

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**SUPPORT FOR PANAMA'S TRANSPORT AND LOGISTICS SECTOR REFORM  
PROGRAM III**

**(PN-L1151)**

**LOAN PROPOSAL**

This document was prepared by the project team consisting of: Isabel Granada, Project Team Leader (INE/TSP); Sergio Deambrosi, Alternate Project Team Leader (TSP/CPN); Alejandra Caldo (TSP/CPR); Reinaldo Fioravanti and Tania Alonso (INE/TSP); Dana King (IFD/CPN); Margarita Libby (INT/TIN); and Ignacio Barragán (LEG/SGO).

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## ABBREVIATIONS

AIG	Autoridad Nacional para la Innovación Gubernamental [National Authority for Government Innovation]
AMP	Autoridad Marítima de Panamá [Panama Maritime Authority]
ANA	Autoridad Nacional de Aduanas [National Customs Authority]
CAF	Development Bank of Latin America
CAUCA	Código Aduanero Uniforme Centroamericano [Central American Uniform Customs Code]
COEL	Consejo Empresarial Logístico [Logistics Business Council]
COMIECO	Consejo de Ministros para la Integración Económica [Council of Ministers for Economic Integration]
DUCA	Declaración Única Centroamericana [Central American Single Declaration]
ELN	Estrategia Logística Nacional [National Logistics Strategy]
FAL 65	Convention on Facilitation of International Maritime Traffic
FDI	Foreign direct investment
INEC	Instituto Nacional de Estadística y Censo [National Institute of Statistics and Census]
LCO	Coordinación Logística [Logistics Coordination Office]
LPI	Logistics performance index
MEF	Ministry of Economy and Finance
MICI	Ministry of Commerce and Industries
MIVIOT	Ministry of Housing and Land Use Planning
PBP	Programmatic policy-based loan
PCA	Panama Canal Authority
PMTL	Plan Maestro de Transporte y Logística [Transport and Logistics Master Plan]
PNLog	Plan Nacional en Logística de Cargas [National Freight Logistics Plan]
PNOT	Política Nacional de Ordenamiento Territorial [National Land Use Policy]
PTILC	Plataforma Tecnológica de Integración de Logística y de Comercio [Technology Platform for Logistics and Trade Integration]
PTLZI	Plan Maestro de Transporte y Logística de la Zona Interoceánica [Transport and Logistics Master Plan for the Transoceanic Zone]
RECAUCA	Reglamento del Código Aduanero Uniforme Centroamericano [Regulations of the Central American Uniform Customs Code]
SCL	Secretaría de Competitividad y Logística [Competitiveness and Logistics Department]
SIECA	Central American Economic Integration Subsystem
SIGA	Sistema Integrado de Gestión Aduanera [Integrated Customs Management System]
TEU	Twenty-foot equivalent unit
VALS	Value-added logistics services
VUCE	Ventanilla Única de Comercio Exterior [International Trade Single Window]
VUMPA	Ventanilla Única Marítima de Panamá [Panamanian Maritime Single Window]
ZLC	Zona Libre de Colón [Colón Free Trade Zone]

**PROJECT SUMMARY**  
**PANAMA**  
**SUPPORT FOR PANAMA'S TRANSPORT AND LOGISTICS SECTOR REFORM PROGRAM III**  
**(PN-L1151)**

Financial Terms and Conditions				
<b>Borrower:</b> Republic of Panama			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			<b>Amortization period:</b>	20 years
<b>Executing agency:</b> Ministry of Economy and Finance (MEF)			<b>Disbursement period:</b>	1 year
			<b>Grace period:</b>	2 years <sup>(b)</sup>
<b>Source</b>	<b>Amount</b>	<b>%</b>	<b>Interest rate:</b>	LIBOR-based
<b>IDB (Ordinary Capital):</b>	200 million	100%	<b>Credit fee:</b>	<sup>(c)</sup>
			<b>Inspection and supervision fee:</b>	<sup>(c)</sup>
<b>Total:</b>	200 million	100%	<b>Weighted average life (WAL):</b>	10.79
			<b>Currency of approval:</b>	U.S. dollars
Project at a Glance				
<p><b>Objective:</b> The objective of the program is to help improve Panama's logistics performance by reducing regulatory and institutional restrictions that limit the country's performance, primarily in the following areas: (i) value-added logistics services (VALS); (ii) logistics that support the agriculture sector; and (iii) logistics that support regional trade. The program's specific objectives are to: (i) strengthen the legal and regulatory framework; (ii) consolidate the institutional framework for transport and logistics; and (iii) strengthen the multisector planning and trade facilitation system, which will help to improve investment planning in the transport and logistics sector, expand the surface area devoted to logistics in use, reduce the customs clearance time of goods, and provide human resources for the logistics area.</p> <p>This is the third and final loan in a series of technically related but separately financed operations under the programmatic policy-based loan (PBP) modality (document CS-3633-1).</p>				
<p><b>Special contractual conditions precedent to the first and only disbursement of the loan proceeds:</b> The first and only disbursement of the Bank loan is contingent on the borrower's fulfillment of its policy reform commitments, to the Bank's satisfaction, once the loan contract has been signed, and fulfillment of the special and general conditions and conditions precedent to such disbursement set out in the Loan Contract, in accordance with the Policy Matrix (Annex II), the <a href="#">Means of Verification Matrix</a>, and the <a href="#">Policy Letter</a> (see paragraph 3.2).</p>				
<p><b>Exceptions to Bank policies:</b> None.</p>				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

<sup>(a)</sup> 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 and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> 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.

<sup>(c)</sup> 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 the applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problems, and rationale

- 1.1 This is the third and final operation in a programmatic series to support the Government of Panama in the implementation of reforms in the transport and logistics sector. This program capitalizes the experience of its earlier stages (loan 3675/OC-PN, approved in 2015, and loan 3486/OC-PN, approved in 2016). In each tranche, the Bank-supported comprehensive reform plan has been divided into four major areas of work, considered essential for a stable logistics sector with coordination among sector institutions and long-term planning: (i) strengthen the legal and regulatory framework; (ii) consolidate the institutional framework for transport and logistics; (iii) strengthen the multisector planning system; and (iv) modernize the trade facilitation processes. Prior to the start of the program, Panama ranked 60th out of 160 countries on the logistics performance index (LPI), which assesses sector performance along a series of dimensions including: (i) efficiency of trade facilitation processes; (ii) quality of infrastructure; (iii) competence and quality of logistic services; and (iv) traceability and reliability of logistic processes. By 2016, the country had moved up 20 notches, thanks to improvements in these categories that are partially attributable to the measures and initiatives fostered under this program.
- 1.2 **Macroeconomic conditions. Steady growth and inflation under control.** Panama's economy has posted sustained growth in the past decade, positioning the country as one of the most stable in Latin America and the Caribbean. From 2008 to 2017, the country's GDP grew at an average annual rate of 6.6%, above the average for the region (2%). In 2017, according to the National Institute of Statistics and Census (INEC), the economy grew 5.4% (surpassing its 5% growth in 2016), driven by external sector activities (transportation, storage, communications, and trade) and investment in construction. In total, these activities accounted for 59.6% of the absolute variation in GDP. For 2018, the Panamanian government and the International Monetary Fund project 5.6% growth. The inflation rate closed out 2017 at 0.9% for the year, below the previous year's 1.5%.
- 1.3 **Resilience to the global economic cycles.** Panama has shown to be highly resilient to the global crisis, recovering through the implementation of countercyclical fiscal measures, including an ambitious public investment program. Foreign direct investment (FDI) was a significant factor in economic development, averaging close to 8.5% of GDP between 2011 and 2017 and becoming one of the main sources of foreign currency to cover the current account deficit (4.9% of GDP in 2017).
- 1.4 **The current account deficit has fallen due to the balance of trade surplus.** The current account deficit of the balance of payments at end-2017 totaled US\$3.035 billion, equivalent to 4.9% of GDP. This amount has decreased from 2016 and 2015, when the deficits represented 5.5% and 7.9% of GDP, respectively. This reduction is primarily due to a decline in imports (brought about by the drop in oil prices and the completion of Canal expansion works) and a services surplus (13.9% of GDP), causing the balance of trade to swing from a 5% deficit in 2014 to a 3.5% surplus in 2017.
- 1.5 **Progressive fiscal consolidation.** In 2017, the nonfinancial public sector deficit was 1.6% of GDP, continuing the downtrend begun in 2015 (2.2%) and staying

within the parameters of the Fiscal Social Responsibility Law. The nonfinancial public sector debt totaled US\$23.418 billion in 2017 (37.6% of GDP), comprised mainly of securities (73.9%) and borrowings (26.1%).<sup>1</sup>

- 1.6 **Sector profile.** Panama's logistics and transport sector is a cornerstone of its economy (see paragraphs 1.18 and 1.19), as well as a vector of economic growth (see paragraph 1.1), accounting for approximately 20% of GDP.<sup>2</sup> The Canal is the most important asset, serving as point of convergence for the major international trade routes. The benefits of the Canal's expansion were seen in 2017, with an increase with respect to 2016 of 22.2% in tonnage and 15.3% in revenue, at US\$2.238 billion.<sup>3</sup> This megaproject has reshaped the global gas market with exports from the coast of the Gulf of Mexico to Asia. At the same time, the Colón Free Trade Zone (ZLC) grew by 0.3% with respect to 2016 in terms of transactions, for a total of US\$19.713 billion.
- 1.7 **Maritime transport.** Panama has 32 port terminals, five of which, located in the transoceanic area of the Canal, are world class<sup>4</sup> and offer vessel as well as cargo (containerized, bulk, liquid, or general) and passenger services. In 2017, the country's port system<sup>5</sup> moved 86.98 million metric tons of cargo for a 11.85% increase with respect to 2016, and moved containers totaling 6.9 million TEU.<sup>6</sup>
- 1.8 **Rail and air transport.** The railway system is part of the maritime system because its primary activity is the transshipment of containers between the port of Balboa, on the Pacific, and the ports of Cristóbal and Manzanillo, on the Atlantic.<sup>7</sup> The air transport sector has stood out for its impact on job creation,<sup>8</sup> as well as for its movement of passengers and freight, which exceeds the average for the Mesoamerican region.<sup>9</sup>
- 1.9 **Road freight transportation.** Although road freight transportation plays an essential role in connecting Panama with the region, its performance is less dynamic than other modes of transport. In its 2017-2018 report, the World Economic Forum ranked Panama's land infrastructure forty-ninth out of 137 economies, down slightly from 2016. The main road infrastructure for freight transportation is the Pan-American Highway (Pacific corridor), which connects with Costa Rica through the Paso Canoas<sup>10</sup> and Guabito border crossings, the Panamá-Colón corridor, and the transverse roads that provide access to urban centers.

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<sup>1</sup> Multilateral debt totals US\$5.1037 billion (21.8% of total debt).

<sup>2</sup> Including wholesale trade in free trade zones (primarily ZLC). [INEC, 2018](#).

<sup>3</sup> [Panama Canal Authority \(PCA\)](#).

<sup>4</sup> Manzanillo International Terminal, Cristobal-Panama Ports Company, and Colón Container Terminal on the Atlantic, and Balboa PSA Panama International Terminal on the Pacific.

<sup>5</sup> Panama has the best maritime connectivity indicator: Liner shipping connectivity index.

<sup>6</sup> Panama Maritime Authority (AMP).

<sup>7</sup> Ten daily trips are made on average, moving approximately 650,000 units/year.

<sup>8</sup> [World Bank, 2015](#). Air transport contributes US\$1 billion to GDP and creates more than 10,000 direct and indirect jobs.

<sup>9</sup> In 2015, Panama's air transport system moved 13.7 million passengers (461% more than the regional average) and 94,700 tons of freight (121% more than the regional average). IDB, 2017.

<sup>10</sup> Paso Canoas is the main border crossing, accounting for more than 85% of outward freight to the region and 99% of the freight from the ZLC destined for Central America. PNLog.

- 1.10 **Freight logistics.** The bulk of logistics activity in Panama consists of ancillary activities in support of transshipment and transit in ports and airports, as well as ZLC warehousing and distribution activities.<sup>11</sup> Transshipment activities are coupled with cargo in transit to and from Central American countries by road, as well as goods in transit under temporary admission between ports, the Tocumen International Airport, and the special economic zones,<sup>12</sup> involving processed products, warehousing for subsequent distribution, and, to a lesser extent, value-added logistics including processing without changing the origin of the product.<sup>13</sup>
- 1.11 **Trade facilitation.** Given the country's profile, trade facilitation processes are highly significant in terms of logistics and transport efficiency and the dynamics of Panama's integration with the rest of the world.<sup>14</sup> The country has several automated systems for the management of official procedures related to authorizations and permits for maritime traffic and foreign trade operations. These systems include: (i) the Integrated Customs Management System (SIGA), which covers all customs regimes and is mandatory; (ii) the Panamanian Maritime Single Window (VUMPA),<sup>15</sup> implemented in compliance with the Convention on Facilitation of International Maritime Traffic (FAL 65 Convention), ratified by Panama in 2008; and (iii) the International Trade Single Window (VUCE), managed by the Ministry of Commerce and Industries (MICI) and currently focused on export procedures.
- 1.12 **Structural problems driving the sector reform process.** Fully harnessing Panama's potential as the regional logistics and transport platform has required not only an environment of ongoing investments and functional infrastructure (see paragraphs 1.16 and 1.11), but also a robust regulatory framework, a sound institutional structure, efficient operational actions,<sup>16</sup> and technically skilled human resources to raise the country's competitiveness level.
- 1.13 In legal and regulatory terms, Panama's national regulations were not sufficiently harmonized with Central American agreements. Although the country had ratified the Protocol for Panama's Incorporation into the Central American Economic Integration Subsystem (SIECA) in 2013, it had not implemented the Convention on Central American Customs and Tariff Regulations.<sup>17</sup> Similarly, the country had no mechanisms or systems of incentives to promote FDI. For several decades, the logistics and transport sector developed in a fragmented institutional context, with more than 20 public institutions interacting, making it difficult to formulate integrated, multiyear policies. The absence of an apex agency able to prioritize the sector's agenda and the multiplicity of agencies without the institutional capacity to follow up

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<sup>11</sup> The main objective of the ZLC is the wholesale, tax-free redistribution of goods from Asia, Europe, and North America to Latin America and the Caribbean. The ZLC accounts for 7.3% of Panama's GDP.

<sup>12</sup> In addition to the ZLC are: (i) the Panama Pacific area for high-technology manufacturing, logistics services, commercial activities, and nontraditional services; and (ii) free trade zones, governed by Law 32 of 2011 for the promotion of foreign investment.

<sup>13</sup> PNLog, 2013.

<sup>14</sup> According to the World Economic Forum's trade facilitation indicator, Panama is ranked fifth in Latin America.

<sup>15</sup> System developed by the PCA and the AMP that integrates the Canal traffic authorization system and automates AMP vessel reception and departure procedures, simplifying the inspection of vessels.

<sup>16</sup> Specifically, planning instruments and initiatives to modernize the logistics chain.

<sup>17</sup> Central American Uniform Customs Code (CAUCA) and Regulations of the Central American Uniform Customs Code (RECAUCA).



- on priority issues, coupled with the country's rapid economic growth, put pressure on public institutions to address infrastructure and service needs. This led to a planning system lacking in a holistic vision, where the logistics agenda was handled unsystematically by agencies such as the National Customs Authority (ANA), the MICI, the AMP, and the PCA. In 2012, Executive Decree 90 created the early structure of the Logistics Cabinet, chaired by the MICI and comprised of ten other central entities.<sup>18</sup> In addition, the private sector decided to create the Logistics Business Council (COEL), bringing together the trade and professional associations related to freight logistics.
- 1.14 The country lacked instruments to stimulate the potential development of infrastructure and multimodal services, as reflected, for example, in the absence of coordination for the development of logistic land use and the disjointed nature of the infrastructure, particularly in the transoceanic zone. In 2014, only 39% of the total surface area available for logistic use was actually being employed. That year, a mere 18% of the national ports were equipped for exporting agricultural products. With regard to trade facilitation, the Panamanian government's accession to the SIECA and the Mesoamerica Project challenged the foreign trade processes in terms of their need to become consistent with regional regulations. In 2013, the customs system was described as poorly automated,<sup>19</sup> as reflected, for example, in the estimated average time of 15 hours for customs clearance of goods at a high-volume trade exchange point such as Paso Canoas. Additional problems included a spaghetti bowl of procedural formalities for ship operations<sup>20</sup> and inefficiency in trade facilitation processes.
- 1.15 Along with these issues, a report by the High Commission on Public Employment Policy ([optional link 12](#)) identified insufficient academic offerings in the logistics sector to cover the vacancies created in this field. According to the report, 65% of the vacancies in the sector were unmatched with academic offerings, which could translate to a deficit of 100,000 jobs over the next 10 years. In 2014 it was found that 45% of companies in the sector had difficulty finding qualified personnel and that only 29 job profiles in logistic disciplines had academic certification programs.
- 1.16 The effects of these structural weaknesses have been reflected in: (i) the poor use of Panama's natural conditions to add value to freight flows (see paragraph 1.10);<sup>21</sup> (ii) the slow process of consolidation of the country's transportation infrastructure into a single intermodal system; and (iii) the still sparse supply of specialized logistic infrastructure.
- 1.17 In this context, in 2009 the Government of Panama embarked on an improvement process to make its logistics sector more efficient and competitive. Planning documents such as the maritime strategy, approved by executive decree, were an

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<sup>18</sup> Ministry of the Presidency, MICI, MEF, Ministry of Public Works, PCA, AMP, Civil Aeronautics Authority, ANA, Land Transportation Authority (ATTT), National Department of Science and Technology (SENACYT), and Metro Department.

<sup>19</sup> SIGA had transmission failures in 50% of its operations, in addition to data entry errors, congestion, and lack of interconnection with customs warehouses (PNLog).

<sup>20</sup> As a result of the failure to implement the FAL 65 and Bali Package trade facilitation agreements for international maritime traffic.

<sup>21</sup> Value-added logistics services are limited. High-value services such as assembly and deferred freight are scarce, and reverse logistics, quality control, and reconditioning are practically nonexistent.

initial effort to identify a long-term roadmap, and the creation of the Logistics Cabinet in 2012 (see paragraph 1.13) laid the early groundwork for the sector's current institutional structure. By 2013, with the Bank's full support (see paragraph 1.39), the government was fostering dialogue among sector entities, as well as public- and private-sector stakeholders, aimed at developing the National Freight Logistics Plan (PNLog) and launching the present reform program.

- 1.18 **Advances on program outcomes.** The program has promoted dialogues to underpin a sector-wide discussion and develop a vision for logistics development, while supporting measures aimed at the main constraints identified (see paragraphs 1.12 to 1.16). Early indications are that the program has been successful in achieving its impacts and outcomes, which naturally will become more entrenched and improve over time. Since the start of the program, the LPI impact indicator has improved from 3.19 in 2014 to 3.34 in 2016, and is projected to move up ten notches, to 3.46 by 2020. In terms of outcomes: (i) public investment as of 2017 was roughly 5% of total investment, illustrating the significance of this sector for the Panamanian government; (ii) no deterioration was observed in average customs clearance times at Paso Canoas, despite evident increases in the volume of freight moved, and savings of up to 50% in clearance times are projected for the period 2018-2020; (iii) as of 2017, the percentage of ports equipped to handle agricultural product exports remains at 18% and is expected to rise to 21% in 2018; (iv) the available logistics surface area has notably increased from 39% to 50%; and (v) lastly, there has been a slight but positive and steady increase in occupational streams in logistics disciplines,<sup>22</sup> from 29 in 2014 to 30 in 2017.
- 1.19 **Advances on reforms of the regulatory framework.** Based on its progress, the program may be deemed effective, as it has enabled Panama to: (i) develop a legal framework with a vision for the future; (ii) bring the country's legal framework for customs into line with the Central American integration protocols;<sup>23</sup> and (iii) consolidate a legal framework capable of stimulating foreign investment in the ancillary maritime services subsector. The Government Strategic Plan 2015-2019 was designed under the operations approved in 2015 and 2016, with input from the PNLog,<sup>24</sup> recognizing logistics for the first time as a major focus area of Panama's economic development. Through this plan, the country prioritized the development of a National Logistics Strategy 2030 (ELN 2030),<sup>25</sup> which was formulated and approved by the Logistics Cabinet in 2016. In coordination with the ELN 2030, [Law 51](#) of June 2017 established new regulations for road freight transportation.
- 1.20 In terms of the legal framework for customs, Executive Decree 12 of 2016 harmonized the Panamanian code with the Central American code.<sup>26</sup> In addition,

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<sup>22</sup> Disciplines described in the monitoring plan.

<sup>23</sup> Central American Economic Integration System, Central American Uniform Customs Code (CAUCA), and CAUCA Regulations (RECAUCA).

<sup>24</sup> In 2016, the PNLog was updated and a roadmap financed by the CAF was approved.

<sup>25</sup> The ELN 2030, formulated in consensus with the private sector, is an instrument for the sector's development and for attracting investment. The roadmap of the National Logistics Strategy highlights the need to work on: (i) the central hub of the transoceanic zone; (ii) national logistics integration; (iii) foreign trade logistics; and (iv) consensus on institutional structure and governance of the logistics system.

<sup>26</sup> Subsequently, Cabinet Decree 34 of 10 October 2017 amended Cabinet Decree 12 in part, issuing supplementary provisions to the CAUCA and RECAUCA, among other measures.

with the passage of Law 23 of 2015 establishing the Financial Action Task Force (GAFI), the country laid out measures to prevent money laundering in sectors susceptible to such practices, including logistics.

- 1.21 In terms of stimulating foreign investment in the maritime sector, in the first two phases of this programmatic series and under the leadership of the AMP,<sup>27</sup> corporate capital restrictions<sup>28</sup> for companies requesting operating licenses for barges or boat services were eliminated through an amendment of the Law on Ancillary Maritime Services. In addition, the AMP outlined initiatives such as creating a cluster of ancillary maritime services, granting operating licenses, and establishing a system of penalties for noncompliant companies.
- 1.22 In this final phase, the ELN 2030 will evolve into a strategic framework that outlines policy guidelines, sector fundamentals, and institutional areas of responsibility, incorporating the bylaws of the Consultative Committee, via executive decree. This will reinforce the foundations of a more cohesive and better organized sector. In addition, progress will be made on creating a system of incentives for maritime financing institutions via the approval of the Naval Financing Law.<sup>29</sup>
- 1.23 **Advances on reforms of the institutional framework for logistics.** The sector reform program has promoted strengthening and consolidation of the institutional framework. In 2015, progress was made by creating the Competitiveness and Logistics Department (SCL),<sup>30</sup> reporting to the Ministry of the Presidency, tasked with coordinating the public and private entities in the national logistics sector. In addition, the Logistics Cabinet was reshaped (see paragraph 1.17) so that it is now chaired by the Minister of the Presidency, and the Ministry of Foreign Relations was added as a member institution, via Executive Decree 881 of 2014. With regard to the private sector, Amendatory Decree 696 of 2015 created a standing Consultative Committee which consolidated its participation in the Logistics Cabinet.<sup>31</sup> To ensure the effectiveness of this institutional structure, a Logistics Coordination Office (LCO) was instituted to serve as technical secretariat for the Logistics Cabinet. In addition to defining the sector agenda, the LCO operates under a multiyear plan with support from Georgia Tech.<sup>32</sup> These outcomes were achieved by addressing the crosscutting nature of the logistics sector, creating the challenge of bringing together various authorities and trade and professional associations, along with the opportunity to include stakeholders with different perspectives. There is now a high-level government body in place (the Logistics Cabinet) that is capable of facilitating the decision-making process.
- 1.24 In terms of sustainability of the institutional gains that have been made, this third phase includes the implementation of indicators of monitoring and supervision of the

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<sup>27</sup> Via Law 4 of 11 February 2015.

<sup>28</sup> The condition requiring bunkering companies to have 75% Panamanian equity was eliminated.

<sup>29</sup> Law 50 exempts companies that establish operations in Panama for the purpose of creating shipyards from payment of income tax.

<sup>30</sup> Via Executive Decree 235.

<sup>31</sup> This committee is made up of four members of the Logistics Business Council and three members appointed by the Executive Branch.

<sup>32</sup> Georgia Tech, one of the most prestigious institutions in the logistics field, supports the development of projects, sector policies, and quantitative studies.

- performance of the LCO and the consolidation of its role under the SCL. Additional to the reforms, the sector will have a logistics dashboard, a mobile application that consolidates monitoring and analysis indicators for trade activities.<sup>33</sup>
- 1.25 **Advances on reforms of sector planning processes.** An efficient logistics subsystem requires that, in terms of planning, any new development be consistent with a long-term vision and goals over time. With this guideline in mind, Panama successfully moved forward on formulating: (i) the Transport and Logistics Master Plan for the Transoceanic Zone (PTLZI), which coordinates investments in the Canal area with land uses and establishes a plan for the development of new, value-added segments; (ii) the Tocumén Airport Cargo Strategic Plan;<sup>34</sup> (iii) the National Logistics Strategy 2030 (ELN 2030), which outlines general principles for any modal plan and promotes their integration; and (iv) the basis for a National Land Use Policy to complement Law 6<sup>35</sup> on uses and occupancy, linking an analysis of territorial suitability with the identification of areas with logistics potential.
- 1.26 This third phase includes approval of the aforementioned instruments via the Logistics Cabinet (see paragraph 1.25). For urban areas, the Urban Development Plan for Pacific and Atlantic metropolitan areas will be approved under the leadership of the Ministry of Housing and Land Use Planning (MIVIOT). The Ministry of Environment, given its crosscutting role, will move forward on approving environmental regulations applicable to any new sector plan.
- 1.27 **Advances on trade facilitation reforms.** Six broad operational dimensions have been addressed in the area of trade facilitation: (i) the implementation of Panama's commitments to the International Maritime Organization and the World Trade Organization; (ii) the implementation of trade agreements reached by the country in the framework of the Central American Council of Ministers for Economic Integration (COMIECO); (iii) support for the systematization of foreign trade control operations; (iv) promotion of the digitization of foreign trade activities to enhance the traceability of merchandise flows; (v) promotion of information sharing among entities; and (vi) a comprehensive response to the absence of technical training in logistics.
- 1.28 On the first dimension, achievements include the streamlining of import and export procedures through the approval of the WTO's Marrakesh Protocol,<sup>36</sup> also known as the Bali Package. In relation to the FAL 65 Convention,<sup>37</sup> the number of documents required for port arrival, sojourn, and departure of ships was reduced to nine, enabling all government institutions to perform their risk assessment and inspection only once and electronically through the VUMPA prior to the ship's arrival.<sup>38</sup> In the third phase, the PCA and AMP systems will be integrated into a single IT platform.

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<sup>33</sup> The [dashboard](#) includes: economic indicators, rankings, international trade, cargo handling in the free trade zones, activity of the Canal and other nodes, and institutional indicators.

<sup>34</sup> See [Strategic Plan](#).

<sup>35</sup> Panama has a municipal decentralization law that allows municipios to set land use planning priorities and establishes principles consistent with a future logistics land-use policy.

<sup>36</sup> Via [Law 55 of 9 September 2015](#).

<sup>37</sup> The FAL 65 Convention provides that, as of 8 April 2019, the authorities are required to use technologies and establish electronic information sharing systems to facilitate maritime transport and streamline processes related to the port sojourn and departure of ships on international voyages.

<sup>38</sup> Executive Decree 281 of 12 June 2017.

- 1.29 With regard to the country's trade agreements in the COMIECO framework, the ANA outlined five short-term trade facilitation measures<sup>39</sup> and allocated resources to implement three of them. In the third phase, plans call for moving forward on implementation of the following: installation of radiofrequency technology, use of the Central American Single Declaration (DUCA),<sup>40</sup> and acceptance and installation of video cameras at border points.
- 1.30 In terms of integration with Central America, the following advances are worth highlighting: (i) establishment of controls under a system of physical integration at border crossings following the signing of the Binational Framework Agreement with Costa Rica; (ii) adoption of CAUCA and RECAUCA, which modifies the SIGA and VUCE platforms;<sup>41</sup> and (iii) strengthening of the security and reliability of the global logistics chain through the certification of companies under the Authorized Economic Operator program launched in 2017. This third phase will include an audit of SIGA and VUCE to evaluate process alignment in the context of Central American integration.
- 1.31 In terms of the traceability of foreign trade flows, in 2016 the National Authority for Government Innovation (AIG) sent a proposed conceptual model for the Technology Platform for Logistics and Trade Integration (PTILC) to the Logistics Cabinet, contracting for its implementation, operation, and maintenance in late 2017. The PTILC will be implemented in this third phase.<sup>42</sup>
- 1.32 In terms of information sharing among public entities, the ANA and the AMP have signed a statistical information management [protocol](#). The actions and outcomes of the implemented sharing system will be evaluated in this last phase.
- 1.33 The challenges associated with the absence of technically trained human capital in the logistics sector have been addressed by formulating a pilot training plan arising from a report issued in 2015 by the High Commission on Public Employment Policy. In November 2015, with a view to narrowing the gap between the demand and supply of technically trained professionals, including in the logistics sector, the Ministry of the Presidency issued Executive Decree 782, creating the plan for development of the Instituto Técnico Superior Especializado [Specialized Advanced Technical Institute] (ITSE).<sup>43</sup> Under this final loan operation, following the approval

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<sup>39</sup> The measures are: advance import and export declaration, simplification of transit formalities, electronic sharing of plant and animal health certificates, use of radiofrequency technology, sensors on the means of transportation, and placement of video cameras at border points.

<sup>40</sup> The DUCA stages are: DUCAM for imports, DUCAE for exports, and DUCAT for transit. The DUCAT for transit is already available in the system, while the other two will be implemented in late 2018.

<sup>41</sup> In Panama, the VUCE is the ANA's SIGA export module and is used by the MICI to process export documents. The import, transit, and transshipment management functions are handled by ANA using other SIGA modules.

<sup>42</sup> The PTILC will optimize import, export, transit, and transshipment processes and the generation of freight statistics to measure performance and create congestion alerts. The PTILC is in the phase of integration of the ANA, Banco Nacional de Panamá, MIDA, Autoridad Panameña de Seguridad de Alimentos [Panamanian Food Safety Authority] (AUPSA), and PCA systems. Interoperability testing has begun for government institutions with transport operators and international trade operators. Business intelligence dashboards and e-learning materials are being designed at the same time. The PTILC is expected to be in operation by January 2019.

<sup>43</sup> ITSE was formerly known as Instituto Técnico Superior del Este. It was renamed Instituto Técnico Superior Especializado [Specialized Advanced Technical Institute] via Law 71 of 2017.

of Law 71 of November 2017, the first course in [logistic operations](#) will be given in 2019, emphasizing supply, warehouse, inventory, transport, and distribution management.

- 1.34 **Rationale for the third and final loan operation.** The first operation laid the groundwork for the sector reform (see paragraphs 1.19 to 1.21) and established the institutional for its implementation (see paragraph 1.23). The second operation focused on developing the process planning (see paragraph 1.25), strengthening, and improvement instruments to carry out these transformations (see paragraphs 1.27 to 1.32). This third operation will focus on consolidating the instruments for developing the country's logistics system. The efforts thus far are reflected in the progress on outcomes and on the development of strategic documents such as the PNLog, the Government Strategic Plan, the PTLZI, and the recent National Logistics Strategy 2030 (ELN 2030). This third operation in the programmatic series promotes actions to ensure the sustainability of ongoing processes, including the implementation of policy instruments (see paragraphs 1.57 to 1.66), to help narrow the gap on outstanding challenges.
- 1.35 **Correlation of reforms in the logistics sector and economic growth.** The empirical evidence indicates that institutional reforms in logistics and trade have a positive correlation with economic growth<sup>44</sup> and increased logistics FDI.<sup>45</sup> Countries in the region such as Colombia<sup>46</sup> and Uruguay<sup>47</sup> have made progress instituting reforms in their logistics management to improve competitiveness and productivity. Along similar lines, countries such as Singapore, which has become a global benchmark for logistics performance, have been including logistics as a government policy for more than 50 years. An IDB analysis using the Doing Business indicators for Panama concludes that every regulatory reform focused on improving the business climate is associated on average with a 0.03% increase in economic growth ([optional link 5](#)).
- 1.36 **Work areas subsequent to implementation of the reform program.** Panama now has a firm enough foundation at the sector level to move ahead with projects enabling it to maintain and increase its trade competitiveness and adopt new technologies conducive to specialization and digitization. In this regard, in terms of value-added logistics services (VALS), challenges still remain in relation to Panama's consolidation as an integrated hub for freight value-added.
- 1.37 The government will need to move forward on implementation of the Customs Logistics Integration Program, and it is essential to determine the governance

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<sup>44</sup> ["The impact of business regulatory reforms on economic growth,"](#) Journal of the Japanese and International Economies. Haidar, 2012. Each positive reform of international trade regulations is associated with a 0.88% increase in average economic growth (p. 287).

<sup>45</sup> ["Hard or soft? Institutional reforms and infrastructure spending as determinants of foreign direct investment in China,"](#) Japanese Economic Review, December 2005. In the United States, Japan, and China, institutional reforms are the key elements for attracting direct investment to the country. In "The economic growth effect of logistics industry foreign direct investment analysis," Wang and Wang conclude that a 1% increase in direct investment in logistics in China promotes economic growth of 0.413%.

<sup>46</sup> Colombia implemented the National Logistics Policy under policy-based loan 2540/OC-CO with technical cooperation support from the Bank.

<sup>47</sup> In 2010, Uruguay created the Instituto Nacional de Logística [National Logistics Institute] (INALOG), comprised of public and private entities, to promote the professionalization of the sector.

- structure for operation of the PTILC.<sup>48</sup> In view of the interaction of activities between the transoceanic zone and the country's main urban areas, Panama City and Colón, problems such as congestion and last mile issues should be addressed by considering the addition of digital platforms to the logistics processes.<sup>49</sup>
- 1.38 Programs that facilitate access to local and international markets for Panamanian producers need to continue. Projects for the provision of infrastructure and regional services are key for linking together areas that require improvements in productivity, such as the central and western regions. A road transport master plan should also be developed, following the ELN 2030 guidelines.
- 1.39 **Bank knowledge and support to Panama in the sector.** The Bank's support in the sector has made it possible to deliver on the sector reform process with a multisector approach and multisector participation.<sup>50</sup> With regard to technical cooperation resources, regional studies were conducted in the context of the Mesoamerica Project<sup>51</sup> that served as input for developing the PNLog in Central America. Specifically, Panama's PNLog was financed under operation ATN/MR-13885-PN, which also made it possible to prepare the Road Freight Transportation Law.
- 1.40 At the same time, the Bank supported Central American countries in implementing the coordinated border management model, in conducting studies on the effectiveness of border crossings, and in the development of initiatives such as the Central American Strategy for Trade Facilitation and Competitiveness, notably through the following technical cooperation operations: (i) Facilitation Support: Customs and Border Crossings in the Mesoamerica Project (ATN/FG-11631-RG); (ii) Optimization of Border Crossing Facilities in the Pacific Corridor (ATN/OC-12019-RG); (iii) Multimodal International Merchandise Transit (ATN/AT-13372-RG); (iv) Support for the Costa Rica-Panama Border Integration Initiative (ATN/AT-13221-RG); (v) Support for the Improvement of Border Crossings in Mesoamerica (ATN/MR-13870-RG); (vi) Implementation Support for Coordinated Border Management in Mesoamerica (ATN/MR-14890-RG); and (vii) Support for the Mesoamerican Agenda on Transport, Logistics, and Economic Integration (ATN/OC-16133-RG and ATN/OC-16134-RG).
- 1.41 In 2016, the Bank supported the Government of Panama in financing the National Logistics Strategy (ELN 2030) through operation ATN/FG-15347-PN. At present, the Bank is executing: (i) ATN/OC-16321-PN, which finances the governance structure of the PTILC and the implementing regulations for the Road Freight Transportation Law; and (ii) ATN/OC-15982-PN, which supports the formulation of the National Land Use Policy (PNOT)<sup>52</sup> and its action plan.

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<sup>48</sup> This activity will be supported through technical cooperation operation ATN/OC-16321-PN.

<sup>49</sup> World Economic Forum, 2017.

<sup>50</sup> Worth noting is the coordination with the Integration and Trade Sector (INT) and the Institutional Capacity of the State Division (IFD/ICS).

<sup>51</sup> Operation ATN/OC-12495-RG financed analysis, strategy, and instruments for the improvement of freight logistics in Mesoamerica.

<sup>52</sup> National Land Use Policy, [Diagnostic assessment](#).

- 1.42 The Bank is complementing this program's efforts through investment loans such as the Panama Online Program (loan 3683/OC-PN),<sup>53</sup> which finances the PTILC and is currently in execution by the AIG (see paragraph 1.31).
- 1.43 In addition, the Customs Logistics Integration Program (loan 4517/OC-PN) will promote trade facilitation processes through the financing and construction of physical infrastructure and equipment for border facilities with Costa Rica as well as systems to ensure the traceability of fiscal pathways. It is worth noting that the present operation is interrelated with operation 4517/OC-PN, since it will provide users with a one-stop access to manage foreign trade formalities by interconnecting the systems with the PTILC.<sup>54</sup>
- 1.44 The sector reforms in Panama, including the Canal expansion, have prompted public and private investment in several different port terminals in the region, including Mexico, Chile, Colombia, Peru, and the Caribbean, to adapt the infrastructure to larger vessels and greater volumes of containerized freight. Specifically, IDB Invest financed the investments of Contecon Manzanillo S.A. in Mexico, as well as expansion of the container terminal of the Port of Kingston, Jamaica.
- 1.45 [Optional link 8](#) describes in detail the evolution of the Panamanian logistics sector, showing the milestones reached by the government and providing a brief overview of the Bank's support.
- 1.46 **Lessons learned in the previous phases.** With the completion of the three phases of this program, the lessons learned can be consolidated. Firstly, it is worth noting that by virtue of its participatory methodology, PNLog is an effective mechanism for the diagnostic assessment and identification of the pillars for development of a competitive and sustainable logistics sector.
- 1.47 The program has helped the transport and logistics sector to promote a systemic approach to its problems and to the strategy for addressing them, while also helping to expand and organize the interagency environment. In addition, the program has provided the Bank with a successful model to guide other countries in the region through similar projects.
- 1.48 The importance of devoting human and material resources to long-term issues became evident in the course of executing the program, in this case through creation and strengthening of the LCO to ensure that sector issues are not treated as short-term requirements that need addressing on an urgent basis.
- 1.49 The alignment of this program with other infrastructure and trade facilitation sector operations (loans 1785/OC-PN and 4517/OC-PN) was a key to implementing the reforms and supporting the resulting investment plans.
- 1.50 Given its crosscutting nature, the reform of the logistics and transport sector has encouraged sectors such as agriculture to initiate changes aimed at coordinating their processes to benefit from the country's logistic improvements and paperwork

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<sup>53</sup> Approved on 25 May 2016.

<sup>54</sup> The Customs Logistics Integration Program will improve fiscal and parafiscal controls by financing catalogues for the VUCE; development and implementation of the management control system, the risk management system, and the authorized economic operator system; modernization of the SIGA; and integration of functions of the entities involved in the SIGA.



reduction.<sup>55</sup> Although this program has helped reduce red tape for export processing and has contributed to positioning agrifood logistics a priority in the ELN 2030, it is important to continue with initiatives for competitive development of the agroindustrial sectors.<sup>56</sup>

- 1.51 **Lessons learned from other sector reform programs.** The Bank has worked on nine policy-based loan operations in the transport sector in the region,<sup>57</sup> yielding lessons learned that have been applied to this operation, including the following: (i) provide up-to-date regulatory instruments, which is addressed with the legal framework for customs; (ii) provide integrated planning tools, which has been applied to this operation by formulating a PNLog and master plans; (iii) with Bank support, consolidate technical support groups in the coordination units, which is addressed by including strengthening of the LCO; (iv) strengthen the dialogue with the private sector, which is addressed by establishing the Consultative Committee within the Logistics Cabinet and establishing its bylaws; and (v) seek interagency coordination at the highest level of government, which is achieved by strengthening the Logistics Council under the Ministry of the Presidency ([optional link 16](#)).
- 1.52 **Other lessons learned.** Private-sector projects such as Contecon Manzanillo S.A. and Kingston (see paragraph 1.44) highlight the importance of public technical coordination entities to guarantee stable environments for private investment. This is reflected in this program through consolidation of the LCO and, especially, its strengthening through entities such as Georgia Tech.
- 1.53 **Strategic alignment.** The program is consistent with the Bank's country strategy with Panama 2015-2019 (document GN-2838), since it furthers the strategic objective of enhancing logistics services, efficiency, and connectivity of the productive infrastructure and boosting the competitiveness of the national logistics system. The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and aligned with the development challenge of productivity in promoting technically skilled human capital formation in the sector.<sup>58</sup> It is also in line with the challenge of economic integration in fostering harmonization of the customs framework with Central American integration agreements and improving the trade facilitation processes through the digitization of the logistics system, thereby helping to increase the value of Panamanian goods and services exports. Lastly, it is aligned with the crosscutting themes of institutional capacity and the rule of law in helping to strengthen the institutional framework for logistics and transport by implementing high-level mechanisms to

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<sup>55</sup> For example, electronic sharing of plant and animal health certificates.

<sup>56</sup> The Panamanian government enacted Law 25 of 23 May 2017, "[Industrial Development Law to Drive competitiveness of the Productive Sector](#)," and is currently developing an Agriculture Master Plan for the Western Region of Panama with CAF financing. The Bank and the CAF are coordinating the sector agendas through the dialogue between the country offices.

<sup>57</sup> Air Transport Reform Program (1042/SF-GY); Air Transport Reform Program (2682/OC-BH); Fiscal Stability Consolidation Program for Economic and Social Development of the State of Alagoas (3061/OC-BR); Program to Support the National Logistics Policy (2540/OC-CO); Transportation Sector Policy Reform Program I and II (3181/BL-BO and 4292/BL-BO); Support for Colombia's Public-Private Partnership (PPP) Program (3697/OC-CO); and Support For Panama's Transport and Logistics Sector Reform Program I and II (3486/OC-PN and 3675/OC-PN).

<sup>58</sup> [ECLAC Bulletin, 2009](#).

coordinate the launch of projects and facilitate decision-making by key institutions. Moreover, in accordance with the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4), the operation is defined as an operation of: (i) multinational focus, since it is aimed at achieving Panama's increased participation in regional and international production chains; and (ii) national subsidiarity, through the adoption of regional and international standards and conventions on customs and trade facilitation processes ([optional link 5](#)). In addition, it contributes to the Corporate Results Framework (CRF) 2016-2019 (document GN-2727-6), as the results matrix indicator for "average customs clearance time at Paso Canoas" is similar and equivalent to the CRF indicator associated with processing times of internationally traded goods and services by the responsible public agencies.

- 1.54 The program is also aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), since it seeks to promote improvements in the governance of infrastructure in order to increase efficiency in the delivery of infrastructure services, and is consistent with the Transportation Sector Framework Document (document GN-2740-7) in the dimensions of success related to: (i) logistics systems for regional integration; (ii) robust institutions and regulatory frameworks; and (iii) transportation as an engine of innovation. Lastly, this operation is included in the Operational Program Report 2018 (document GN-2915).

## **B. Objectives, components, and cost**

- 1.55 **Objective.** The objective of the program is to help improve Panama's logistics performance by reducing regulatory and institutional restrictions that limit the country's performance, primarily in the following areas: (i) value-added logistics services (VALS); (ii) logistics that support the agriculture sector; and (iii) logistics that support regional trade. The program's specific objectives are to: (i) strengthen the legal and regulatory framework; (ii) consolidate the institutional framework for transport and logistics; and (iii) strengthen the multisector planning and trade facilitation system, which will help to improve investment planning in the transport and logistics sector, expand the surface area devoted to logistics in use, reduce the customs clearance time of goods, and provide human resources for the logistics area.
- 1.56 **Beneficiaries.** The program beneficiaries are Panamanian<sup>59</sup> and international producers, who will have better access to global markets; logistics services firms,<sup>60</sup> which will benefit from infrastructure with more efficient related services; and the general population, who will benefit from the country's growth and job creation and training offerings in the sector. In addition, the role of Panama in Mesoamerican regional integration is significant, given the country's integration infrastructure for intraregional and extraregional trade. This infrastructure serves the external trade of the countries in the region while at the same time presenting opportunities for improvement in the region's export performance.

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<sup>59</sup> Panama has 245,105 producers. Seventh National Agricultural Census, 2011, INEC.

<sup>60</sup> More than 200. See [Directory of Logistics Services of the Georgia Tech Logistics Platform](#).

- 1.57 **Component I. Macroeconomic stability.** The objective of this component is to ensure a macroeconomic environment that is consistent with the program objectives as set out in the Policy Matrix.
- 1.58 **Component II. Regulatory and institutional framework for the transport and logistics sector.** This component is divided into two subcomponents, with their respective objectives:
- 1.59 **Subcomponent II.1. Regulatory framework for logistics.** The objective is to support the reform of the regulatory framework for logistics, introducing a long-term vision and sector guidelines. As part of this third and final operation, the following policy reforms are agreed upon: (i) Executive Branch approval of a strategic framework for the logistics sector that, in its consolidated text, includes policy guidelines, sector fundamentals, and institutional responsibilities; (ii) approval of regulations implementing the new legal framework for customs, for harmonization with Central America's regional customs code, including, among other aspects, simplification of customs formalities, facilitation of processes, and creation of the Customs Criminal Court and the Public Defender's Office; and (iii) evaluation of the actions and outcomes of the FDI development plan for ancillary maritime services.
- 1.60 **Changes to the reforms under subcomponent II.1.** Under the first policy condition of this subcomponent (see paragraph 1.59, point (i)), the legal instrument involved was changed from a draft logistics bill approved by the Logistics Cabinet and sent to the Cabinet Council to the approval of a strategic framework for logistics that includes policy guidelines, sector fundamentals, and institutional responsibilities via Executive Branch decree.<sup>61</sup> This change, which does not affect fulfillment of the objectives of the reform, reflects the fact that Panama's regulatory framework for the sector has consisted of a series of consensus-based decrees widely adopted by the private sector, which are to be consolidated into a single decree that harmonizes the prior decrees in one consolidated text.
- 1.61 **Subcomponent II.2. Institutional framework for logistics and transport.** The objective is to support the strengthening of the institutional framework by establishing high-level bodies to coordinate the implementation of plans and projects and facilitate decision-making among key sector institutions. The reforms related to this third tranche are the following: (i) evaluation of the actions and outcomes of the work of the Logistics Coordination Office (LCO), through the implementation and analysis of monitoring indicators and monitoring and evaluation arrangements; (ii) consolidation of the LCO's institutional structure under the Competitiveness and Logistics Department (SCL), to reinforce its sustainability; and (iii) Logistics Cabinet approval of the LCO's report on operations, including the outputs and outcomes associated with the previous year's work plan and strategic guidelines for the following year.
- 1.62 **Changes to the reforms under subcomponent II.2.** A new policy condition related to the organizational and institutional framework was added under this subcomponent (see paragraph 1.61, point (ii)), to make the reforms more

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<sup>61</sup> A consolidated decree is more advantageous from a legal and institutional standpoint than a law and its approval process.

- sustainable by consolidating the role of the LCO under the SCL, consistent with the ELN 2030.
- 1.63 **Component III. Comprehensive planning and trade facilitation processes.** This component is divided into two subcomponents with their respective objectives.
- 1.64 **Subcomponent III.1. Comprehensive planning processes.** The objective is to strengthen the comprehensive planning process so as to favor national logistics development, value-added activities, and logistics to support the agriculture sector. This final operation in the programmatic series includes: (i) Logistics Cabinet approval of the Transport and Logistics Master Plan for the Transoceanic Zone (PTLZI), including the points identified in the second reform program;<sup>62</sup> (ii) formulation of the rules for the strategic environmental evaluation of infrastructure plans (PTLZI, Transport and Logistics Master Plan (PMTL), etc.); (iii) Logistics Cabinet approval of the PMTL, including the points identified in the second reform program; (iv) preparation of the National Land Use Policy (PNOT); and (v) approval of the Urban Development Plan for the metropolitan areas of the Pacific and Atlantic coasts, to identify priority areas for strengthening national logistics development.
- 1.65 **Changes to the reforms under subcomponent III.1.** The fourth policy condition under this subcomponent (see paragraph 1.64, point (iv)) was changed from submission of the proposed Land Development, Use, and Integration Bill to the Assembly, to the preparation of the PNOT. This change is due to the results of the diagnostic assessment performed by the MIVIOT with Bank support (ATN/OC-15982-PN) showing the need to move in a stepwise fashion, beginning with a PNOT as a step toward a law. This requires an extensive process and a reform of the land-use law, Law 6 of 2006, and Law 37 of 2009, which decentralizes the public administration. The policy discussions have succeeded in establishing a work structure led by MIVIOT and including the Ministry of the Presidency, National Decentralization Department, MEF, Ministry of Environment, and MIDA. The policy now being formulated will provide the conceptual basis for a future law.
- 1.66 **Subcomponent III.2. Trade facilitation processes.** The objective is to support the coordination of processes among the agencies involved in foreign trade (ANA, AMP, PCA), adaption to regional integration procedures, and narrowing of the human resources gap. This third and final operation includes: (i) integration of the PCA and AMP systems in a single IT platform; (ii) passage of the law ratifying the commitments of the Convention on Facilitation of International Maritime Traffic (FAL 65 Convention) established in the International Maritime Organization (IMO); (iii) implementation of at least three short-term measures agreed upon by the Council of Ministers for Economic Integration (COMIECO); (iv) external functional audit of the Integrated Customs Management System (SIGA) and International Trade Single Window (VUCE), to evaluate their alignment with the stipulated processes under the Central American regional integration framework (CAUCA, RECAUCA) and the extent to which the changes solve the problems noted by users; (v) implementation of the master plan for complete digitization of the

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<sup>62</sup> Namely, magnitude of future demand for value-added services in the transoceanic zone; available land, logistics projects, and investment requirements.

National Logistics System: IT platform for integration of the logistics and international trade systems; (vi) evaluation of actions and outcomes of the arrangements for sharing statistical information between the Panama Maritime Authority (AMP) and National Customs Authority (ANA), to obtain information from individual firms; and (vii) implementation of the pilot logistics training plan and its incorporation into the activities of the working groups.

- 1.67 **Changes to the reforms under subcomponent III.2.** The second policy condition was changed under this subcomponent (see paragraph 1.66, point (ii)). The previous condition was submission of the bill for ratification of the WTO's Agreement on Trade Facilitation – Bali Package to the Assembly. Despite this, the Government of Panama ratified the FAL 65 Convention via Law 44 of 15 July 2008, leaving only the commitment to develop the regulations. Lastly, the language of the fifth policy condition was changed (see paragraph 1.66, point (v)) to state that the Master Plan for Complete Digitization of the National Logistics System was equivalent to the Technology Platform for Integration of the Logistics and International Trade Systems.
- 1.68 The changes to the policy measures (see paragraphs 1.60, 1.62, 1.65, and 1.67) for this third phase, as shown in the “Comparative matrix of changes in policy conditions” ([optional link 6](#)), have no impact on the objectives of the programmatic series. Indeed, they reinforce and add value to the major work areas of this program.

### C. Key results indicators

- 1.69 The expected outcomes of the program's three phases include: (i) increase in public investment carried out in the transport and logistics sector with respect to total public investment carried out in the 2015-2020 period; (ii) reduction in the average customs clearance time, specifically at Paso Canoas; (iii) increase in the number of ports able to export Panamanian agricultural goods with respect to the total number of existing Panamanian ports; (iv) increase in the percentage of logistics surface area in use with respect to total logistics surface area available; and (v) increase in courses or certifications for occupational profiles in the logistics disciplines required by the country. The expected program impact is an improvement in the Logistics Performance Index (LPI)<sup>63</sup> ([required link 3](#)).
- 1.70 **Economic evaluation.** Based on the OVE recommendations in its 2011 Evaluability Review of Bank Projects<sup>64</sup> and on the results of the Review of Good Practice Standards for the Evaluation of Policy-based Lending, prepared by the Evaluation Cooperation Group (comprised of the independent evaluation offices of the multilateral development banks),<sup>65</sup> as provided in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign-Guaranteed and Non-Sovereign Guaranteed Operations), indicating, inter alia,

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<sup>63</sup> The Results Matrix was updated with respect to the one in loan 3675/OC-PN. The impact indicator “Value of goods and services exports / National GDP” was eliminated because it failed to capture the sector effect of the reforms, when the assumption that the country's productive sectors continue to grow at a similar pace as in previous years was not borne out ([optional link 1](#)).

<sup>64</sup> Document RE-397-1: “Currently, Economic Analysis section is computed as the maximum between the CBA (cost benefit analysis) and the CEA (cost effectiveness analysis). Yet neither a CBA nor a CEA is applicable to PBLs (policy-based loans) and PBPs (programmatic policy-based loans).”

<sup>65</sup> Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

that there is no need to include an efficiency analysis on the use of financial resources,<sup>66</sup> it was decided not to perform an economic analysis for loans of this type, as reported to the Bank's Board of Executive Directors. Thus, this operation does not include an economic analysis and, consequently, the economic analysis is not considered for purposes of measuring the evaluability score in this program's Development Effectiveness Matrix (DEM).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The program is structured under the PBP modality,<sup>67</sup> and is comprised of three separate, but technically related, operations. All the conditions set in the first and second operations were satisfactorily met. The policy measures for each of the components are defined in the Policy Matrix (Annex II) and supported by the Panamanian government's Policy Letter ([required link 1](#)). In line with the provisions of paragraph 3.27(b) of document CS-3633-1, "Policy-based loans: Guidelines for preparation and implementation. New version," this operation will be for up to US\$200 million, equivalent to 8.3% of 2018 requirements (US\$2.4 billion for the year). The public system's gross financing requirements for the period 2015-2019 are estimated at US\$12 billion.<sup>68</sup> The programmatic modality was chosen because of the flexibility it offers to adapt to new circumstances or new knowledge gained in the course of execution (see paragraph 1.68).

### B. Environmental and safeguard social risks

- 2.2 In accordance with the Environment and Safeguards Compliance Policy (document GN-2208-20, Operational Policy OP-703), the provisions of Directive B.13 apply to this loan, so the program does not require classification. The policy changes and institution-strengthening resulting from this program will not have any significant direct impact on Panama's environment and natural resources. The comprehensive planning processes to be supported by the program, particularly the formulation of the Transport and Logistics Master Plan for the Transoceanic Zone (PTLZI), National Logistics Strategy, and National Land Use Policy, have been subject to a strategic environmental evaluation and public consultation process.

### C. Fiduciary risks

- 2.3 This operation carries low risk, since the funds to be provided will be untied and managed through national budget support systems, given that a responsible fiscal policy framework is in place.

### D. Other risks and key issues

- 2.4 **Sustainability of the reforms.** The sustainability of the reforms is based on: (i) the Panamanian government's commitment to the reform and its priority for the sector, as reflected in the Government Strategic Plan and the adoption of a National

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<sup>66</sup> According to the Evaluation Cooperation Group, PBLs should be evaluated on the basis of relevance, effectiveness, and sustainability. Efficiency is not included as a criterion since the size of a PBL is linked to the country's financing gap and is independent from the benefits of the project.

<sup>67</sup> Programmatic policy-based loan.

<sup>68</sup> Ministry of Economy and Finance (MEF).

Logistics Strategy based on consensus with the private sector; (ii) the fact that the executive and technical Logistics Cabinet will be raised to the level of the Ministry of the Presidency; (iii) the resources required for the LCO, as reflected in the approval of its work plan; and (iv) the Panamanian government's interest in continuing to work in the sector.<sup>69</sup> Moreover, the Panamanian government's commitment to the reforms has been confirmed through the fulfillment of its commitments in the preceding operations and in the design of this operation.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower will be the Republic of Panama, and the executing agency will be the Ministry of Economy and Finance (MEF), which, with support from the Logistics Coordination Office (LCO), will monitor fulfillment of the requirements established in Annex II and compliance with the means of verification of every condition in the matrix ([required link 2](#)). The institutions responsible for the fulfillment of the policy reforms are members of the Logistics Cabinet and meet regularly to discuss the progress made with respect to the sector and the operation.<sup>70</sup>

3.2 **Special contractual conditions precedent to the first and only disbursement of the loan proceeds. The first and only disbursement of the Bank loan is contingent on the borrower's fulfillment of its policy reform commitments, to the Bank's satisfaction, once the loan contract has been signed, and fulfillment of the special and general conditions and conditions precedent to such disbursement set out in the Loan Contract, in accordance with the Policy Matrix (Annex II), the [Means of verification matrix](#), and the [Policy Letter](#).**

#### B. Summary of arrangements for monitoring and evaluation of results

3.3 Program monitoring is aimed at determining whether the Government of Panama has fulfilled the policy commitments for the third phase of the program as reflected in Annex II. This monitoring, to be performed by the Project Team based on input from the various institutions involved, will begin upon approval of the operation by the Bank's Board of Executive Directors, and will be reflected in the disbursement memorandum ([optional link 7](#)).

3.4 Program evaluation is aimed at determining whether the expected outcomes and impacts have been achieved, and whether the program's actions have had an impact on the Logistics Performance Index (LPI). The proposed methodologies are: (i) a before-and-after evaluation, using the reflexive evaluation method; and (ii) an impact evaluation using the synthetic control method.

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<sup>69</sup> In preparation: Technical cooperation operation PN-T1210, "Support for the Implementation of Panama's National Logistics Strategy 2030."

<sup>70</sup> The institutions responsible for policy compliance are: Ministry of the Presidency, LCO, ANA, AMP, Logistics Cabinet, Ministry of Environment, MIVIOT, PCA, AIG, Office of the Comptroller General. The task of compiling the means of verification will be centralized by the LCO, which will then forward them to the MEF and the Project Team.

- 3.5 **Impact evaluation of the reform program.** The proposed evaluation is a synthetic control impact analysis<sup>71</sup> to determine the impact of the policy actions implemented by the Government of Panama in 2020. This evaluation, which will be the first for a three-tranche program in the logistics sector, will provide important information and add value to similar reforms and their design. The evaluation will employ an attribution analysis to assess the performance of: (i) the control indicators; and (ii) the results matrix indicators with the interest variable of the evaluation, so as to identify the effects of the program's interventions on the indicators employed, as well as causalities and interrelationships ([optional link 10](#)).
- 3.6 The program completion report (PCR) will evaluate the impact of the program and the achievement of its planned objectives and will be delivered within six months after the date of the last disbursement. The borrower and the Bank have agreed on the indicators, the baseline, and the targets for this evaluation.

#### IV. POLICY LETTER

- 4.1 **Policy Letter.** The Bank and the Government of Panama have agreed on the policy commitments under the program. These commitments are set out in the Policy Matrix (Annex II), the [Means of verification matrix](#), and the [Results matrix](#). The Policy Letter ([required link 1](#)), which the borrower will deliver to the Bank in due course, confirms the government's commitment to the program objectives.

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<sup>71</sup> To be financed through technical cooperation operation PN-T1210.



Development Effectiveness Matrix		
Summary		PN-L1151
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Development Objectives</b>	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Economic Integration -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Public agencies' processing times of international trade of goods and services *	
<b>2. Country Development Objectives</b>	Yes	
Country Strategy Results Matrix	GN-2838	Increased competitiveness of the national logistics system.
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>		9.6
3.1 Program Diagnosis		2.6
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
<b>4. Ex ante Economic Analysis</b>		N/A
<b>5. Monitoring and Evaluation</b>		7.9
5.1 Monitoring Mechanisms		1.1
5.2 Evaluation Plan		6.8
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
<b>Overall risks rate = magnitude of risks*likelihood</b>		Low
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
<b>IV. IDB's Role - Additionality</b>		
<b>The project relies on the use of country systems</b>		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: External Control.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

*This is the third and last PBL operation of a programmatic program of reforms in the transport and logistics sectors. The general objective of the programmatic program is to contribute to the improvement of the logistic performance of Panama, by reducing the normative and institutional restrictions, which limit the country's performance, in the following areas: (i) value added logistical services; (ii) logistics in support of the agricultural sector; (iii) logistics in support of regional trade.*

*The specific objectives are to: (i) strengthen the legal and regulatory framework; (ii) consolidate the institutional framework of logistics and transport; and (iii) strengthen the multi sectoral and trade planning system, which will contribute to a better investment planning in the transport and logistics sectors, the expansion of the logistical area utilized, and the reduction in the delivery of merchandise and the provision of human resources in the logistics area. This third operation promotes actions to guarantee the sustainability of the changes in processes already initiated and the concretion of policy instruments.*

*The POD presents the problems to be addressed through the project. The magnitudes of the problems are presented as well as the factors that contribute to them. The proposed interventions are linked to the problems identified in the diagnosis.*

*The results matrix has vertical logic. The impacts, outcomes and outputs are clearly stated and each has its indicator. All the indicators are SMART they have baselines, targets and sources of information.*

*The project has a monitoring and evaluation plan. The operation will be evaluated using a reflexive methodology and an evaluation with attribution using synthetic control.*

## POLICY MATRIX

**Objective:** The objective of the program is to help improve Panama's logistics performance by reducing regulatory and institutional restrictions that limit the country's performance, primarily in the following areas: (i) value-added logistics services (VALS); (ii) logistics that support the agriculture sector; and (iii) logistics that support regional trade. The program's specific objectives are to: (i) strengthen the legal and regulatory framework; (ii) consolidate the institutional framework for transport and logistics; and (iii) strengthen the multisector planning and trade facilitation system, which will help to improve investment planning in the transport and logistics sector, expand the surface area devoted to logistics in use, reduce the customs clearance time of goods, and provide human resources for the logistics area.

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
<b>Component I. Macroeconomic stability</b>				
Contribute to the improvement of macroeconomic stability.		1.1. The borrower's macroeconomic framework is stable and consistent with the objectives of the program and the sector policy letter.	1.1. The borrower's macroeconomic framework is stable and consistent with the objectives of the program and the sector policy letter.	1.1. The borrower's macroeconomic framework is stable and consistent with the objectives of the program and the sector policy letter.
<b>Component II. Regulatory and institutional framework for logistics and transport</b>				
<b>Subcomponent II.1. Regulatory framework for logistics</b>				
Consolidate a regulatory framework for logistics that introduces a long-term vision and establishes guidelines for the sector, including: <ul style="list-style-type: none"> <li>• Objective, programs, and projects;</li> <li>• Long-term vision, approach strategy, and monitoring system; and</li> <li>• Policy guidelines, fundamental elements of the logistics sector, and institutional responsibilities.</li> </ul>	Ministry of the Presidency (Logistics Cabinet)	2.1. Implementation of the mandate to formulate the Logistics Master Plan, the National Logistics Strategy, and the National Logistics Law in the Government Strategic Plan.	2.1. Logistics Cabinet's approval of the National Logistics Plan (PNLog), including objectives, programs, and projects.	2.1. Executive Branch approval of a strategic framework for the logistics sector that, in its consolidated text, includes policy guidelines, sector fundamentals, and institutional responsibilities.
			2.2. Logistics Cabinet's approval of the National Logistics Strategy, including the vision of the sector, approach strategy, and monitoring system.	
Reform the legal framework for customs in order to comply with the protocol for Panama's economic integration with the Central American Integration System, and to harmonize it with the Central American regional Uniform Customs Code (CAUCA) and Uniform Customs Code Regulations (RECAUCA).	National Customs Authority (ANA) (preparation)  Ministry of Commerce and Industries (MICI) (preparation)  Cabinet Council (approval)	3.1. Preparation of the draft Customs Law that will ensure harmonization with Central America's regional customs code, including the simplification of customs formalities, the facilitation of processes, and the creation of the Customs Criminal Court and the Public Defender's Office.	3.1. Approval of the new legal framework for customs that will ensure harmonization with Central America's regional customs code. The new legal framework for customs will include: (i) the simplification of customs formalities, (ii) the facilitation of processes; and (iii) the creation of new areas of customs-related responsibility for the Customs Criminal Court and the Public Defender's Office.	3.1. Approval of regulations implementing the new legal framework for customs, for harmonization with Central America's regional customs code the simplification of customs formalities, facilitation of processes, and creation of the Customs Criminal Court and the Public Defender's Office.

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
Modify the legal framework for maritime services in order to stimulate foreign direct investment (FDI) in the ancillary maritime services subsector.	Panama Maritime Authority (AMP)	4.1. Modification of the Law on Ancillary Maritime Services to Stimulate Foreign Direct Investment, eliminating the provision requiring bunkering companies to have 75% Panamanian capital.	4.1. AMP's approval of an FDI development plan for ancillary maritime services.	4.1. Evaluation of the actions and outcomes of the FDI development plan for ancillary maritime services.
<b>Subcomponent II.2. Institutional framework for logistics and transport</b>				
Strengthen the organizational framework and institutional context for the purpose of consolidating an interagency entity at the highest level of government that will facilitate coordination and decision-making in the logistics area, integrating the private sector.	Ministry of the Presidency Logistics Coordination Office (LCO)	5.1. Creation of the Competitiveness and Logistics Department by modifying the mandate of the Economic Affairs and Competitiveness Department.	5.1. Strengthening of the actions of the LCO via creation of a permanent, private-sector consultative committee and the LCO's approval of the multiyear work plan, including the allocation of human and technical resources required to: (i) prepare the National Logistics System bill; and (ii) define the monitoring indicators and monitoring and evaluation arrangements.	5.1. Evaluation of the actions and outcomes of the LCO's work through the implementation and analysis of monitoring indicators and monitoring and evaluation arrangements.
		5.2. Creation of the LCO in order to strengthen the technical work of the Logistics Cabinet.		5.2. Consolidation of the LCO's institutional structure under the Competitiveness and Logistics Department (SCL), to reinforce its sustainability.
	Ministry of the Presidency  LCO	5.3. Allocation of human, technical, and financial resources for the LCO's work plan for the first year, which includes: <ul style="list-style-type: none"> <li>• Calendar of regular meetings with institutions of the public, private, and academic sectors;</li> <li>• Work plan to organize working groups of the public and private sectors; and</li> <li>• Calendar of activities to raise awareness about the National Logistics Plan (PNLog).</li> </ul>		
Strengthen an interagency body at the highest level of government to facilitate coordination and decision-making for all key institutions of the logistics sector, and also integrating the private sector.	Ministry of the Presidency LCO	6.1. Confirmation of the Logistics Cabinet as the high-level institution responsible for interagency coordination, which will henceforth be chaired by the Minister of the Presidency and comprised of representatives of key sector entities.	6.1. Logistics Cabinet's approval of the LCO's performance report, including the outputs and outcomes associated with the previous year's work plan, as well as strategic guidelines for the following year.	6.1. Logistics Cabinet's approval of the LCO's report on operations, including the outputs and outcomes associated with the previous year's work plan and strategic guidelines for the following year.

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
<b>Component III. Comprehensive planning and trade facilitation processes</b>				
<b>Subcomponent III.1. Comprehensive planning processes</b>				
Formulate a Transport and Logistics Plan for the Transoceanic Zone (PTLZI) in order to structure investments in the Canal Area and promote the development of value-added activities.	Ministry of the Presidency  Logistics Cabinet  Ministry of Environment  Panama Canal Authority	7.1. Formation of an interagency committee that will begin the process of formulating the PTLZI by defining its scope.	7.1. Formulation of the PTLZI, including the following: <ul style="list-style-type: none"> <li>• Magnitude of future demand for value-added services in the transoceanic zone;</li> <li>• Available land;</li> <li>• Relevant transport and logistics infrastructure plans and projects; and</li> <li>• Investment requirements.</li> </ul>	7.1. Logistics Cabinet's approval of the PTLZI, including the points identified in the second reform program.
			7.2. Formulation of the PTLZI, including the following: <ul style="list-style-type: none"> <li>• Proposed mechanisms that will help harmonize the areas of responsibility of the different public entities.</li> <li>• Strategic environmental evaluation.</li> </ul>	7.2. Formulation of the rules for the strategic environmental evaluation of infrastructure plans.
Develop a Transport and Logistics Master Plan (PMTL) in order to integrate multimodal planning of infrastructure and logistics services at the national level, taking into account the main economic sectors, including agricultural producers.	Ministry of the Presidency  Logistics Coordination Office	8.1. Formulation and approval of the Strategic Air Cargo Plan for the Tocumén International Airport, as input for the PMTL.	8.1. Formulation of the PMTL, with monitoring of the plan added to the activities of the working groups. The PMTL should include: <ul style="list-style-type: none"> <li>• Identification of the infrastructure and service needs of the main logistics segments and the resulting national and international flows;</li> <li>• Integration of existing initiatives in the area of infrastructure and services;</li> <li>• Proposal of the relevant transport and logistics infrastructure projects; and</li> <li>• Prioritization of investments and proposed models for managing private investments in infrastructure.</li> </ul>	8.1. Logistics Cabinet's approval of the PMTL, including the points identified in the second reform program.

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
Develop national land use planning instruments to ensure the appropriate use of the country's production and logistics potential.	Ministry of Housing and Land Use Planning (MIVIOT)	9.1. Implementation of the mandate to formulate the National Land Use Policy (PNOT) and the Land Development, Use, and Integration Law (focused on the country's potential in the areas of production and logistics) in the Government Strategic Plan.	9.1. Approval of the MIVIOT Strategic Plan with the guidelines of the PNOT, focused on the country's production and logistics potential, and the approval of land use regulations for urban development.	9.1. Preparation of the PNOT.
	MIVIOT	9.2. Call for public consultation of the Urban Development Plan for metropolitan areas along the Pacific and Atlantic, in order to identify priority areas for strengthening national logistics development.	9.2. Updating of the Urban Development Plan for metropolitan areas along the Pacific and Atlantic, incorporating changes stemming from the public consultation process, in order to identify priority areas for strengthening national logistics development.	9.2. Approval of the Urban Development Plan for the metropolitan areas of the Pacific and Atlantic coasts, to identify priority areas for strengthening national logistics development.
<b>Subcomponent III.2. Trade facilitation processes</b>				
Implement the commitments assumed by Panama with respect to the trade facilitation agreements established with international organizations to modernize trade facilitation: <ul style="list-style-type: none"> <li>• The commitments in the FAL 65 Convention on Facilitation of International Maritime Traffic established in the International Maritime Organization (IMO);</li> <li>• The commitments in the World Trade Organization's Agreement on Trade Facilitation – Bali Package.</li> </ul>	AMP (approval) PCA MICI	10.1. Interagency agreement between the AMP and the PCA to design a ports one-stop window in connection with the meetings of the National Trade Facilitation Committee and the FAL 65 Convention.	10.1. Approval of processes harmonized between the ship reception systems of the PCA and the AMP in the Canal's area of influence under the terms of the FAL 65 Convention.	10.1. Integration of the PCA and AMP systems in a single IT platform.
			10.2. Approval and publication of the law for ratification of the WTO's Agreement on Trade Facilitation – Bali Package.	10.2. Passage of the law ratifying the commitments of the FAL 65 Convention established in the IMO.
Implement the commitments assumed by Panama with respect to the trade facilitation agreements agreed upon by the Central American Council of Ministers for Economic Integration (COMIECO).	ANA	11.1. Approval of the institutional framework for coordinating the work of directors of one-stop window systems in Costa Rica and Panama, to streamline import and export formalities and the sharing of the required documentation.	11.1. Identification of trade facilitation measures agreed upon in the framework of COMIECO for implementation in the short term in the Republic of Panama. These measures should include the allocation of a budget or of financial resources for their implementation.	11.1. Implementation of at least three short-term measures agreed upon by COMIECO.

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
<p>Promote the systematization of foreign trade control operations, including:</p> <ul style="list-style-type: none"> <li>• Modernization of the Integrated Customs Management System (SIGA);</li> <li>• Complete adaptation of the SIGA to national practices and procedures and those stemming from the Central American regional integration process (CAUCA, RECAUCA); and</li> <li>• Development of the International Trade Single Window (VUCE).</li> </ul>	<p>ANA MICI</p>	<p>12.1. Creation of a unit responsible for receiving complaints and requests from users, as input for modernizing the SIGA. 12.2. Incorporation of the VUCE in the SIGA IT platform.</p>	<p>12.1. Incorporation in the SIGA and VUCE platforms of changes to the customs processes formulated in the context of the Central American regional integration process (CAUCA and RECAUCA).</p>	<p>12.1. External functional audit of the SIGA and VUCE platform, to evaluate their alignment with the stipulated processes under the Central American regional integration framework (CAUCA, RECAUCA) and the extent to which the changes solve the problems noted by users.</p>
<p>Promote the complete traceability of merchandise flows through the complete digitization of the activities that support the oversight of foreign trade operations.</p>	<p>National Authority for Government Innovation (AIG)</p>	<p>13.1. Implementation of the mandate to fully digitize the national logistics system in connection with the confirmation of the Logistics Cabinet, to ensure the traceability of merchandise flows, including :</p> <ul style="list-style-type: none"> <li>(i) regulation of data transfers and security; and</li> <li>(ii) standardization of the databases of government agencies.</li> </ul>	<p>13.1. AIG approval of the master plan for complete digitization of the National Logistics System:</p> <ul style="list-style-type: none"> <li>(i) regulation of data transfers and security.</li> <li>(ii) standardization of the databases of government agencies.</li> </ul>	<p>13.1. Implementation of the master plan for complete digitization of the National Logistics System: IT platform for integration of the logistics and international trade systems, including the points identified in the second reform program.</p>
<p>Promote the sharing of information between government agencies in order to monitor the performance of the logistics system and facilitate decision-making related to public policies and investments.</p>	<p>AMP ANA (approval)</p>	<p>14.1. Regulation of measures to facilitate the sharing of statistical information between the AMP and the ANA.</p>	<p>14.1. Approval of arrangements for sharing statistical information between the AMP and the ANA in order to obtain information from individual companies.</p>	<p>14.1. Evaluation of actions and outcomes of the arrangements for sharing statistical information between the AMP and the ANA, to obtain information from individual firms.</p>

Objective and scope	Responsible agency	Policy reforms – Program I	Policy reforms – Program II	Policy reforms – Program III
Develop a technical training plan in logistics in order to provide human resources of the quality and number required by the different logistics subsystems in the country, ensuring their integration into the labor market and monitoring the evolution of the private sector's needs.	Ministry of the Presidency  LCO	15.1. Formulation of a strategy to expand the supply of technical human resources in the area of logistics in Panama, including guidelines for a pilot plan for training.	15.1. Submission of the pilot logistics training plan to the Logistics Cabinet.	15.1. Implementation of the pilot logistics training plan and its incorporation into the activities of the working groups.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/18

Panama. Loan \_\_\_\_/OC-PN to the Republic of Panama  
Support for Panama's Transport and Logistics  
Sector Reform Program III

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 "Support for Panama's Transport and Logistics Sector Reform Program III." Such financing will be for the amount of up to US\$200,000,000 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 \_\_ \_\_\_\_\_ 2018)