

# Simplified Approval Process Concept Note

Project/Programme Title: Incorporating Climate Change into Public Investment Processes

Country(ies): Panama

National Designated Authority(ies) (NDA): National Environmental Authority of Panama (ANAM)

Accredited Entity(ies) (AE): \* Undefined

Date of first submission: 17.11.2021 V.1

Date of current submission: 17.11.2021 V.1

Version: 1



*Eligibility for SAP is determined by the review of the concept note and the ESS screening.*

A. Project / Programme Summary (max. 1 page)				
<b>A.1. Project or programme</b>	<input checked="" type="checkbox"/> Project <input type="checkbox"/> Programme	<b>A.2. Public or private sector</b>	<input checked="" type="checkbox"/> Public sector <input type="checkbox"/> Private sector	<b>A.3 RFP</b>  Enhancing Direct Access (EDA)
<b>A.4. Indicate the result areas for the project/programme</b>	<p>Check the applicable <i>GCF result area(s)</i> that the proposed project/programme targets. Indicate for each checked result area(s) the estimated percentage of GCF budget devoted to it. The summed up percentage should be equal to 100%.</p> <p><b>Mitigation:</b> Reduced emissions from:</p> <input type="checkbox"/> Energy access and power generation: 0 % <input type="checkbox"/> Low emission transport: 0 % <input type="checkbox"/> Buildings, cities and industries and appliances: 0 % <input type="checkbox"/> Forestry and land use: 0 %  <p><b>Adaptation:</b> Increased resilience of:</p> <input checked="" type="checkbox"/> Most vulnerable people and communities: 50 % <input type="checkbox"/> Health and well-being, and food and water security: 0 % <input type="checkbox"/> Infrastructure and built environment: 0 % <input checked="" type="checkbox"/> Ecosystem and ecosystem services: 50 %			
<b>A.5. Impact potential</b>	A.5.1. Estimated mitigation impact (tCO <sub>2</sub> eq over project lifespan)		tCO <sub>2</sub> eq	
	A.5.2. Estimated adaptation impact (number of direct beneficiaries)		0 direct beneficiaries	
	A.5.3. Estimated adaptation impact (number of indirect beneficiaries)		0 indirect beneficiaries	
	A.5.4. Estimated adaptation impact (% of total population)		0 % of the country's total population	
<b>A.6. Financing information</b>				
A.6.1. Indicative GCF funding requested (max 10M)	Amount: 10,000,000 Currency: usd Financial Instrument: Grants (If other financial instrument is opted, please specify: _ ) <i>* Please expand the information if needed.</i>			
A.6.2. Indicative co-financing	Amount: 2,100,500 Currency: usd Financial Instrument: Grants (If other financial instrument is opted, please specify: _ ) <i>* Please expand the information if needed.</i>			
A.6.3. Indicative total project cost (GCF + co-finance)	Amount: 12,100,500 Currency: usd			
<b>A.7. Implementation period:</b>	a) disbursement period: 60 b) repayment period, if applicable:	<b>A.7.2. Total project/ programme lifespan</b>	180	
<b>A.8. Is funding from the Project Preparation Facility needed?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>A.9. Is the Environmental and Social Safeguards Category C or I-3?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
<b>A.10. Provide rationale for the ESS categorization (max 100 words)</b>	<p>This project presents an Environmental and Social Safeguards (ESS) Category C due to the activities do not involve physical interventions in the territory and are totally focused on strengthening institutional capacities of the National Government of Panama, developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).</p>			

<b>A.11. Has the CN been shared with the NDA?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>A.12. Confidentiality<sup>1</sup></b>	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
<b>A.13. Executing Entity information</b>	Undefined (No Entity)		
<b>A.14. Project/Programme rationale, objectives and approach of programme/project (max 200 words)</b>	<p>Currently, the public investment, expenditure, and debt management processes in Panama do not involve analysis and prioritization criteria related to climate change. This project will develop and implement innovative technological and technical elements to incorporate climate change in the public finance (investment, expenditure, and debt) management processes in the country, guaranteeing interoperable data management through digitalization, and the creation of governance schemes required within the National Government for this purpose. Additionally, the project will pilot market-based mechanisms, and strengthen institutional capacities to contribute to the climate financing agenda proposed by the country's NDC, with a continuous improvement approach in line with the urgency of the climate action and the need to adequately integrate climate change considerations into economic and financial decision-making.</p> <p>If climate change criteria are incorporated into decision-making in Panama's public finance system, and innovative market-based financial instruments are developed, then, it would be possible to align public financing, with the priorities and urgencies of climate change, and create new sources of financing for increasing Panama's climate resilience in line with the Paris Agreement because there would be information systems, processes, procedures, instruments and innovative tools to be able to identify where investments are most efficient, reduce the risk in the face of vulnerability and climate risk, better orient investments.</p>		
<b>B. Project / Programme information</b>			
<b>B.1. Context and Baseline (700 words)</b>			
<p>Historically, Panama has experienced extreme weather events including intense and protracted rainfalls, floods, droughts, wildfires, landslides, tropical storms, and ENSO/ El Niño-La Niña events that cause important economic losses and affect communities' livelihoods, including those which are most vulnerable and at-risk such afro-Panamanians, rural people and indigenous populations located in the San Blas Archipelago, coastal areas of Bocas del Toro, Colón, and western areas of Panama Province (World Bank, 2011).</p> <p>Projections of average annual temperature in Panama, anticipate an increase between 0.5°C and 2°C by 2050, depending on global levels of greenhouse gas (GHG) emissions<sup>[1]</sup>. Projected temperature increases translate into an increased vulnerability and risk for climate-sensitive sectors such as agriculture, water resources, forestry, infrastructure, and health which are expected to be particularly affected.</p>			

<sup>1</sup> Concept notes (or sections of) not marked as confidential may be published in accordance with the Information Disclosure Policy ([Decision B.12/35](#)) and the Review of the Initial Proposal Approval Process ([Decision B.17/18](#)).

Most of the highest climate-sensitive sectors, territories and communities are constantly involved in public investment projects, which portfolio, pipeline, and decision-making processes are managed by the MEF through the National Public Investment System of Panama (SINIP).

One of the most important challenges identified in the frame of the National Adaptation Plan (NAP) project, is the lack of knowledge basis on adaptation for decision-making processes, in this sense, NAP development, which is expected to take place from 2022 to 2025 will, among others, update information (projections associated with climate change and variability), develop Adaptation Strategies (including information on the vulnerability, costs, etc.) for four (4) sensitive sectors (Health, Infrastructure, water resources, and agriculture), and develop guidelines for the rest of the six (6) sectors of the NDC.

Recently, in 2021 the Institute of Meteorology and Hydrology of Panama was created for collecting and producing climate primary data and supporting other national entities in their responsibilities related to this type of information.

The updated NDC has identified adaptation commitments in 10 priority sectors (see [here](#)). Reach carbon-neutrality at the sectoral level and maintaining the condition of carbon-negativity at the national level by 2050 are part of the goals of the Panamanian commitment, and the implementation of the National Program Reduce your Footprint (PNRTH)<sup>[1]</sup> and the emission compensation schemes currently under development will be key-stones for the accomplishment of these goals reflected in recent regulation ([Decree No. 100/2020](#)).

According to the [last inventory of GHG](#) emissions (the base year 2017), Panama is a net carbon sink, presenting a carbon-negativity profile which indicates an important carbon market-based potential for the country. The generation of mitigation results as a consequence of the carbon-negativity of emissions is a fundamental component of the national climate finance strategies. In this sense, the National Government will create the conditions for the development of a national market for carbon pricing, through the PNRTH, which will facilitate green recovery and the transition towards carbon neutrality by 2050. This project will be articulated with 5 readiness proposals/projects, to prepare different stakeholders of the financial sector, development banks, private sector, and public sector towards the transformation of the Panamanian financial system, described in Annex 1.

Main barriers identified for financing climate change in Panama:

1. The decision-making and analysis of information on investment, expenditure and public debt in Panama do not incorporate climate change criteria, **which represents a financial barrier** for the implementation of mitigation and adaptation measures that contribute to the national climate change goals, as well as for the characterization and reporting of said information at the national and international level in line with the budget, fiscal and financial programming of the National Government.
2. **Public finance information systems** do not incorporate the collection, processing, analysis, and generation of information inputs related to climate finance for decision-making, setting up a technological barrier. Additionally, there are not structured data, nor standardized methodologies for assessing mitigation potential, and vulnerability of the investment portfolio of MEF
3. The **existing regulations and governance schemes** related to public financing processes in Panama don't contemplate aspects of climate change, so there is not regulatory basis that supports the incorporation of climate change analysis into decision-making of public finance in Panama
4. There is a **limited institutional capacity** to incorporate and manage climate change data, variables and analysis within the processes and decision-making of public investment

[1] Cathalac (2016)

[2]PNRTH is being formulated for municipal, organizational, and products.

## **B.2. Project / Programme description (1500 words)**

The project establishes 4 outcomes to address the barriers and needs identified in previous sections, the Theory of Change for achieving the objective is included in Annex 2 and the articulation and contribution of readiness projects/proposals are described in Annex 3. :

### **Output 1. Climate information services in operation to incorporate climate change in public investment, spending and debt management processes within the MEF:**

1.1. Implementation of new climate services including methodologies and processes for the evaluation of investment projects.

1.2. Implementation of processes to incorporate methodologies for the assessment of risks associated with climate change in the investment, expenditure and debt management processes of Panama, including the climate risk assessment valuation of strategic financial assets for the country.

### **Output 2. Implementation of the climate finance monitoring and reporting labeling in Panama implemented.**

2.1. Implementation of processes and methodologies for the labeling (mitigation, adaptation and crosscutting) of investment, expenditure and public debt.

2.2. Implementation of processes and methodologies to identify and classify the categories and types of financing received (including loans, donations, guarantees and the other categories) by international cooperation.

2.3. Implementation of processes and methodologies for the monitoring, tracking progress and quantification of investment, spending and public debt by the government in climate change projects.

### **Output 3. Innovative information technological - IT system that supports new decision-making and monitoring processes in public financing incorporating climate change criteria in operation:**

3. 3.1. Design of the information system(s):

3.1.1. Conceptual design

3.1.2. Detailed technical design

3.1.3. Design a financial mechanism for the sustainability of the system in the long term

3.2. System architecture and infrastructure

3.3. Commissioning and production

3.3.1. Hardware and software will be installed and put in place

3.3.2. Functional and non-functional tests of the platform will be carried out, and the system will be put into operation.

3.3.3. Technical and functional manuals of the platform will be delivered

3.3.4. MEF team will be trained for its operation and maintenance

**Output 4. Carbon market governance and verification processes operating:**

2. 2.1. Establish and operationalize the verification and governance mechanisms necessary for the operation of market-based instruments

2.2. Establish and operationalize protocols within government entities for the implementation of market-based mechanisms

**Output 5. Carbon market process, and platform established to integrate public investments and projects into the voluntary market.**

3. 3.1. Establish guidelines on methodologies and standards to be used as part of the implementation of market-based instruments to ensure transparency and consistency based on the results of the pilots and adjustments required to put in place the mechanisms.

3.2. Delivery of technical support during the implementation of the pilots to operationalize market-based instruments in Panama.

**Output 6. Development of the governance aspects of transparency and climate finance in the public sector:**

4. 4.1. Provide support and technical accompaniment in the implementation of the activities defined in the roadmaps for strengthening the governance of public financing for climate finance.

**Output 7. Development of a capacity-building program:**

2.1. Technical support and adjustments to the capacity building program, according to the evolutive development of IT solutions and technical processes.

2.2. Implementation of the capacity-building program

Achieving these changes has a transformational potential that concerns all climate action in Panama, by generating the necessary government platform to guarantee the best management and channeling of public resources for the implementation of mitigation and adaptation initiatives in the country. In this way, it seeks to provide the MEF with the necessary capacities and tools to profoundly transform the management of climate finance through public resources, incorporating climate change criteria in accordance with what the current global situation demands.

Similar advances have been made in different countries of the region such as Chile, Mexico and Colombia, which have been making progress in the development of institutional, technical and legal mechanisms to implement equivalent schemes. The Analysis of these systems, costs and components will be developed towards the full

proposal elaboration of the project. Although each country response to its national characteristics, these processes already provide lessons learned in the region and offer frameworks to address the challenges of climate finance, which have included, among others, the establishment of management and decision-making bodies on climate finance in the three countries, the development of labeling schemes for both public and private expenditure and investment, the development of green taxonomy schemes to guide green financing in the financial sector and involve the investment and commercial banks.

The proper characterization of investment, expenditure, and public debt is one of the first steps to analyze, understand and improve the channeling of this type of resources towards the national goals and priorities established in the National Climate Change Policy and the NDC. Additionally, the development of processes that allow incorporating climate variability and climate change variables into the SINIP will be a fundamental step towards the consolidation of a public financing system aware of climate change realities.

Preparation for carbon markets presents advances in the country through the creation of a compensation model with the PNRTM and the definition of the bases for the mentioned market with the support of the World Bank. Carbon market pilots have also been developed by other countries in the region such as Chile and Peru, as one of the most viable strategies for technical and political bilateral exchanges between potential counterparts, creating spaces for dialogue and mutual trust that allow the country to advance towards the implementation of this type of mechanisms within the framework of compliance with its climate change commitments.

Based on the progress described in the country, and with the vision and lessons learned from other countries in the region, the development of carbon market-based instruments will scale up towards the consolidation of new economic and financial dynamics in Panama.

The accredited entity (AE), yet to be defined, will administer the funds for the activities under the formulation of the project presented. and will agree on a plan with the NDA of Panama as well as with the main recipient of the project (MEF) under a Project Steering Committee (PSC), to monitor the implementation of activities using the funds requested. With this vision, it is expected that the selected AE have regional representation and experience in Latin American and the Caribbean (LAC) region and previous experience working on climate change issues in Panama.

- **Financial risks:** the financial risks associated with these projects are considered low given that part of the transformation sought by the MEF is to incorporate technical and governance processes within the framework of the public management of the Government of Panama. The financial sustainability of these processes will be assumed by national entities, as it is a need identified by the same entities within the framework of the necessary transformations for climate action in Panama. Additionally, as part of project activity 3.1 it is foreseen to design and put in place a financial mechanism to ensure the sustainability of these capacities after the implementation period of the project.

- **Operational risks:** Securing servers and information processes, as well securing data becomes an existing risk for any system, the financial and market-based mechanisms information must be secured, currently, the MEF uses the family of the ISO 27000 Standard for information security management (ISMS) of the information, nevertheless, new risk analysis must be done, considering the new information systems and procedures that aim to

be developed. This will be covered with the definition of the better scheme of mechanisms and insurance for information security under the activities and budget of output 3 of the project.

The technical, institutional and technological capacities to ensure digitization of all the information of the country's projects and the systematization of the procedures and processes described in the activities represent an additional risk, currently, MEF does not have sufficient capacities to address the proposed activities into the entity, in this sense, two actions will be addressing this risk:

1. Readiness projects described in section B1, will begin the capacity building processes with different stakeholders inside and outside MEF as described in the same section of the document. It is expected this to take place during the next three years, preceding SAP developments.
2. Additionally, and considering that readiness projects cannot put in place permanent mechanisms for the sustainability of these strengthened capacities, the budget estimations consider consultants that support the development of the different activities during the project, a capacity-building program accessible for current and future staff of national entities involved in these processes, and the design and put in place a financial mechanism to ensure the sustainability of these capacities after the implementation period of the project.

As EP of this project, the AE will be responsible for supervising the implementation monitoring and report of the project in coordination with the Project Steering Committee (PSC) and the Project Management Unit.

### **B.3.Expected performance against the GCF investment criteria (1000 words)<sup>2</sup>**

#### **Potential impact:**

Transforming information systems, processes, procedures, instruments and innovative tools, making available climate change criteria to better direct investments will contribute to reduce climate vulnerability and risk, will be reflected in the reduction of risk and vulnerability of the sectors, territories and communities directly or indirectly involved in the investment projects of the country, under MEF portfolio. The quantitative estimation of these beneficiaries will be estimated as part of the development of the proposal, and the quantification expenditure of public resources (value of physical assets, livelihoods, and/or environmental or social losses due to the impact of extreme climate-related disasters and climate change in) will be developed as part of the NAP project, which is expected to begin in the first quarter of 2022.

#### **Paradigm shift:**

<sup>2</sup> For more information please refer to Annex XIV of document [GCF/B.07/11](#)

Allowing to implement public investment projects with climate change criteria during the next years, which will mean a direct impact on the adaptation vision of the country's NDC of seeking to promote climate resilience and reduce risk from the effects of climate change among the prioritized sectors will mean a paradigm shift in the climate finance of the country,

This will serve not only for the current pipeline of investment projects, but for future investment decisions in the country, giving the MEF the tools for leading the country towards a more resilient and carbon neutrality development pathway. This will also allow the country to better respond to the challenges that the post-COVID crisis and the urgency of climate action revert to the financial systems of the region.

### **Sustainable Development:**

This project contributes to the articulation of the financial system with the development goals and trajectories that serve as basis for NDC goals, aligning efforts and commitments with investment and expenditure decisions at the national level and improving its ability to monitor, analyze and improve such investments over time.

Considering that the project seeks to incorporate climate change criteria in the decision-making of the climate finance system, and that particularly the public investment portfolio of the country includes projects in different climate-sensitive sectors such as agriculture, water resources, forestry, infrastructure, and health which are expected to be particularly affected by climate change projections, the analysis of this portfolio with climate change criteria will reflect also social co-benefits, associated to the improvements of health and safety, access to energy, as well as environmental co-benefits such as conservation of biodiversity as a result. Quantitative impacts of the MEF's investment portfolio with climate change criteria might be estimated as part of the development of the complete proposal, at least for one of these indicators.

### **Needs of recipients:**

Financial needs: Link the post-COVID19 recovery framework with the updated NDC and the long-term development strategy is essential to ensure that Panama complies with the Paris Agreement. Even though there is not an estimation of the financial needs to accomplish mitigation and adaptation goals of the NDC<sup>[1]</sup>, the “COVID-19 Recovery: The Energy transition in Panama” estimated that by 2050 the accumulated incremental investment needs, depending on the selected scenario of energy transition, might be between USD \$ 21,000 million and USD \$ 47,000 million (available [here](#)).

In this sense, different strategies for reaching the private sector, mobilizing the banking sector and aligning public sector expenditure and investments will be crucial during the next decades to achieve NDC and Paris Agreement goals. National government has been structuring an holistic strategy to direct the efforts on different fronts to achieve this, for instance, Decree 100/2020, PNRTTH, the National Adaptation Plan, Transparency National System at policy and regulatory levels begins to establish clear steps towards a carbon-neutrality and resilient development.

· Social needs: public investment projects respond to the social and development needs of different territories, communities and sectors according to national development plans, among the current investment portfolio of MEF, include infrastructure, water security, health, energy access, conservation and ecosystems, among others.

Most of the projects have a relation with adaptation goals in different sectors. Nevertheless, MEF criteria and project cycle does not include today climate change criteria for the prioritization, structuring and monitoring these

projects, in this sense, including these criteria will be crucial to attend these social needs according to climate change projections for reducing vulnerability and risk of communities, territories and sectors.

· **Institutional needs:** the lack of methodologies, procedures and mandates for achieving the incorporation of climate change criteria, additionally, the lack of a unified taxonomy impedes the identification and classification of sustainable economic activities with the ultimate goal to reorient capital flows towards national climate change priorities, and the need of creating new financial sources, in this case from market-based instruments, to finance and accomplish NDC goals, are among the main institutional needs address by this project as described in previous sections.

**Country ownership:** Considering that the project proposal has arisen from the needs raised by the government, and seeks the development of governance schemes, technical capacities, procedures and the development of computer functionalities to respond to the needs for improvement of the management of its investment, expenditure and public debt system, it is considered that the appropriation of the products generated by the government entities involved will be guaranteed.

**Efficiency and effectiveness:** a technological transformation of the financial system managed by MEF is imperative to allow to better direct investments and identify where investments are most efficient, and will contribute reducing climate vulnerability and risk through the pipeline investment projects of the national government.

Additionally, the analysis of national investment, expenditure and debt, in relation to climate change from the labeling system, and the reporting of climate financing information at national and international level in accordance with the guidelines of the Paris Agreement Rule Book. In addition, it will allow to permanently and continuously improve the directing of resources public towards climate change.

[1]Initial data will be estimated at the NAP development for specific sectoral strategies in terms of costs of adaptation actions, and at the national level, analyzing historical expenditure in adaptation using CPEIR methodology

#### **B.4 Stakeholders consultation and engagement (300 words)**

Both the Ministry of Environment (MiAmbiente) and the MEF have committed through the NDC with the implementation of the NDC, as stated in the Updated NDC. The government of Panama has been making progress in the development of governance schemes within the draft Framework Law on Climate Change and the launch of the Reduce your Footprint National Program.

Additionally, the country faces a complex financial scenario due to the economic and sanitary crisis, which has forced the national government to refocus efforts and processes which include as a priority matter, the alignment of the expenditure and public investment with the country's climate commitments.

In this sense, the country and specifically key institutions involved in these processes such as the MEF and the Ministry of Environment, are ready to scale the public financing management processes in the country in line with the fulfillment of their commitments and implement climate services and innovative IT systems for the management, monitoring, and reporting financial resources, as well as to explore possible carbon market-based mechanisms within the framework of climate finance.

The proposal has been developed from the identification of specific needs by the MEF, and MiAmbiente, with whom, in addition to its role as NDA of Panama, has sought full coordination of the proposal with the country portfolio and articulation with other readiness projects with the GCF and other cooperation projects that the country has been carrying out.

Considering that the activities described in the framework of this project are the product of the needs raised by the entities of the Government of Panama, they have been approached in terms of orientation and scope according to the institutional and technical structure, the legal mandates and what is being projected in the country, and that includes the PNTC established by Decree 100 of 2020.

### C. Indicative financing information (max. 2 pages)

#### C.1. Financing by components

*Please provide an estimate of the total cost per component and disaggregate by source of financing.*

Component	Output	Indicative cost (USD)	GCF financing		Co-financing			
			Amount (USD)	Financial Instrument	Type	Amount (USD)	Financial Instrument	Name of Institutions
MEF incorporate climate change criteria into decision-making of financial system, and establish evaluation and monitoring schemes of climate change and ODS's finance in Panamá	1. Technical processes, procedures and methodologies implemented to incorporate climate change in public investment, expenditure and debt management processes within the MEF. (the estimation includes the budget for 3 consultants: GIS, adaptation expert, and risk management expert for the 5 years + consultancies for specific	680,000	670,000	grant	public	10,000	grant	GCF readiness - FAO



	analysis as the development of the methodologies and process data from the NAP outputs + workshops)							
MEF incorporate climate change criteria into decision-making of financial system, and establish evaluation and monitoring schemes of climate change and ODS's finance in Panamá	1. Technical processes, procedures and methodologies implemented to incorporate climate change in public investment, expenditure and debt management processes within the MEF. (the estimation includes the budget for 3 consultants: GIS, adaptation expert, and risk management expert for the 5 years + consultancies for specific analysis as the development of the methodologies and process data from the NAP outputs + workshops)	430,000	400,000	grant	public	30,000	in-kind	GCF readiness private Climate finance



<p>MEF incorporate climate change criteria into decision-making of financial system, and establish evaluation and monitoring schemes of climate change and ODS's finance in Panamá</p>	<p>2. Procedures and methodologies for climate finance monitoring and reporting labeling in Panama implemented (The estimation includes the budget for 3 consultants: financial, IT systems, and project formulation experts for the 5 years + consultancies for specific analysis to develop the methodologies and process based on the NAP outputs)</p>	<p>916,200</p>	<p>900,000</p>	<p>grant</p>	<p>public</p>	<p>16,200</p>	<p>in-kind</p>	<p>MEF and MiAmbiente</p>
<p>II. Systems improved, and information integrated into the digital system aligned with outcomes 1 and 2</p>	<p>3. Platform technological development (each phase of the IT development and commissioning will require two dedicated consultants into the MEF, that lead the day to day consultations for defining functionalities,</p>	<p>356,500</p>	<p>200,000</p>	<p>grant</p>	<p>public</p>	<p>156,500</p>	<p>grant</p>	<p>CAEP</p>



	running tests, etc. + budget of the consultancies that will actually develop the information system(s))							
II. Systems improved, and information integrated into the digital system aligned with outcomes 1 and 2	3.2. IT system architecture and infrastructure 3.3. Commissioning and production of the IT solution(s). (This budget considers also the possible need of acquire equipment that produces primary data in field if necessary, according with the methodologies and procedures established as part of the output 1.)	6,071,600	5,200,000	grant	public	871,600	grant	CBIT and MEF and MiAmbiente
III. Market-based instruments in place to support transformation of financial	4. Carbon market governance and verification processes operating 4.1. Establish and operationalize	685,400	180,000	grant	public	505,400	in-kind	MEF and MiAmbiente



<p>system incorporating innovative instruments. (The estimation includes the budget for 1 consultants : (in markets for the 5 years + 1 junior profile + part time of a fiscal expert + consultancies for specific analysis to develop the methodologies and process the NAP outputs)</p>	<p>the verification and governance mechanisms necessary for the operation of market-based instruments 4.2. Establish and operationalize protocols within government entities for the implementation of market-based mechanisms</p>							
<p>III. Market-based instruments in place to support transformation of financial system incorporating innovative instruments. (The</p>	<p>5. Carbon market process, and platform established to integrate public investments and projects into the voluntary market 5.1. Establish guidelines on methodologies</p>	<p>460,800</p>	<p>450,000</p>	<p>grant</p>	<p>public</p>	<p>10,800</p>	<p>in-kind</p>	<p>MEF and MiAmbiente</p>



<p>estimation includes the budget for 1 consultants : (in markets for the 5 years + 1 junior profile + part time of a fiscal expert + consultancies for specific analysis to develop the methodologies and process the NAP outputs)</p>	<p>and standards to be used as part of the implementation of market-based instruments 5.2. Delivery of technical support during the implementation of the market-based mechanisms</p>							
<p>IV. Regulatory framework of climate finance information system is in place, and capacities of MEF and other entities of the sector strengthen</p>	<p>6. Governance and legal aspects (The estimation includes the budget for the project coordinator for the 5 years + and one part-time consultant on legal affairs + budget for workshops) 6.1. Provide support and technical accompaniment in the implementation</p>	<p>750,000</p>	<p>500,000</p>	<p>grant</p>	<p>public</p>	<p>250,000</p>	<p>grant</p>	<p>GCF Readiness</p>



	n of the activities defined in the roadmaps for strengthening the regulation of public financing for climate finance							
IV. Regulatory framework of climate finance information system is in place, and capacities of MEF and other entities of the sector strengthen	7. MEF's personnel have strengthen capacities to incorporate climate change criteria into public finance decision-making processes 7.1. Technical support and adjustments to the capacity building program, according with the evolutive development of IT solutions and technical processes.	600,000	350,000	grant	public	250,000	grant	GCF Readiness
Project Management Cost	(7,5%)	680,250	680,250	grant		0	other	
Imprevistos, viajes y Talleres		249,500	249,500	grant		0	other	
<b>Indicative total cost (USD)</b>		11,880,250	9,779,750				2,100,500	

*For private sector proposal, provide an overview (diagram) of the proposed financing structure.*

**C.2. Justification of GCF Funding Request (500 words)**

The National Government has already been making strong progress towards complying with NDC mitigation, adaptation and enabling conditions commitments, starting the process of issuing the Framework Law on Climate Change and establishing the National Transparency System and the PNRTH as fundamental strategic lines for climate action through Decree 100 of 2020. Despite these efforts, and because the necessary institutional arrangements and capacities are currently being developed to address the complexity of the processes associated with climate action, the National Government does not yet have the capacities to develop the systems necessary and that the transformation process that it seeks in a transversal way in public management.

Considering, the needs to be addressed require a public financial system intervention, a private sector, in this case, would represent a high risk of independence for national institutions and processes. Additionally, the national government does not have the capacity, not even the mandate of incorporating climate change criteria into decision-making processes of the public finance, in this sense, the appropriation of the required resources would take several years, and previous regulatory changes, that might result in very late development of the required transformation to contribute to the NDC goals in this decade.

In this context, and considering that the Green Climate Fund (GCF) provides financial support to developing countries to limit or reduce greenhouse gas emissions and adapt to the impacts of climate change, with the aim of promoting a paradigm shift towards low-emission and climate-resilient development, the GCF board (Decision B.07 / 04 (b)) calls for "... increased generation and use of climate information in decision-making; strengthened adaptive capacity and reduced exposure to climate risks; strengthened awareness of climate threats and risk-reduction processes". In addition, the National Government chose to request the support of the GCF in this transformation process, which is fundamental for the successful implementation of climate change initiatives in the country during the next decades.

### **C.3. Exit Strategy and Sustainability (500 words)**

The ownership of the project is based on the fact that project activities have been identified as needs to be addressed by MEF and the Ministry of Environment of Panamá themselves. Considering the important roles of these entities, which are responsible for the fiscal and financial national policies, and the NDC implementation and reporting, their engagement and conviction of the need to address these issues means a solid base for the development of the project.

Country ownership and sustainability will also rely on the financial mechanism for the sustainability of the IT system in the long term, considering the option of registration fees, market-based fees, among others as part of the results of this project. This will have to be articulated with the different components of the Climate Transparency System.

Also, the project will support the development of technologies that will support the methodologies and procedures design for transforming climate finance processes in Panama, as part of component 2 of the project, it is expected that the personnel of MEF and MiAmbiente will define the way these developments better suit to their information systems and plans, for ensuring also the sustainability of the results.

Finally, considering that readiness projects cannot put in place permanent mechanisms for the sustainability of these strengthened capacities, the budget estimations consider consultants that support the development of the

different activities during the project, a capacity-building programme accessible for current and future staff of national entities involved in these processes, and the design and put in place a financial mechanism to ensure the sustainability of these capacities after the implementation period of the project.

#### **D. Annexes**

- ESS screening check list (Annex 1)
- Map indicating the location of the project/programme (as applicable)
- Evaluation Report of previous project (as applicable)

### Annex 1: Environmental and Social Screening Checklist<sup>3</sup>

#### Part A: Risk Factors

Please indicate your answers to the questions below and provide an explanation on the response selected. In cases when the TBD response has been selected please explain briefly why you are not able to determine now and when in the project cycle the question will be addressed.

If the criteria is not applicable to the project you may write N/A in the justification box.

Risk Factors	YES	NO
Will the activities involve associated facilities and require further due diligence of such associated facilities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project will develop and implement innovative technological and technical elements to incorporate climate change in the public finance (investment, expenditure, and debt) management processes in the country, guaranteeing interoperable data management through digitalization, and the creation of governance schemes required within the National Government for this purpose.		
Will the activities involve trans-boundary impacts including those that would require further due diligence and notification to affected states?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
NO, THE PROJECT WILL DEVELOP AND IMPLEMENT AT THE NATIONAL TERRITORY OF PANAMA		
Will the activities adversely affect working conditions and health and safety of workers or potentially employ vulnerable categories of workers including women and children?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
NO, This project will develop and implement innovative technological and technical elements to incorporate climate change in the public finance (investment, expenditure, and debt) management processes in the country, guaranteeing interoperable data management through digitalization, and the creation of governance schemes required within the National Government for this purpose.		
Will the activities potentially generate hazardous waste and pollutants including pesticides and contaminate lands that would require further studies on management, minimization and control and compliance to the country and applicable international environmental quality standards?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		
Will the activities involve the construction, maintenance, and rehabilitation of critical infrastructure (like dams, water impoundments, coastal and river bank infrastructure) that would require further technical assessment and safety studies?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		
Will the proposed activities potentially involve resettlement and dispossession, land acquisition, and economic displacement of persons and communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating		

<sup>3</sup> In answering this checklist, you may refer to Annex 1: Guidance on Part A ESS Screening of the ["Guidelines for the environmental and social screening of activities proposed under the SAP"](#)

climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		
Will the activities be located in or in the vicinity of protected areas and areas of ecological significance including critical habitats, key biodiversity areas and internationally recognized conservation sites?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		
Will the activities affect indigenous peoples that would require further due diligence, free, prior and informed consent (FPIC) and documentation of development plans?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		
Will the activities be located in areas that are considered to have archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values or contains features considered as critical cultural heritage?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).		

**Part B: Specific environmental and social risks and impacts**

Assessment and Management of Environmental and Social Risks and Impacts	YES	NO	TBD
Has the E&S risk category of the project been provided in the concept note?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Has the rationale for the categorization of the project been provided in the relevant sections of the concept note?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Are there any additional environmental, health and safety requirements under the national laws and regulations and relevant international treaties and agreements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are the identification of risks and impacts based on recent or up-to-date information?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour and Working Conditions	YES	NO	TBD
Will the activities potentially have impacts on the working conditions, particularly the terms of employment, worker's organization, non-discrimination, equal opportunity, child labour, and forced labour of direct, contracted and third-party workers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will the activities pose occupational health and safety risks to workers including supply chain workers?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Resource Efficiency and Pollution Prevention</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities generate (1) emissions to air; (2) discharges to water; (3) activity-related greenhouse gas (GHG) emissions, (4) noise and vibration; and (5) wastes?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will the activities utilize significant amount of natural resources including water and energy?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will there be a need to develop detailed measures to reduce pollution and promote sustainable use of resources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Community Health, Safety, and Security</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially generate risks and impacts to the health and safety of the affected communities?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will there be a need for an emergency preparedness and response plan that also outlines how the affected communities will be assisted in times of emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			

Will there be risks posed by the security arrangements and potential conflicts at the project site to the workers and affected community?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Land Acquisition and Involuntary Resettlement</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities likely involve land acquisition and/or physical or economic displacement?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Biodiversity Conservation and Sustainable Management of Living Natural Resources</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially introduce invasive alien species of flora and fauna affecting the biodiversity of the area?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will the activities have potential impacts on or be dependent on ecosystem services including production of living natural resources (eg. agriculture, livestock, fisheries, forestry)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Indigenous Peoples</b>	<b>YES</b>	<b>NO</b>	<b>TBD</b>
Will the activities potentially have any indirect impacts on indigenous peoples, ethnic minorities, or vulnerable and marginalized groups?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
<b>Cultural Heritage</b>	<b>Yes</b>	<b>NO</b>	<b>TBD</b>
Will the activities restrict access to the cultural heritage sites and properties?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).			
Will there be a need to prepare a chance-find procedure in case of the discovery of cultural heritage assets?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
This project is totally focused on strengthening institutional capacities of the National Government			

of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).

Stakeholder engagement and grievance	Yes	NO	TBD
Will the activities include a continuing stakeholder engagement process and a grievance redress mechanism and integrated into the management/implementation plans?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This project is totally focused on strengthening institutional capacities of the National Government of Panama, through developing technical, technological, and governance tools for incorporating climate change into public investment processes contributing to the national climate change goals of Panamá under its National Determined Contribution (NDC).

**Part C: Sign Off**

**Sign-off:** to be determined