



LOAN NUMBER 9609-PA

Loan Agreement

(Consolidation of the Panama Public Financial Management Information System Project)

between

REPUBLIC OF PANAMA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**



LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF PANAMA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of forty million Dollars, (\$40,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MEF, with the participation of CGR for Part 2.2 of the Project and ANA for Part 2.3 of the Project; all in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Events of Suspension consist of the following:
- (a) CGR Legislation and/or ANA Legislation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank, the ability of CGR and/or ANA, as the case may be, to perform any of its obligations under an Inter-Institutional Agreement; and
 - (b) CGR and/or ANA have failed to comply with any of its obligations under the corresponding Inter-Institutional Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Operational Manual, in form and substance satisfactory to the Bank, has been prepared and adopted by the Borrower, through MEF.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Economy and Finance, its Vice-minister of Finance, or its Vice-minister of Economy.
- 6.02. For purposes of Section 10.01 of the General Conditions:
- (a) the Borrower's address is:

Ministry of Economy and Finance
Vice-ministry of Economy
Directorate of Public Finance
Edificio Ogawa, Vía España y Calle 52E
Corregimiento de Bella Vista
0816-02886
Panama City, Republic of Panama, and

(b) the Borrower's Electronic Address is:

E-mail: dfp-negociación@mef.gob.pa

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	(+1) 202 477 6391	mkerf@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF PANAMA

By 
Authorized Representative

Name: Héctor Ernesto Alexander Hansell

Title: Minister of Economy and Finance

Date: 26-Jan-2024

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By 
Authorized Representative

Name: Michel Kerf

Title: Country Director

Date: 25-Jan-2024

SCHEDULE 1

Project Description

The objective of the Project is to improve the operational efficiency and quality of information of public financial management in the Republic of Panama.

The Project consists of the following parts:

Part 1: Consolidating Core Public Financial Management Functions.

1.1: Strengthening PFM governance framework.

Implementing an integrated, inclusive, and scalable PFM system governance model for addressing the needs of all PFM system governing bodies at MEF and providing a space for engagement and technical dialogue with CGR and other entities involved in public resource management, including: (a) establishing a PFM governance model; (b) designing and implementing a data governance framework; and (c) establishing and initially operating the PFM information system management unit at MEF.

1.2: Strengthening core PFM processes, methodologies, capabilities, and information systems.

Consolidating the Borrower's core PFM information systems through: (a) defining and implementing a strategy to capture non-tax revenues assessment and collection in the ISTMO; (b) designing and implementing process reforms and methodological tools to improve the quality and coverage of the central government's financial statements; (c) defining a policy and implementing tools to manage historical financial data; and (d) designing and delivering a capacity building program for system administrators and end users of the IFMIS.

1.3: Improving integration within the PFM ecosystem.

Improving the integration between the Borrower's core IFMIS and the rest of the PFM ecosystem through: (a) updating and expanding the PFM conceptual model for including functions beyond budgeting, accounting, and treasury management, including those supported under Part 2 of the Project; (b) designing and implementing the PFM integration framework; and (c) purchasing and implementing an integration platform.

Part 2: Administrative and Resource Management Functions.

2.1: Strengthening public asset management.

Improving the efficiency and sustainability of public non-financial assets through: (a) designing and implementing process reengineering and methodological tools for improving public asset management, including support for the Borrower's commitment to the progressive transition of the vehicle fleet from fossil fuels to electric; (b) implementing information tools to support public asset management including real property; and (c) strengthening MEF's capacity for public asset management.

2.2: Modernizing government payroll management.

Modernizing the Borrower's payroll management system administered by CGR for public sector employees and improving the availability of information on the central government's public employment and compensation practice, through: (a) migrating the payroll management system to a software as a service platform; (b) providing support for the provision, operation, and maintenance of the payroll service; (c) integrating the payroll system to the core PFM systems at MEF; and (d) developing data analytics tools and reports, including gender reporting on employment and compensation practices in the public sector.

2.3: Modernizing customs administration.

Implementing a modern custom management platform and improving MEF's access to reliable and timely customs duties and import tax information through: (a) process reengineering and analytical tools for customs management; (b) upgrading the customs system to an integrated custom management platform; and (c) improving interoperation of ANA and MEF's information systems.

2.4: Strengthening public investment management.

Designing and implementing processes, methodologies, and tools for strengthening the Borrower's public investment management, through: (a) strengthening the public investment management regulatory framework; (b) upgrading procedures, methodologies and guidelines, including those related to the implementation of budget tagging for public policies such as climate change mitigation and adaptation, gender, and social inclusion; (c) designing and implementing a capacity building program on public investment management; and (d) developing and implementing a public investment information management system to support the entire investment project cycle.

Part 3: Cybersecurity and IT Management.

3.1: Strengthening MEF's capabilities to protect information resources.

Strengthening MEF's capacity to detect and respond to cyberthreats and to coordinate with AIG at the government-wide level through: (a) supporting the creation and mobilization of a security operations center at MEF, including the provision of office equipment and the carrying out of minor refurbishments works within the existing government building; (b) supporting the creation and mobilization of a cell of the Borrower's CSIRT at MEF that adheres to the policies and procedures set by the Borrower's wide CSIRT at AIG; and (c) implementing a cybersecurity certification and external audit program.

3.2: Strengthening MEF's IT Management Capabilities.

(a) Designing and implementing a strategy to improve performance and sustainability of data management; (b) developing MEF's enterprise architecture; and (c) supporting the implementation of a digital transformation roadmap.

Part 4: Fiscal Transparency, Reform Sustainability and Project Management.

4.1: Reform sustainability.

(a) Developing and implementing a change management strategy and knowledge management tools; and (b) building general PFM internal capacity.

4.2: Fiscal transparency.

(a) Developing and implementing a communication campaign engaging internal and external stakeholders; and (b) enhancing public access to fiscal information and developing capacity to leverage open data.

4.3: Project management.

Providing operational support for the day-to-day operation of the PAU to carry out Project administration, procurement, financial management and monitoring.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Borrower, through MEF, shall operate and maintain, at all times throughout Project implementation, a Project administration unit (the “PAU”), with functions and responsibilities acceptable to the Bank, which shall be responsible for overall Project coordination and technical oversight of the Project, and staffed with competent personnel in adequate numbers, with qualifications, experience and terms of reference satisfactory to the Bank, as set forth in the Operational Manual and in the ESCP.
2. No later than three (3) months after the Effective Date, the Borrower, through MEF, shall, and shall cause ANA and CGR to, establish, operate and maintain, throughout Project implementation, a committee (the “Interagency Steering Committee”), chaired by MEF and comprised of representatives of MEF, CGR and ANA, with functions and responsibilities acceptable to the Bank and defined in the Operational Manual, including, *inter alia*, the provision of strategic guidance for Project implementation and inter-institutional alignment among MEF, CGR and ANA.

B. Inter-Institutional Agreements.

1. To facilitate the carrying out Parts 2.2 and 2.3 of the Project, the Borrower, through MEF, shall enter into separate inter-institutional agreements, with each CGR (with respect to Part 2.2 of the Project) and ANA (with respect to Part 2.3 of the Project), under terms and conditions acceptable to the Bank, (“the Inter-Institutional Agreements”), which shall include, *inter alia*, the following:
 - (a) the arrangement for the management, harmonization, and consolidation by MEF of all financial managements issues, audit and reporting for Parts 2.2 and 2.3 of the Project; and
 - (b) the obligation of CGR and ANA to:
 - (i) assist the Borrower, through MEF, in the carrying out of the corresponding activities under Parts 2.2 and 2.3 of the Project;
 - (ii) provide the necessary counterpart resources to operate and maintain Project investments;

- (iii) promptly inform MEF and the Bank of any condition which interferes with, or threatens to interfere with the performance of their respective obligations under Parts 2.2 and 2.3 of the Project; and
 - (iv) comply with the pertinent provisions of this Agreement, the ESCP, the Operational Manual and the Anti-Corruption Guidelines, as applicable to Parts 2.2 and 2.3 of the Project.
- 2. The Borrower, through MEF, shall exercise its rights and carry out its obligations under the Inter-Institutional Agreements, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower, through MEF, shall not assign, amend, abrogate, terminate, waive or fail to enforce the Inter-Institutional Agreements or any of their provisions.

C. Operational Manual.

- 1. The Borrower, through MEF, shall prepare and adopt and thereafter carry out the Project, and cause the Project to be carried out, in accordance with the provisions of a manual (the “Operational Manual”) satisfactory to the Bank, containing, *inter alia*: (a) the activities and timetable of actions to be carried out under the Project; (b) the role, composition and responsibilities of the PAU, the Interagency Steering Committee, CGR and ANA; (c) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including charts of accounts and all pertinent standard documents and model contracts in relation thereto; (d) the final form of the interim unaudited financial reports and financial statements for the Project and the terms of reference for the financial audits of the Project; and (e) the performance indicators for the Project.
- 2. The Borrower, through MEF, shall not amend or waive or fail to enforce any provision of the Operational Manual without the Bank’s prior written approval.
- 3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

D. Environmental and Social Standards.

- 1. The Borrower, through MEF, shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
- 2. Without limitation upon paragraph 1 above, the Borrower, through MEF, shall ensure that the Project is implemented in accordance with the Environmental and

Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Bank shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Borrower, through MEF, shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Bank is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Borrower, through MEF, shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

6. The Borrower, through MEF, shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring Reporting and Evaluation

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for Parts 1, 2.1, 2.4, 3 and 4 of the Project	25,000,000	100%
(2) Goods, non-consulting services, consulting services, Training and Operating Costs for Part 2.2 of the Project	5,000,000	100%

(3) Goods, non-consulting services, consulting services, Training and Operating Costs for Part 2.3 of the Project	10,000,000	100%
TOTAL AMOUNT	40,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed eight million Dollars (\$8,000,000) may be made for payments made prior to the Signature Date but on or after April 5, 2023 (but in no case more than one (1) year prior to the Signature Date), for Eligible Expenditures; or
 - (b) under Category (2), until the Borrower, through MEF, has entered into an Inter-Institutional Agreement with CGR pursuant to Section I.B of Schedule 2 to this Agreement; or
 - (c) under Category (3), until the Borrower, through MEF, has entered into an Inter-Institutional Agreement with ANA pursuant to Section I.B of Schedule 2 to this Agreement.
2. The Closing Date is December 15, 2028.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each April 15 and October 15	
Beginning October 15, 2029 through October 15, 2041	4%

APPENDIX

Definitions

1. “AIG” means *Autoridad Nacional para la Innovacion Gubernamental*, the National Government Innovation Authority, or any successor thereto acceptable to the Bank.
2. “ANA” means *Autoridad Nacional de Aduanas*, the National Customs Authority, or any successor thereto acceptable to the Bank.
3. “ANA Legislation” means the Borrower’s Decree-Law (*Decreto Ley*) No. 1 dated February 13, 2008, and its subsequent modifications, which establishes ANA as the National Customs Authority in the Borrower’s territory.
4. “Anti-Corruption Guidelines” means, for purposes of paragraph 6 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “CGR” means *Contraloría General de la Republica*, the Office of the Comptroller, or any successor thereto acceptable to the Bank.
7. “CGR Legislation” means the Borrower’s Law No. 32 dated November 8, 1984, and its subsequent modifications, which establishes CGR as an independent entity discharging the duties of general comptroller’s office over Borrower’s funds.
8. “CSIRT” means computer security incident response team.
9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated October 5, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Borrower shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
10. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”;

- (iv) “Environmental and Social Standard 4: Community Health and Safety”;
- (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”;
- (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”;
- (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”;
- (viii) “Environmental and Social Standard 8: Cultural Heritage”;
- (ix) “Environmental and Social Standard 9: Financial Intermediaries”;
- (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”;
- effective on October 1, 2018, as published by the Bank.
11. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018 (last revised on July 15, 2023).
12. “FMIS” means integrated financial management information systems.
13. “Interagency Steering Committee” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.
14. “Inter-Institutional Agreement” means the agreement between the Borrower, through MEF and CGR or the agreement between the Borrower, through MEF and ANA, referred to in Section I. B of Schedule 2 to this Agreement.
15. “ISTMO” means *Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa*, an integrated resource planning system for the Borrower’s public sector implemented by MEF.
16. “MEF” means *Ministerio de de Economía y Finanzas*, the Borrower’s Ministry of Economy and Finance, or any successor thereto acceptable to the Bank.
17. “Operational Manual” means the Project operational manual referred to under Section I.C. of Schedule 2 to this Agreement.
18. “Operating Costs” means the incremental expenses incurred by the PAU on account of Project implementation, supervision, monitoring and evaluation, which may include reasonable commercial banking charges and fees and document duplication/printing (but excluding consulting services), none of which would have been incurred in the absence of the Project.
19. “PAU” means the Project administration unit referred to under Section I.A.1 of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.
20. “PFM” means public financial management.

21. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
22. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
23. “Training” means expenditures (other than those for consulting services) to finance, *inter alia*, reasonable transportation costs and per-diem of trainees and trainers (if applicable), training fees, and rental of training facilities, materials and equipment under the Project.