial review of disbursement requests will be conducted on an ex post basis.

3.13 **Retroactive financing.** The Bank may retroactively finance, against the loan proceeds, eligible expenditures for up to US$6 million (equivalent to 10% of the loan amount) in connection with project management services, the diagnostic assessment for the design of an information system to manage the State's human resources, a study of the assets management system, the request evaluation system, the mapping and scope of processes for SAP support, the updating of the hub's original design, upgrading the technology of government domain protection and registration systems, government anti-spamming licenses, architectural services to support the hub, and procurement of the document management system, provided that such contracting complies with the Bank's Core Procurement Principles. These expenditures will have been made on or after 2 November 2021 (the project profile approval date), but in no case will they include expenditures made more than 18 months prior to the loan approval date (see document GN-2350-15 and the Bank Policy of Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1)).

3.14 **Audits.** The external audit of the program will be conducted by an audit firm that is acceptable to the Bank. The independent external audit will be contracted and financed with program proceeds. In accordance with procedures, the terms of reference and call for proposals will require the Bank's no objection. During execution, the audited financial statements will be submitted in accordance with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12), within 120 days of the end of the fiscal year. Following program closure, the audited financial statements will be submitted within 120 days of the date of the last disbursement.

B. Arrangements for monitoring and the evaluation of results

3.15 **Monitoring.** The AIG as the program's executing agency, with support from the PCU, will monitor and supervise all management processes, which include, at minimum: (i) monitoring and reporting progress on program execution; (ii) monitoring and reporting of program performance and fulfillment of annual fiscal and financial targets; (iii) monitoring of the procurement plan; (iv) monitoring risk management; (v) tracking the traceability of outputs and outcomes; (vi) updating the program monitoring report; (vii) drafting of semiannual progress reports; (viii) project completion report; and (ix) documenting good practices and lessons learned ahead of program closure. The Bank will meet annually with the executing agency to discuss, *inter alia*: (i) the progress made on the activities listed in its annual work plans; (ii) the degree to which the indicators established for each component have been fulfilled; (iii) the annual work plan for the following year; and (iv) the procurement plan for the next 18 months and potential changes to the budget allocations by component (monitoring and evaluation plan).

3.16 **Evaluation.** The tools used for the program evaluation include the results matrix and the monitoring and evaluation plan. The program provides for: (i) a midterm evaluation, to be submitted to the Bank within 90 days of the date that 50% of the loan proceeds have been disbursed or three years after the effective date of the contract has elapsed, whichever occurs first. The midterm evaluation will review the progress made on the programmed activities up to that point, the intermediate outputs generated, any deviations that may have occurred, their causes, and will recommend any corrective measures to be applied; (ii) a final evaluation, as input for the project completion report, will be submitted 90 days following the end of the original disbursement period or any extensions thereof, or once 90% of the loan amount has been committed, whichever occurs first. It will include the results and progress made on: (a) physical-financial execution; (b) fulfillment of the results matrix targets (compared with the baseline); (c) audits and improvement plans implemented; (d) the sustainability of program investments, including costs and human capital management; and (e) a summary of the main lessons learned; (iii) an ex post economic evaluation, submitted together with the final evaluation, to include an ex post cost-benefit analysis following the economic analysis methodology; and (iv) two impact evaluations, to be presented at the same time as the final evaluation, in the form of a report summarizing the results of: (a) an impact evaluation about the program of digital skill-building for indigenous women; and (b) an impact evaluation of the module-based program to promote the use of digital government services.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
1. The Strategic Alignment tab in convergence shows alignment on IDB Group Strategic Priorities. The Results Matrix tab lists flagged CRF indicators		
2. The Strategic Alignment tab in convergence shows information on alignment to Country Development Objectives		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.0
3.1 Program Diagnosis		1.9
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		7.5
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
6. Overall risks rate = magnitude of risks*likelihood		Medium High
The Environmental and Social Data tab in convergence shows the environmental and social risk classification of the project		
IV. IDB´s Role - Additionality		
Annex III Fiduciary Arrangement s describes project reliance on the use of country systems (VPC/FMP Criteria)		
7. 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		

Evaluability Assessment Note: Panama Digital - (PN-L1171)
The general development objective of the program is to reduce the costs of interaction between citizens and businesses, and the Panamanian State, thus contributing to inclusive economic recovery. To achieve this purpose, the loan defines a focus on three specific areas in which the project intervenes.
The first seeks to increase efficiency in the provision of procedures and services for citizens and companies; the second, to improve the effectiveness of cybersecurity of digital services; and the third, to increase the demand for procedures and digital services, with an emphasis on vulnerable populations.
The loan proposal presents a diagnosis of the problem, based on gaps in institutional capacity, effectiveness in digital transformation, and cybersecurity gaps. This is important to reverse the high costs that citizens and companies assume to interact with the State and give sustainability to the new digital services related to COVID-19.
These solutions are appropriate to respond to the identified problems and their contributing factors. The results matrix (RM) is consistent with the vertical logic of the project. The result indicators are appropriately defined to measure the achievements of the program and the fulfillment of its specific objectives. All impact indicators are aligned with the general development objective.
The ex-ante economic analysis of the operation is appropriate under applicable assumptions for this type of project, and according to reasonable sensitivity analysis. It is based on the potential benefits caused by increases in efficiency in the provision of procedures and services, due to the increase in digital skills and the reduction of cybercrime. The analysis shows a positive net present value in the central scenario, as well as under various conditions included in the sensitivity analysis.
The monitoring and evaluation plan includes an impact evaluation that will seek to generate evidence on the increase in digital skills supported by the project. For the impact evaluation, surveys will be conducted to the beneficiaries of the training and to populations not reached by the training. For the rest of the indicators, administrative data will be used. Monitoring and evaluation activities will be carried out by the National Authority for Government Innovation (AGI) in coordination with the Bank.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The program's specific objectives are to: (i) enhance the efficiency of transaction services delivery and of services for citizens and businesses; (ii) improve cybersecurity effectiveness in digital services; and (iii) increase the demand for digital transactions and services, with emphasis on vulnerable population groups. Achieving these objectives will contribute to the program's general objective, which is to lower the interaction costs of citizens and businesses with the government, thereby contributing to an inclusive economic recovery.

GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measurement	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Reduce the interaction costs of citizens and businesses with the government							
Average annual cost to citizens and businesses for selected transactions	U.S. dollar	US$209.9	2022	2026	US$188.9	Results of the planned surveys approved by the Bank	See monitoring and evaluation plan for more information about the current and future calculation of this indicator

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
1. Enhance efficiency in the delivery of transaction services and services for citizens and businesses											
1.1 Percentage of digital transactions with respect to all transactions recorded in the national transactions catalogue of *Panamá Tramita* (2,700 in 2021)	Transactions (%)	18	2022	18	18	21	21	30	30	Program Coordination Unit (PCU) semiannual progress report *and* portal or sector information system reports (screenshots)	See monitoring and evaluation plan
2. Improve cybersecurity effectiveness in the delivery of digital services											
2.1 Number of cybersecurity incidents managed	Incident	932	2021	1,000	1,150	1,350	1,600	2,000	2,000	Cybersecurity Division annual report approved by the Bank	See monitoring and evaluation plan
2.2 Percentage of public servants who have attended cybersecurity training sessions, beginning in 2022	Public servants (%)	0	2021	0	0	35	35	80	80	PCU semiannual progress report	See monitoring and evaluation plan
3. Increase the demand for digital transactions and services, with emphasis on vulnerable population groups											
3.1 Percentage of citizens who have processed their most recent transaction either partly or completely online	Citizens (%)	27	2021	27	27	27	27	35	35	Evaluation survey	See monitoring and evaluation plan
3.2 Indigenous women trained in the use of digital tools and services	Indigenous women	0	2021	0	0	0	0	1,000	1,000	PCU semiannual progress report	Indicator: Pro-gender and pro-diversity See monitoring and evaluation plan

OUTPUTS

Indicator	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
Component 1: Institutional strengthening of the digital innovation and cybersecurity ecosystem											
1.1 Headquarters building of the Digital Government Innovation Hub operating	Building	0	2022	0	0	0	0	1	1	Certificate of acceptance for the National Authority for Government Innovation (AIG) building *and* PCU semiannual progress report	See monitoring and evaluation plan
1.2 Data Center and Digital Government Observatory facilities adapted and operating	Facilities	0	2022	0	0	0	1	0	1	Certificate of acceptance for AIG facilities *and* PCU semiannual progress report	See monitoring and evaluation plan
1.3 Digital Innovation Laboratory operating	Laboratory	0	2022	0	0	0	1	0	1	Certificate of acceptance for AIG laboratory *and* PCU semiannual progress report	See monitoring and evaluation plan
1.4 National Cybersecurity Center facilities adapted and operating	Facilities	0	2022	0	0	0	0	1	1	Certificate of acceptance for AIG laboratory *and* PCU semiannual progress report	See monitoring and evaluation plan
1.5 Computational cloud infrastructure implemented	Infrastructure	0	2022	0	1	0	0	0	1	PCU semiannual progress report	
Component 2: Government and digital service platform											
2.1 Transactions simplified and digitalized	Transactions	493	2022	0	100	150	100	50	400	Implementation report on the simplification and digitalization of transactions *and* PCU semiannual progress report	See monitoring and evaluation plan
2.2 Document management system implemented	Entities	16	2021	0	0	8	8	0	16	PCU semiannual progress report	

Indicator	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
2.3 Transactions with digitalized documentation to be launched online implemented	Transactions	0	2022	0	30	50	100	20	200	PCU semiannual progress report	
2.4 Entities with an information system for managing human resources of the State implemented	Entities	0	2022	0	0	2	0	0	2	Reports issued from the tool	
2.5 Asset management system study prepared	Study	0	2022	0	1	0	0	0	1	Study validated by the Ministry of Economy and Finance and forwarded to the Bank	
2.6 Request evaluation system (SES) up and running	System	0	2022	0	1	0	0	0	1	Reports issued from the tool	
2.7 SAP technical support provided	Entities	0	2022	0	0	4	0	0	4	PCU semiannual progress report	
2.8 X-Road interoperability platform expanded	X-Road nodes	0	2022	0	2	0	0	0	2	X-Road implementation report approved by AIG	
2.9 Technical support for the municipios' Government Resource Planning (GRP) platform provided	Municipios	0	2022	0	68	68	68	68	68	Semiannual report on platform technical support	Noncumulative target See monitoring and evaluation plan
2.10 Projects that have received resources from the program of competitively-awarded funds	Projects	0	2022	0	0	4	4	4	12	Report of the program of competitively-awarded funds approved by the AIG	See monitoring and evaluation plan
2.11 Unified Citizen Portal improved with additional functionalities	Portal	0	2022	0	0	0	1	0	1	Portal implementation report	See monitoring and evaluation plan
National Data Strategy											
2.12 Awareness-raising courses on data management for public servants	Courses	0	2022	0	1	2	0	0	3	Report on courses developed approved by the AIG	See monitoring and evaluation plan

Indicator	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
2.13 Framework for developing a national data strategy designed	Framework	0	2022	0	1	0	0	0	1	Consulting report approved by the AIG	See monitoring and evaluation plan
2.14 Strategic plan of multisector data for good data management, protection, and use designed	Plan	0	2022	0	0	1	0	0	1	Strategic plan validated by the AIG	
2.15 National Data Strategy prepared	Strategy	0	2022	0	0	0	1	0	1	National Data Strategy approved and published on the AIG's website	See monitoring and evaluation plan
2.16 Long-term data management training plan designed	Plan	0	2022	0	0	1	0	0	1	Data management training plan document approved by the AIG	
2.17 Action plan for the adoption of artificial intelligence designed	Plan	0	2022	0	0	1	0	0	1	Acton plan approved by the AIG	See monitoring and evaluation plan
2.18 Projects for implementing the National Data Strategy completed	Projects	0	2022	0	0	0	0	2	2	Project implementation report approved by the AIG	
2.19 Unique Digital Record project in Panama completed	Project	0	2022	0	0	1	0	0	1	PCU semiannual progress report	
Component 3. Digital talent, change management, and digital inclusion											
3.1 Platform for the development of cybersecurity talent developed	Platform	0	2022	0	0	0	1	0	1	Platform implementation report approved by the AIG	
3.2 Pilots of the ICT career plan with a gender and diversity approach implemented	Pilot	0	2022	0	0	1	1	1	3	Implementation reports submitted by the beneficiary entities and approved by the AIG	Indicator: Pro-gender and Pro-diversity
3.3 Pilot of ICT skills development for citizens for using digital government services developed	Pilot	0	2022	0	0	0	1	0	1	List of participants disaggregated by gender and geographic location	The pilot is expected to cover 10,000 citizens

Indicator	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	Comments
3.4 Platform for monitoring and analyzing of the use of government portals designed and implemented	Platform	0	2022	0	1	0	0	0	1	Semiannual monitoring reports on the use of government portals beginning in year 3 approved by the AIG and sent to the Bank	
3.5 National plan for cybersecurity awareness developed	Plan	0	2022	0	0	0	1	0	1	Awareness plan approved by the AIG	
3.6 Program communication strategy implemented	Strategy	0	2022	0	0	0	0	1	1	Communication strategy implementation reports	
3.7 Change management strategy and plan for the digitalization of transaction at the national level designed and implemented	Strategy	0	2022	0	0	0	1	0	1	Strategy and plan approved by the AIG *and* PCU semiannual progress report	

Country: **Panama** **Division:** IFD/ICS **Operation number:** PN-L1171 **Year:** 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: National Authority for Government Innovation (AIG)

Operation name: Digital Panama

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

☒ Budget	☒ Reports	☒ Information system	☐ NCB
☒ Treasury	☐ Internal audit	☒ Shopping	☒ Framework Agreement
☒ Accounting	☐ External control	☐ Individual consultants	☐ Other

2. Fiduciary execution mechanism

☐	Cofinancing	None
☐	Co-executing agencies/Subexecuting agencies	None
☐	Specific features of fiduciary execution	None

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The AIG will be the program executing agency, which has experience executing Bank-financed projects and applying the Bank's fiduciary policies for procurement and financial management, specifically for the Panama Online Program (loan 3683/OC-PN). The evaluation of the executing agency's fiduciary capacity identified a medium level of risk.

4. Fiduciary risks and risk response

Taxonomy	Risk	Risk level	Risk response
Internal processes	Delays in the execution of fiduciary activities (procurement, financial management, and accounting) could negatively impact the program's execution timetable.	Medium/Low	The Bank's fiduciary team will provide support to streamline processes, improve procurement planning and execution, and strengthen internal/external controls and financial reports. Supervisory support will be provided throughout program execution.
Governance system	The constant corrections required by the Office of the Comptroller General (CGR) during the control process prior to procurement operations and payments could delay program execution.	Medium/Low	The Bank will promote active dialogue between the executing agency and the CGR on the topic of procurement in the program's critical path. Work with the CGR will also be pursued to establish model reports that the executing agency would use to evaluate bids and consensus-based proposals, with the aim of minimizing the need for corrections.

Taxonomy	Risk	Risk level	Risk response
Governance system	Insufficient allocation of budgetary resources to the program executing agency, which could delay the awarding of contracts and program execution	Medium/Low	The Bank will facilitate close and ongoing dialogue between the Ministry of Economy and Finance and the executing agency to ensure the availability of the necessary budget resources.

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

6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

With respect to the applicable exchange rate for the justification of expenditures in the borrower's local currency, legal tender in Panama is the balboa, which is equivalent to and freely interchangeable with the U.S. dollar.
Audited program financial statements. Throughout the loan disbursement period, the executing agency will submit to the Bank the program's annual audited financial statements within 120 days after the close of the fiscal year. These financial reports will be reviewed by an independent audit firm acceptable to the Bank.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

☒	Bidding documents	The Bank's standard bidding documents will be used for the procurement of works, goods, and nonconsulting services subject to international competitive bidding (ICB), in accordance with the relevant procurement policies (document GN-2349-15). The selection and contracting of consulting services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15). The Bank's standard request for proposals is to be used. The review of technical specifications and of the terms of reference for procurement operations during the preparation of the corresponding selection processes will be the responsibility of the Project Team Leader. This technical review may be ex ante and is independent of the procurement review method used.
☒	Use of country systems	Framework agreement subsystems may be used for the procurement of goods and nonconsulting services up to the established threshold of US$250,000 for national competitive bidding (NCB) and for purchases of up to US$50,000, pursuant to the approval of the IDB Board of Executive Directors (document GN-2538-11). The procurement plan for the operation will list the procurement operations to be conducted using the country system within the approved scope. If the scope of Board approval for use of the country system is expanded, it will be applicable to the operation.
☒	Advance procurement/ retroactive financing	The Bank may retroactively finance, against the loan proceeds, eligible expenditures for up to US$6 million (equivalent to 10% of the loan amount) in connection with project management services, the diagnostic assessment for the design of an information system to manage the State's human resources, a study of the assets management system, the request evaluation system, the mapping and scope of processes for SAP support, the updating of the hub's original design, upgrading the

<table>
<tr><td></td><td></td><td>technology of government domain protection and registration systems, government anti-spamming licenses, architectural services to support the hub, and procurement of the document management system, provided that such contracting complies with the Bank's Core Procurement Principles. These expenditures will have been made on or after 2 November 2021 (the project profile approval date), but in no case will they include expenditures made more than 18 months prior to the loan approval date (see document GN-2350-15 and the Bank Policy of Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1)).</td></tr>
<tr><td>☒</td><td>Procurement supervision</td><td>The supervision of procurement operations will be ex post review, except in the case of international procurement procedures (ICB and international shortlist procurement procedures) or smaller procurement and selection operations which, owing to their level of technical complexity, the Project Team Leader considers more appropriate for ex ante review. For procurement operations executed using the country system, supervision will be conducted using the country's supervision system. The (i) ex ante, (ii) ex post; or (iii) country system supervision method will be determined for each selection process in the procurement plan. Ex post reviews will be conducted every 12 months, in accordance with the project supervision plan, which is subject to changes during execution. Ex post review reports will include at least one physical inspection visit, selected from among the procurement processes subject to ex post review. The sample covered by the visit will correspond at least to 10% of the revised contracts. The thresholds for ex post review are as follows:
<table>
<tr><th>Works</th><th>Goods/Nonconsulting services</th><th>Consulting services</th></tr>
<tr><td>US$250,000</td><td>US$50,000</td><td>Individual consultants</td></tr>
</table></td></tr>
<tr><td>☒</td><td>Records and files</td><td>The program Operating Regulations will include procedures and instructions for ensuring proper record-keeping.</td></tr>
</table>

Main procurements

Procurement description	Procurement method	New procedures/ tools	Estimated date	Estimated amount (US$ thousands)
Goods				
Procurement and implementation of physical and virtual infrastructure for the government Cloud	ICB	BAFO (best and final offer)	February 2023	2,730
Procurement of scanners for the digitalization of documents with the aim of launching transactions online	ICB		April 2023	400
Procurement and installation of technologies for the Government Innovation Hub	ICB	BAFO	October 2025	4,000
Works				
Construction of the Government Innovation Hub	ICB	BAFO	January 2023	19,169
Nonconsulting services				
Administrative services, data hosting and storage, installation of the document management system, training activities, support, and maintenance	ICB		January 2024	1,665

Procurement description	Procurement method	New procedures/ tools	Estimated date	Estimated amount (US$ thousands)
Document digitalization services for the launch of online transactions	ICB		January 2023	1,456
Firms				
Updating of the government innovation project management framework, including the framework's design and the Office of National Projects (Federated PMO), as well as coaching for the implementation of that office	Quality- and cost-based selection (QCBS)		October 2023	750
Supervision of the Government Innovation Hub	QCBS		January 2023	781
Contracting of five specialized teams to implement the digitalization of services in government agencies	QCBS		January 2023	3,562
Provision of technical helpdesk training services in all components of the digital government platform	QCBS		January 2024	1,500
Support and maintenance of the customer relationship management (CRM) platform of the 68 digital municipios	QCBS		January 2023	592
Drafting of the Strategic Multisector Data Plan, formation of sector technical roundtables, including a results validation workshop and development of a dictionary and harmonization of data for sectors	QCBS		January 2024	505
Design, development, and implementation of use and reskilling platforms for public servants	QCBS		July 2023	2,932
Design of a measurement instrument and evaluation indicators for a self-diagnostic assessment of digital competencies and mechanisms for measuring Internet use and government websites	QCBS		January 2023	300
Roadmap development and implementation, including integration, improvements, and new functionalities of the Unique Digital Record in the Unified Citizen Portal, to include project management and supervision	QCBS		January 2023	2,150
Program evaluation	QCBS		July 2024	350
Program audits	QCBS		October 2022	250

Click on the link to access the procurement plan.

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	The 2022 budget law will include SINIP codes and lines for the IDB financing.
☒	Treasury and disbursement management	▪ The disbursement method will be advance of funds, with direct payments to the suppliers from the borrower. ▪ The disbursement mechanism will be through the presentation of physical disbursement requests. ▪ The disbursement method will be manual. ▪ The IDB will transfer the proceeds into an account of the Single Treasury to be used exclusively for the program, to be requested by the AIG and opened by the Ministry of Economy and Finance. ▪ Disbursements will be made in the form of advances of funds to cover liquidity needs according to the respective financial plan for a period of up to 180 days. A new advance may be requested when 80% of the cumulative resources pending justification have been accounted for. Payments may also be reimbursed, or direct payments may be made to providers.
☒	Accounting, information systems, and reporting	▪ The AIG will be responsible financial management, accounting, the preparation of budgets and disbursement requests, preparation of the procurement plan, and preparation of the financial and technical reports, as well as contracting financial audits. Program accounting will be governed by CGR rules, which are based on International Public Sector Accounting Standards (IPSAS). ▪ The accountability report will be through the ISTMO system. ▪ The accrual-based accounting method will be used, and the currency that will be used is the balboa, which is equivalent to and freely interchangeable with the U.S. dollar.
☒	External control and financial reports	▪ The CGR has focused its efforts on prior control of disposal of government assets, since its audit function is weak. In addition, because it participates in administrative processes through prior control, it lacks the necessary independence to conduct audits. ▪ Audited financial statements for the program prepared on an annual basis by a firm of independent auditors acceptable to the Bank will be requested within 120 days after the closing date of each fiscal year or the date of last disbursement.
☒	Financial supervision of the operation	▪ Financial supervision will focus on the audit reports mentioned in the previous paragraph, and the supporting documentation for disbursements will be subject to post review by the auditors at the time of the audits or during their financial inspection visits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/22

Panama. Loan ____/OC-PN to the Republic of Panama
Digital Panama

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project “Digital Panama”. Such financing will be for the amount of up to US$60,000,000 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)

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