REPORT NO.: RES40183

DOCUMENT OF THE WORLD BANK

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

GOVERNANCE
LATIN AMERICA AND CARIBBEAN

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### I. BASIC DATA

#### Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>P121492</td>
<td>Investment Project Financing</td>
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<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tr>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>03-Mar-2011</td>
<td>31-Dec-2019</td>
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#### Organizations

<table>
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<th>Borrower</th>
<th>Responsible Agency</th>
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<tbody>
<tr>
<td>Republic of Panama</td>
<td>Direccion de Administracion de Proyectos, DAP</td>
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#### Project Development Objective (PDO)

Original PDO

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

#### Summary Status of Financing

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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
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<td>26-Sep-2011</td>
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#### Policy Waiver(s)

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

Yes
Explanation

Request for Waiver of Bank Directive Investment Project Financing to extend exceptionally project closing date where Development Objective is rated Moderately Unsatisfactory and not achievable.

Has the waiver(s) been endorsed or approved by Bank Management?

Yes

Explanation

A project extension allows the Government to complete critical activities that will promote the sustainability of the investments.

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

This Restructuring Paper seeks to extend the closing date of the Panama Enhanced Public Sector Efficiency Technical Assistance Loan (P121492), Credit IBRD 8016-PA from December 31, 2019 to June 30, 2020. The World Bank has received a request from the Government (MEF-2019-96938, dated December 20, 2019) to extend the closing date by 12 months. Upon review of the request and the Project status, and given that the Project has been extended twice and its implementation period has reached almost 9 years, the World Bank proposes to extend the closing date by 6 months. This entails a cumulative extension of 45 months from the original Closing Date of September 30, 2016.

Project Implementation Status

The Panama Enhanced Public Sector Efficiency Project, financed with an IBRD Loan in the amount US$ 55 million, was approved on March 3, 2011, and became effective on March 7, 2012, with an original closing date of September 30, 2016, and was later extended to December 31, 2019. As of December 27, 2019, US$ 43.5 million (79.1 percent) of the Project funds have been disbursed. The Project has four components: (i) Development capacities for results-based planning, budgeting management and evaluation; (ii) Managing public resource information efficiently; (iii) Strengthening public procurement and contracting; (iv) Supporting project management capacities. Progress towards achievement of development objectives is rated moderately unsatisfactory and overall implementation progress is rated moderately satisfactory.

Component 1: Developing capacities for results-based planning, budgeting management and evaluation is rated MU. The objective of this component is to improve institutional and technical capacities for performance oriented strategic planning and budgeting to enhance transparency and quality of public spending. The related PDO indicator target of “Information on the budget associated with key performance indicators for 10 public sector entities is produced and publicly disclosed” has not been achieved and with the recent change in government (June 2019), is unlikely to be met before the Project closes on December 31, 2019. Prior conversations with the national budget office had suggested that they would target the 2020 budget, to be approved in 2019, to update the program classification and introduce key performance indicators. However, this did not occur, and the authorities are now targeting the 2021 budget. An extension would provide support to the national budget office to design the program classification and key performance indicators and pilot the approach in selected ministries in the 2021 budget.

Component 2: Managing Public Resources Information Efficiently is rated MS. This component supports the modernization of the current financial management, organizational management, and statistical information systems. The integrated financial management information system (ISTMO) has been deployed at 100 percent of central government entities and 89 percent of decentralized entities. However, users of the system are encountering
difficulties in operating the system. This was compounded by changes in staffing following a change in administration. The government has not been able to “prepare through ISTMO and publish within six months after the end of the fiscal year consolidated financial statements of the central government” (the PDO indicator target). The underlying problem is the inter-institutional challenges in the provision of information and inaccurate accounting information. At this stage it is highly unlikely that this PDO indicator will be achieved by project closure. An extension would allow the Ministry of Finance to improve the governance framework of ISTMO, enhance the maintenance model for providing technical assistance to the users, and make progress in generating the consolidated financial statements.

Component 3: Strengthening public procurement and contracting is rated Satisfactory. This component intends to support the reform of the public procurement process in Panama. This component supported the approval of a new Procurement Law in 2017 and is supporting the upgrade of the Panama Compra system, which will contribute to greater transparency and competitiveness in the management of public procurement. The design and configuration of the Panama Compra 3 system has been finalized. The procurement agency started organizing training sessions for the users and will start rolling out the system in 2020. The extension would allow the Bank to support the Government in rolling out the system and make progress in achieving the PDO indicator of “Increased transparency in public procurement” and target of “100 percent of competitive procurement processes of central and decentralized entities are publicly available through Panama Compra 3 on a daily basis.”

Rationale for Restructuring

A six-month extension of the Project’s closing date will allow for the implementation of critical activities to ensure sustainability of the investments and contribute to Panama’s transparency agenda. Specifically, the extension will support efforts to: (i) sustain the deployment of the integrated financial management information system (ISTMO) in the central government and decentralized entities; (ii) deploy the e-procurement system; and (iii) use key performance indicators in the 2021 budget.

The project has an estimated US$ 6.9 million in commitments, leaving US$ 4.6 million available to finance new activities. An action plan has been agreed with the government on the activities to be financed under the extension. A plan is in place to ensure that all activities are completed by the new closing date, including close monitoring of the procurement and contracting processes.

This extension requires a waiver to Bank Directive Investment Project Financing regarding conditions to extend the closing date, as the Project Development Objectives (PDOs) are unlikely to be achieved. The waiver has been granted on the basis that the extension would allow for the implementation of key project activities that would ensure the sustainability of project investments.

All other conditions of Paragraph 50 of Section III of the IPF Directive have been met. The Project audits are current, and the last audit report had an unqualified opinion. Financial Management is rated Satisfactory and the Borrower performance is rated Moderately Satisfactory, as measured by the Implementation Progress (IP) in the last Implementation Status and Results Report (ISR) archived December 9, 2019. The Project is not subject to suspension of disbursements. An action plan for the Project was prepared by the Ministry of Finance and agreed with the World Bank. All legal covenants have been complied with.

II. DETAILED CHANGES
## LOAN CLOSING DATE(S)

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
<th>Original Closing</th>
<th>Revised Closing(s)</th>
<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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