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AND

MULTILATERAL INVESTMENT GUARANTEE AGENCY

PERFORMANCE AND LEARNING REVIEW

OF THE COUNTRY PARTNERSHIP FRAMEWORK

FOR THE

REPUBLIC OF PANAMA

FOR THE PERIOD FY15-FY21

June 8, 2018

**Central America Country Management Unit
Latin America and Caribbean Region**

**The International Finance Corporation
Latin America and the Caribbean Region**

The Multilateral Investment Guarantee Agency

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The date of the last Country Partnership Framework was March 2, 2015 (Report No. 93425-PA)

FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange rate effective as of March 6, 2018)

Currency Unit = Balboas (B/)

1.00 B/ = US\$1.00

ABBREVIATIONS AND ACRONYMS

AML	Anti-Money Laundering
CAF	Development Bank of Latin America
CAT-DDO	Catastrophe Risks Deferred Drawdown Option
CFT	Combatting the Financing of Terrorism
CPF	Country Partnership Framework
CRS	Common Reporting Standard
DRM	Disaster Risk Management
DRFI	Disaster Risk Financing and Insurance
DPF	Development Policy Financing
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
GAFILAT	Financial Action Task Force of Latin America, <i>El Grupo de Acción Financiera de Latinoamérica</i>
GDP	Gross Domestic Product
GEF	Global Environment Facility
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
ITSMO	Integration and Technological Solutions of the Operational Management Model
LAC	Latin America and the Caribbean
LNG	Liquefied Natural Gas
MEF	Ministry of Economy and Finance, <i>Ministerio de Economía y Finanzas</i>
MIDES	Ministry of Social Development, <i>Ministerio de Desarrollo Social</i>
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small and Medium Enterprises
MW	Megawatts
OECD	Organization of Economic Co-operation and Development
PLR	Performance and Learning Review
PPP	Public-Private Partnership
RAS	Reimbursable Advisory Service
RWSS	Rural Water Supply and Sanitation
SDP	Strategic Development Plan
SIASAR	Rural Water and Sanitation Information System, <i>Sistema de Información de Agua y Saneamiento Rural</i>
TA	Technical Assistance
TSA	Treasury Single Account

WB
WBG

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	IBRD	IFC	MIGA
Vice President:	Jorge Familiar	Georgina Baker	Keiko Honda
Director:	Y. Seynabou Sakho	Gabriel Goldschmidt	Merli Baroudi
Regional Manager:		Luc L. Grillet	
Task Team Leaders:	Christian Peter/ Kathleen Krackenberger	Eduardo Wallentin/ Angela Maria Fonseca	Bexi Francina Jimenez Mota/ Gero Verheyen

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I. INTRODUCTION

1. **This Performance and Learning Review (PLR) summarizes progress in the implementation of the World Bank Group (WBG) Country Partnership Framework (CPF) for the Republic of Panama for the period FY15-FY21 (Report No. 93425-PA).**¹ The CPF was designed to support a strong and sustainable growth model as a main driver of poverty reduction, while enhancing shared prosperity for those groups who have benefited the least. It emphasized a focus on presenting integrated solutions that bring together global knowledge, technical assistance (TA), financial solutions, and policy dialogue across the WBG. Additionally, it drew upon the comparative advantages of each of the WBG's institutions² to provide Panama with targeted assistance to best address the country's development needs. The CPF sought to do this through three mutually reinforcing pillars: (i) supporting continued high growth; (ii) ensuring inclusion and opportunities for marginalized and Indigenous groups; and (iii) bolstering resilience and sustainability.

2. **The CPF was prepared to support the government's ambitious development agenda and is aligned with Panama's five-year political cycle.** The new government, which came to power in July 2014, was committed to tackling long-term reforms, in particular related to the diversification of Panama's economic growth strategy, increasing access to services to build human capital, enhancing resource management and sustainability, and strengthening the institutional capacity and governance of the public sector. In this context, the CPF was designed to support the government's Strategic Development Plan 2014-2019 (SDP), which continues to be relevant. The SDP rests on the pillars of inclusion and competitiveness and includes five themes: (i) enhancing productivity and diversifying growth; (ii) enhancing quality of life; (iii) strengthening human capital; (iv) improving infrastructure; and (v) improving environmental sustainability. To ensure continuity across administrations, the CPF allows for a transition period through July 2019, when the new administration is scheduled to take office.³ During this period, a dialogue with the in-coming government can be established while the preparation of a new Systematic Country Diagnostic and CPF gets underway in FY20. In addition, the longer implementation period will support achievements of development objectives in the context of public sector constraints.

3. **While some adjustments are proposed in this PLR, with its objectives on track to be achieved by FY21, the main thrust of the CPF remains valid to serve as the strategy document for collaboration between Panama and the WBG.** The selectivity filters applied during the development of the CPF continue to be relevant. The government remains committed to the CPF's pillars and objectives, which continue to be WBG priorities and remain aligned with the WBG's comparative advantage. As there was considerable interest by the government in assistance from the International Bank for Reconstruction and Development (IBRD), the CPF originally proposed to increase lending through the IBRD from US\$521 million (under the Country Partnership Strategy FY11-FY14) to almost US\$1 billion (under the current CPF period). Nevertheless, pipeline development in a number of sectors (e.g., water and health) was affected during FY17 by competition from other financial institutions. Going forward, this PLR makes necessary adjustments to the CPF program to reflect and address the realities affecting CPF implementation, including: (i) limited public sector capacity; (ii) persistent fiduciary risks; and (iii) IBRD financial capacity, including as it stands following the agreed capital increase (April 2018).

¹ The CPF was discussed by the WBG Executive Directors on March 2, 2015.

² The World Bank (WB), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

³ The next presidential elections will take place in May 2019; the inauguration will take place on July 1, 2019.

4. **With these adjustments, the WBG is well positioned to remain a relevant partner for Panama and respond to its emerging challenges in the future.** While Panama’s gross domestic product (GDP) is still growing at a relatively fast pace, sustaining this performance requires a continued focus on building public sector capacity, managing risk in a fast-growing financial sector (including adhering to global standards on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT)), targeting interventions to enhance inclusion, and maximizing finance for development. Long-term growth modelling suggests that Panama can expect to benefit from investment-led growth for up to another decade, after which time increased productivity will need to drive growth. Looking ahead, it will be critical that efforts to strengthen important global public goods, such as tax transparency and AML, which have already had a positive impact both within Panama and globally, be continued. Similarly, leveraging resources (including from the private sector) for continued support to major public infrastructure projects will be key to Panama’s urban regeneration, energy and transport infrastructure. Perhaps most importantly, efforts to reduce inequality and ensure the upstream and effective participation and inclusion of Indigenous Peoples in policy dialogue, planning, and prioritization of investments are an area of critical WBG support, particularly given the limited scope for private sector investment in basic services. The WBG is uniquely poised to support Panama in these efforts with an integrated package of financial, technical and just-in-time advisory assistance, as well as with a variety of tailored instruments. There is immense potential for the generation of global public goods and innovation that could be replicated in other countries.

II. MAIN CHANGES IN COUNTRY CONTEXT

Recent Economic Developments⁴

5. **Growth has picked up in recent years and is expected to remain solid over the medium-term.** Over the past decade, Panama has been one of the fastest growing economies in the world, with an average annual growth rate of nearly 7 percent from 2010 to 2017. After comparatively slow growth in 2016 (5 percent) due to a deceleration in the services sector, economic growth increased in 2017 (5.4 percent) driven by construction, transport, and increased exports (due to expansion of the Panama Canal).⁵ Panama’s strong growth performance stems from significant growth in investment, but also from an open, competitive, and diversified economy. The country’s continuous improvements in structural policies and infrastructure contributed to Panama’s ranking as the third most competitive economy in Latin America and the Caribbean (LAC) after Chile and Costa Rica.⁶ Looking ahead, real GDP growth is expected to stabilize at around 5.5 percent over the medium term. The expanded Panama Canal will continue to support growth and fiscal revenues. Growth will likely continue to be driven by investment, construction (expansion of the Panama City Metro and Tocumén International Airport), financial intermediation, transport, communication and logistics, and wholesale and retail trade.

6. **Such strong growth continues to benefit from a stable macroeconomic environment.** Macroeconomic stability in Panama is based on full dollarization, a fiscal policy that follows a fiscal rule, and a healthy banking sector. Given the lack of monetary policy, fiscal policy plays a crucial role in stabilizing the economy. The Fiscal and Social Responsibility Law mandates an “adjusted fiscal

⁴ Panamanian authorities, IMF, and WB staff estimates and projections (April 2018).

⁵ The expanded Panama Canal opened in June 2016.

⁶ World Economic Forum. The Global Competitiveness Report 2017–2018.

deficit” ceiling of 0.5 percent of GDP by 2018.⁷ This law has helped to anchor the fiscal deficit and maintain fiscal prudence. High growth, combined with prudent fiscal policy, has resulted in declining ratios of public debt-to-GDP, and Panama’s risk of public external debt distress is low. After peaking at an estimated 38 percent in 2017, the debt-to-GDP ratio is expected to continue its decline to 35 percent by 2020. External public debt and interest payments are projected to remain stable as a share of GDP as higher interest rates offset slowly declining debt. Having weathered the 2009 global economic and financial crisis fairly well, Panama’s financial sector continues to be regarded as largely sound and resilient.

7. Panama has made important progress in improving tax transparency, but further actions are needed to ensure compliance with international standards. In 2016, around 11.5 million documents were leaked from a private law firm based in Panama regarding operations through off-shore shell structures by over 200,000 entities from across the world, and later by revelations regarding the alleged involvement of a Panamanian conglomerate in money laundering and drug trafficking activities. The fast-track Organization for Economic Co-operation and Development’s (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes peer review process rated Panama provisionally as ‘Largely Compliant’ with the international standard as a result of the measures the authorities put in place after the Global Forum’s Phase 2 review in November 2016. Since then, Panama committed and established the legal framework to implement the OECD’s Common Reporting Standard (CRS), ratified the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, and signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information. It also ratified the Intergovernmental Agreement that enforces compliance of the Foreign Account Tax Compliance Act (FATCA), established a legal framework to comply with automatic exchange of information under FATCA, and included Panama in a category of jurisdictions subject to close monitoring with regards to preferential tax regimes.

8. In addition, Panama has made progress strengthening its AML practices according to global standards. In June 2014, Financial Action Task Force (FATF) identified Panama among the countries with strategic AML/CFT deficiencies (“Grey List”). In February 2016, Panama was removed from the “Grey List” after it implemented a series of legislative and regulatory steps to address deficiencies identified during the assessment process. The decision to remove Panama from the “Grey List” was based on the previous FATF standards (from 2003). In mid-2017 Panama underwent a new assessment under the prevailing 2012 FATF standards, which now reviews the effective implementation of the AML/CFT framework along with the technical (legal) compliance.⁸ In December 2017, a meeting of the FATF of Latin America (GAFILAT) discussed the Mutual Evaluation Report of Panama and, while noting important progress since 2014, identified shortcomings in Panama’s legal and implementation framework for AML/CFT. The shortcomings related to: (i) risk assessment; (ii) lack of criminalization of tax evasion related to AML; (iii) insufficient obligations to take preventive controls on resident agents; and (iv) lack of prohibition of nominee directors or shareholders. To address these, the WBG will provide assistance to Panama to continue to improve in the areas of tax transparency and financial integrity required in the medium term.

⁷ Adopted in 2008 and revised in 2012, the Fiscal and Social Responsibility Law establishes legal limits for adjusted fiscal deficits. The adjusted fiscal deficit is determined by adjusting the headline fiscal deficit by transfers from the *Fondo de Ahorro de Panama*. Fiscal deficits in this document refer to the headline or unadjusted deficits unless otherwise specified.

⁸ The amended standards place greater emphasis on a risk-based approach, whereby countries are expected to analyze and understand how the money laundering/terrorism financing risks they identify affect them and take appropriate measures to mitigate and manage those risks. The 2012 FATF standards include tax crimes as predicate offences to money laundering.

Poverty and Shared Prosperity⁹

9. **Economic growth and public transfers have helped to reduce poverty substantially, although it remains a problem in rural and Indigenous areas.** Between 2008 and 2016, poverty, measured at the upper middle and lower middle-income class lines, declined from 26.7 percent to 14.6 percent (below US\$5.5 per person per day) and from 13.9 percent to 7 percent (below US\$3.2), respectively. While growth was the key driver of poverty reduction nationally, the decline is also associated with increased labor income and public transfers, with the effects of labor income somewhat stronger. Social assistance programs also remain important contributors to poverty reduction, particularly among the poorest households where public transfers accounted for one-fifth of household income. While labor force participation increased from 69 percent in 2004 to 74 percent in 2014, the bottom 40 percent have lower overall participation rates (62 percent in 2004 and 64 percent in 2014) and the gap between the bottom 40 percent and the rest of the population has stayed fairly similar over this ten-year period.

10. **Despite a sharp rise in the size of the middle class, inequality remains high in Panama.** At 0.50, Panama's Gini coefficient is among the highest in Central America. The rate of poverty reduction is unequal across the country, with faster reduction in richer areas, which has led to a further concentration of poverty in specific geographic areas. In particular, poverty and extreme poverty are becoming ever more concentrated in rural and Indigenous areas. In 2016, using the national poverty methodology, urban areas saw rates of extreme poverty below three percent, while in rural areas it was nearly 25 percent. On average, in the three largest *comarcas*,¹⁰ poverty was above 80 percent and extreme poverty above 60 percent. Lack of services, particularly access to water and sanitation and health, continues to be a constraint to development in the *comarcas*.

11. **Income inequality remains in the mid-range for LAC countries and challenges persist in the public provision of social services.** There continues to be room to improve the public provision of social services across the country. For example, children in Indigenous communities still have significantly less access to basic services than children in rural or urban areas, and 40 percent of pregnant Indigenous women do not have any prenatal checks. Key challenges include targeting of poverty interventions and the provision of services in isolated communities. Efforts under the DPF series to graduate households from the Conditional Cash Transfer program and to add poverty criteria to the social pensions have the potential to free up resources that could be used to the benefit of the poorest in the population.

III. SUMMARY OF WBG PROGRAM IMPLEMENTATION

12. **At the outset of the CPF period, the WBG presented a robust program of activities across IBRD, IFC, and MIGA, employing a diverse mix of instruments.** Potential IFC and MIGA support was to focus mainly on the energy and infrastructure sectors. Expected IFC investments in the expansion of the Panama Canal, alternative energy (wind, hydro and liquefied natural gas (LNG) to power), and support to Micro, Small and Medium Enterprises (MSMEs) materialized. After MIGA's US\$626.1 million backing for Panama City's Metro Line 1 in the previous CPF period, MIGA's

⁹ The data on poverty and labor participation in this document were calculated based on SEDLAS (the World Bank and SEDLAC), a harmonized database used for international comparisons. Hence, the data differs from the official data by the Panamanian authorities. The \$5.50 per day poverty rates are based on 2011 purchasing power parity.

¹⁰ Comarcas are legally recognized, semi-autonomous regions within Panama that are collectively occupied by groups approximately 47 percent of Panama's Indigenous Peoples. At present, there are five *comarcas*: Kuna Yala, Emberá Wounaan, Ngobe Bugle, Kuna Mungandí, Kuna Wargandí. The comarcas make up over 22 percent of Panama's land mass and include some of its richest natural resources.

potential support for Panama City’s Metro Line 2 did not materialize, reflecting the shorter maturity of the financing package, which under the market conditions at the time did not necessitate a MIGA guarantee. With respect to IBRD, the active portfolio at the time of the CPF included two lending operations and one development policy financing (DPF) operation with Catastrophe Risks Deferred Drawdown Option (CAT DDO), totaling US\$161 million.¹¹ In addition, one new lending operation and one DPF were about to be approved, totaling approximately US\$310 million.¹² The CPF also anticipated additional new lending, which included operations in social protection, rural productivity, and three operations in water, as well as at least one follow-on DPF (as part of the programmatic series), of which the social protection operation, the second DPF, and one water sector operation materialized.¹³ A third DPF has been designed and is being considered by the Board of Executive Directors in June 2018.¹⁴ Following changing government priorities, preparation of the productivity project was halted in favor of lending to support the National Indigenous Peoples Development Plan, which was approved in March 2018.¹⁵ The expected follow on to the Metro Water and Sanitation Improvement Project and a project focused on rural water and sanitation did not materialize. In addition, the approved water sector project (Burunga) was originally designed to include the construction of a wastewater treatment plant for a total of US\$100 million, but financing of the wastewater treatment plant was taken up by the Development Bank of Latin America (CAF) and the approved project amounted to only US\$65million. Finally, though not planned under the original CPF, the government expressed interest in IBRD’s support for a health sector project, but subsequently secured financing from the Inter-American Development Bank (IADB) for this work.

Pillar I: Supporting Continued High Growth

Objective 1: Enhance logistics and connectivity

13. **This objective is on track to be achieved due to the effective coordination across the WBG.** The IFC’s investment in the Panama Canal expansion has increased the Canal’s annual capacity from 330 million tons in 2008 to 403 million tons in 2017, the year following the opening of the expanded Canal.¹⁶ By strengthening Panama’s position as an international and regional logistics hub, this investment in one of the country’s most important and dynamic sectors is expected to be a major contributor to future growth. With the Panama City Metropolitan Area’s productivity affected by the lack of convenient, efficient, safe and accessible transport options, urban development and transport planning have been supported by both the IBRD and MIGA.¹⁷ In addition, the IBRD provided TA to estimate the economic loss due to externalities related to traffic congestion, road traffic accidents and air pollution, which was assessed as three to five percent of GDP.¹⁸ Building on this TA, the government requested IBRD support through a Reimbursable Advisory Service (RAS) to inform government policy alternatives and strategies on technology-based mobility solutions for transport-sector planning, management and control.¹⁹

¹¹ Metro Water and Sanitation Improvement Project (P119694); Enhanced Public Sector Efficiency Project (P121492); Disaster Risk Management (DRM) Development Policy Loan with a CAT DDO (P122738).

¹² The First Programmatic Shared Prosperity Development Policy Loan (DPF1, P151804); Sustainable Production Systems and Conservation of Biodiversity Global Environment Facility (GEF) (P145621).

¹³ Strengthening Social Protection and Inclusion System (P155097); Panama Second Shared Prosperity Development Policy Loan (DPF2, P121492); and Burunga Wastewater Management Project (P154275)

¹⁴ Panama: Third Programmatic Shared Prosperity Development Policy Financing (P166159).

¹⁵ Support for the National Indigenous Peoples Development Plan (P157575).

¹⁶ Panama Canal Expansion (P26665, IFC).

¹⁷ Metro Line 1, Guarantee (MIGA); Panama Urban Mobility Reform (P155132).

¹⁸ Urban Planning TA to the Municipality of Panama (P154224); Urban Planning TA to Panama City Phase 2 (P159648); Central America Urbanization Review (P152713); Central America Spatial Analysis of Secondary Cities (P153977).

¹⁹ Smart Mobility Solutions with Open Innovation (P161802, RAS).

Objective 2: Increase reliability of energy supply

14. **Efforts to increase energy efficiency and add capacity to the energy system are on track to improve the overall reliability of Panama's energy supply.** Through the use of DPFs, the IBRD has supported a changing policy environment which ushered in new, better targeted tariff subsidies and established incentives to increase the share of renewable energy in the power generation matrix.²⁰ These efforts were complemented by IFC's advisory services to increase energy efficiency through the implementation of a Green Building Code, as well as investments and TA to ramp up hydroelectric, wind and LNG projects.²¹ Implementation of these TA activities contemplates the participation of the private sector in solving mitigation and adaptation problems through activities such as renewable energy, cleaner production, land use, wastewater treatment, insurance against disasters, zoning codes and Green Building Certification. In addition, IFC has supported investments in the construction, operation and maintenance of the second phase of the *Penonome* wind power project, consisting of a total of 215 megawatts (MW) of installed wind power capacity in Coclé Province. IFC has also invested in the development, construction, operation and maintenance of an integrated gas-to-power facility consisting of a 380 MW net combined cycle gas-fired power plant and an on-shore LNG import terminal. Together, policy changes, TA, and investments, support efforts to improve the reliability of the energy system for Panamanians, while also displacing the use of heavy fuel and diesel and reducing carbon dioxide emissions.

Objective 3: Improve budget management transparency

15. **Due to emerging priorities, achievements under this objective exceeded expectations by also addressing issues related to international tax transparency and financial integrity.** Since the last Public Expenditure and Financial Accountability Report,²² Panama has undertaken several reforms that positively impacted public financial management. For example, ongoing investment lending²³ (reinforced by policy actions under DPF1 and DPF2) supported the implementation of the Treasury Single Account (TSA) at the central level. In 2016, the Ministry of Economy and Finance (MEF) began channeling funds for 181 budgetary accounts of 21 central government entities through the TSA and, in 2017, incorporated 347 budgetary accounts of all 24 central government institutions. The consolidation of the TSA was complemented by the roll-out of an integrated system for financial management (the Integration and Technological Solutions of the Operational Management Model, ITSMO). In addition, the WB Treasury's support to Panama's Sovereign Wealth Fund (*Fondo de Ahorro de Panama*) has built capacity and supported the development and approval of an investment policy for Panama's sovereign assets that focuses on growth of assets over the medium- to long-term. This support was expanded under DPF2 to include other areas of capacity building, such as governance, portfolio management, selection of a global custodian, evaluation and selection of external managers and investment operations.

16. **Support for this objective evolved following the release of documents from a Panama-based private off-shore law firm in 2016 and reforms to ensure international tax transparency and financial integrity became urgent.** In this context, the flexibility of the programmatic DPF series was applied to support the government's reforms in the area of international tax transparency and the AML/CFT framework, which are critical to safeguarding the country's role as an international financial center. Under DPF2, the government committed to adhere to the CRS for Automatic Exchange of

²⁰ The First Programmatic Shared Prosperity Development Policy Loan (P151804); Panama Second Shared Prosperity Development Policy Loan (P121492).

²¹ Green Building, Advisory (P600110, IFC); Pando & Montelirio, Hydro Power (P27975, IFC); Penonome, Wind Power (P34810, IFC); LNG, Thermal Power Generation (P37456, IFC).

²² The last Public Expenditure and Financial Accountability Report was prepared jointly with the IADB, covered the period of 2007-2009 and was published in 2013.

²³ Enhanced Public Sector Efficiency TA Loan (P121492).

Financial Account Information in Tax Matters by 2018. This decision locked Panama into an institutional and policy reform process, which included legislative, technical and operational actions needed for adherence to the CRS by 2018. In January 2018, Panama signed the CRS Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information, the most comprehensive multilateral instrument available for all forms of tax cooperation to tackle tax evasion and avoidance. According to the new legislative framework, financial institutions in Panama are now obliged to report information to the Panamanian tax authority and follow due diligence procedures consistent with the CRS. Furthermore, the law creates additional obligations for financial institutions, such as the maintenance of all documentation obtained during the performance of due diligence procedures for five years. The IBRD has been providing ongoing assistance in this area, to help define the next steps that can be supported by the proposed next phases of the programmatic DPF series, including the enactment of a key legislative framework related to tax transparency, prevention of base erosion and profit shifting.

Pillar 2: Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups

Objective 4: Complement social assistance with productive inclusion

17. **Despite slight changes in country context, including changing government priorities and the evolving roles of other development partners, this objective is likely to be achieved.** A flexible “rapid response” window of technical support provided assistance in the design or improvement of social protection system tools and advised on ways to improve the effectiveness and efficiency of social spending,²⁴ which was assisted by critical policy lending support under the programmatic DPF series. These critical advisory services enabled the government to make substantial progress in reforming its social assistance programs to improve their efficiency. Under DPF1, the coverage and the benefits of the elderly were expanded (*Programa 120 a los 65*), while DPF2 supported an audit of beneficiaries of the *Red de Oportunidades* program that improved program targeting and inclusion. However, shifts in government priorities resulted in the IBRD halting preparation of a rural productivity project²⁵ in favor of pursuing assistance for the implementation of the National Indigenous Peoples Development Plan.²⁶ In addition, a larger than expected role of the IADB in delivering social assistance programs and an internal restructuring of the Social Development Ministry resulted in a shift towards productive inclusion.²⁷ While the social protection project is undergoing a restructuring to address this shift, ongoing support related to sustainable production systems has certified 763 acres (and begun the certification process for about 500 additional acres) of cocoa, coffee and plantain plantations in an effort to support biodiversity-friendly and climate-smart production and management practices, with a focus on gaining or increasing access to markets so that biodiversity-friendly practices become economically sustainable.²⁸ Similarly, strategic TA helped to inform the government’s reform agenda in the area of productive skills formation and activation and employment policies,²⁹ while policy lending supported the piloting of the *ProJoven* program, a vehicle to create job opportunities for vulnerable youth. By May 2017, more than 3,000 youth between 15 and 29 years had participated in *ProJoven*.

18. **In addition, IFC investments supported improved access to finance by MSMEs and housing for low-income populations, of which the latter was not originally contemplated in the**

²⁴ Central America Social Protection and Labor Systems (P153468); Central America Social Sector Expenditure and Institutional Review (P146907).

²⁵ Inclusive Rural Productivity Project (P156008).

²⁶ Support to the National Indigenous Peoples Development Plan Project (P157575).

²⁷ The Strengthening the Social Protection and Inclusion System Project (P155097).

²⁸ Sustainable Production Systems and Conservation of Biodiversity (P145621).

²⁹ Skills and Productive Inclusion (P147634).

CPF. IFC support aimed to improve access to finance for under- or un-served MSMEs. For example, investments totaling US\$9.3 million are supporting an increase in financing available to micro and small companies.³⁰ Similarly, IFC is also working to increase shared prosperity by improving access to affordable housing finance for low-income groups, with a US\$100 million investment funding lending activity in the low-income mortgage sector.³¹

Objective 5: Improve access to water supply and sanitation

19. **With some modifications to the scope of this objective based on changing priorities, this objective is on track to be achieved.** IBRD has provided support through development policy and investment lending operations, which were informed and supported by various Central America Regional rural water supply and sanitation (RWSS) technical and advisory tasks.³² Notable progress has been made in improving access to drinkable water – access in urban areas is nearly universal, while it has steadily expanded in rural areas over the CPF period. In addition, the use of performance-based contracting helped improve quality, coverage, and efficiency of water supply services in lower-income neighborhoods in Colon – the continuity of service provision increased from 13 percent (2014) to 71 percent (2017), piped water services were extended to 2,115 households, and the commercial efficiency of the National Water and Sewer Agency’s Colon regional office improved.³³ However, improvements in sanitation have lagged and notable differences in access remain in Indigenous areas, where potable water coverage is only 28 percent and sanitation access is just six percent. This is due, in part, to the fact that the CPF envisioned an additional lending investment focused explicitly on the rural water sector, which did not materialize. In addition, while the provision of assistance to the Rural Water and Sanitation Information System (SIASAR) has helped increase the number of rural water boards connected to SIASAR, the lack of established division of roles and responsibilities of actors in the sector continues to impede provision of quality services.

Pillar 3: Bolstering Resilience and Sustainability

Objective 6: Strengthen Resilience to Natural Disasters

20. **This objective is on track to be achieved based on support provided to increase the government’s ability to manage fiscal risks and respond to natural disasters.** Most notably, the WB has supported Panama’s implementation of a disaster risk management (DRM) framework, which includes measures to improve management of fiscal risks related to natural hazards, and has provided a contingent line of credit in the event of a disaster. With WB support, the government worked to develop a medium-term plan that emphasizes: (i) the identification, quantification and understanding of fiscal risks due to natural disasters; (ii) the incorporation of disaster risk analysis in the planning of public investments; (iii) the formulation of components for developing and implementing risk retention and transfer instruments; (iv) the development of the domestic insurance market; and (v) the strengthening of the Directorate of Investment, Concessions and Risks of the MEF. The government has consolidated available instruments and identified additional financial protection instruments as part of a solid and robust strategy for the financial management of disaster risk. An ongoing RAS continues to support the government in enhancing its financial management capacity to carry out selected activities of the five-year Operational Plan of Panama’s Disaster Risk Financing and Insurance (DRFI) Strategic Framework.

³⁰ Multibank, Commercial Banking (P38570, IFC); Banco Delta, Microfinance (P38805, IFC).

³¹ Banco General, Housing Finance (P37128, IFC).

³² The Water Supply, Sanitation, and Hygiene Poverty Diagnostic (P150563); Support to the Preparation of Panama’s RWSS Sector Strategy (P153734).

³³ The Metro Water and Sanitation Improvement Project (P119694). Improvement in commercial efficiency measured by total billing, total collection, total number of registered micro-meters, total number of micro-meters, and volume of water billing based on readings.

Objective 7: Support integrated water resources management in priority areas

21. **This objective is on track to be achieved, despite changes in planned investments at the time of the CPF.** Management of water resources continues to be a central concern to the sustainability of Panama's growth. While the WBG has supported efforts to assess water resources and outline a way forward for the future of water resource management in Panama, lending support is in its early stages and outcomes are expected closer to the end of the CPF period. In addition, the scope of IBRD's investments in the water sector are more limited than originally envisioned, focusing on cleanup and management of water resources in the Panama Bay area and relying on complementarity of investments with other development partners, notably CAF.

Portfolio Evaluation and Performance

22. **Panama is a good example of the 'one WBG' approach, with strong complementarity between IBRD, IFC and MIGA programs.**

- The IBRD portfolio includes six operations for a net committed amount of approximately US\$350 million, of which five are investment operations totaling US\$285 million and one is a CAT-DDO for US\$66 million. The IBRD portfolio is relatively new, with two of the investment operations totaling US\$145 million approved in the last 14 months, and spans a number of sectors, including social protection, governance, sustainable production, DRM, and wastewater management. Over the CPF implementation period to-date, the IBRD portfolio also included the two Shared Prosperity DPFs, both of which have disbursed. A number of challenges, including: (i) poor national budget planning; (ii) weak inter-institutional coordination; (iii) low capacity in handling procurement contracts; and (iv) lengthy processes for contract management, have affected implementation of the portfolio as well as disbursement, at present about US\$280 million remain undisbursed. Given the above-mentioned constraints, it is of critical importance that WBG support puts particular emphasis on building and strengthening public sector capacity to improve project readiness and portfolio execution. Due to proactive action towards restructuring the public-sector efficiency project, the social protection project is the only problem project in the portfolio at present. The latter was affected by delays in budget allocations, changes in the organization structure of the implementing agency, and shifting government priorities. A restructuring, including a partial loan cancellation, is currently being prepared.
- The IFC portfolio stands at US\$921.13 million (US\$763.70 million from IFC's own account and US\$184.34 million mobilized from other lenders and investors), mostly in the financial and infrastructure sectors. Through IFC's operations in the financial sector, IFC is helping expand access to finance for MSMEs and support climate friendly initiatives. Under the Global Trade Finance Program, IFC committed nearly US\$70 million during fiscal year 2017. This guarantees a risk mitigation for counterparty bank and commercial risk for trade transactions to increase the operational capacity of MSMEs in the country. In relation to IFC's exposure in infrastructure, IFC committed a financing package for *Parque Eolico Penonome*, a 215 MW wind power project that helps diversify the country's energy matrix and reduce carbon emissions. Similarly, IFC made a landmark transaction to support the first integrated LNG-to-power facility to ease the dependence on imported fossil fuels and to introduce a reliable new energy source to the region. The investment for the expansion of the Panama Canal is the WBG's first direct engagement at the subnational level in Panama without a sovereign guarantee. This commitment has supported the core growth sectors of the economy and the country's objective of transforming into a regional logistics hub with complementary services. With the expansion of the Panama Canal, the total tonnage of the channel increased 22 percent in 2017, as its capacity more than doubled and consolidated its

strategic position in the transportation of LNG with 163 transits in 2017.

- MIGA has US\$407 million in gross exposure in two projects in the transport sector to support the Panama Metro Line 1. Passenger volumes have exceeded initial expectations and the reduced transit times have increased the mobility of citizens throughout Panama City.

23. **Analytical and advisory services are aimed to complement and maximize the impact of WBG support**, particularly in the areas of urban development, disaster preparedness and risk financing, skills and productive inclusion, economic empowerment women, Indigenous Peoples, water resources management and sanitation, energy efficiency, business development, and legal frameworks to facilitate public-private partnerships (PPP). On the IBRD side, these services encompassed a wide range of modalities, including RASs, diagnostic studies, and programmatic engagements aimed at enhancing the knowledge of government and other stakeholders, informing and facilitating dialogue and providing support in the implementation of programs. A number of such pieces of work were carried out collaboratively across the IBRD and the IFC.

IV. EMERGING LESSONS

24. **The FY15-FY21 CPF implementation period was appropriate.** Prepared shortly after the current government took office, the CPF reflected the new administration's priorities but allows sufficient overlap following the May 2019 election before the next CPF is due.

25. **Public sector institutional capacity constraints and persistent fiduciary risks continue to affect the performance of the investment portfolio.** Efforts to build/reinforce capacity are critical and should be incorporated ex-ante, where possible, in the design of advisory, investment, and policy support. Furthermore, a focused dialogue on specific themes could facilitate introduction to progress towards the adoption of good practice institutional policies and processes. Concrete examples of such support could include targeted and in-depth training in procurement and contract management for project implementation units as well as strategic engagement with the Comptroller's office (*Contraloría*) to address delays in contract approvals. For new projects, teams should look for opportunities to simplify institutional arrangements as much as possible and to advance process steps (such as approvals of bidding documents, etc.) from the implementation to the preparation stage wherever possible to improve implementation readiness. Once approved, intensive implementation support, including early restructuring if necessary, is critical for the success of investment projects. Finally, a creative approach to addressing capacity issues can serve the dual purpose of advancing progress towards development goals and improving public sector performance. For example, the use of a private implementing entity has been incorporated into the design of the Support for the National Indigenous Peoples Development Plan Project with the aim of hiring an external entity with the capacity to immediately support project implementation while at the same time building capacity within the government to eventually take over full responsibility for project implementation themselves.³⁴ This arrangement would allow for more agile implementation, but also bring the risk of delays in hiring the implementing entity.

26. **Despite the challenging context, the WBG is well placed to provide strategic support to advance both the inclusion agenda and respond to critical priorities as they emerge.** The WBG has a unique role to play in advancing efforts to reduce social and economic disparities within Panama

³⁴ In this model, the external entity will be contracted by the government (rather than the government implementing themselves through a line ministry) and *Contraloría* would review and ratify the contract between the government and the private implementing entity and associated disbursements, retaining rights to carry out fiscal reviews and audits, as deemed necessary.

given its global expertise in implementing targeted and innovative programs across sectors and institutions. By supporting reform objectives with TA and providing a framework and structure for important priorities, investment projects play an important role in achieving CPF objectives, especially in sectors and programs where public-sector involvement is important (such as in basic services due to high levels of poverty and elevated costs of service delivery in remote and marginalized areas). The DPF series has helped support important policy shifts to improve efficiency of social programs, while also ensuring sufficient flexibility to respond to the emerging national challenges with global implications, such as tax and financial transparency. WBG supported the country in addressing issues that resulted in the inclusion in an EU blacklist and the recommendations in GAFILAT's Mutual Evaluation Report in December 2107. Implementation of the programmatic DPFs has been supported in most areas by either TA under investments projects, and/or through an effective program of advisory services, including RASs.

27. Advisory services can be used to further tailor investment lending to Panama's needs and to create opportunities for mobilizing private finance. Across the WBG, advisory services and TA have long informed the trajectory of investment lending, helping to identify value-added and justify investments in particular sectors, geographic areas, or subsets of the population. This work is particularly critical in supporting continued investments to advance inclusion and has been pivotal in the development of the proposed Indigenous Peoples project. Similarly, such services/TA have also demonstrated the ability to support the government in enacting programs, establishing the frameworks and operationalizing initiatives to mobilize private financing - RASs can be particularly appropriate for this. For example, IBRD's initial analytical support to the government's initiative for promoting energy-efficient air conditioners helped establish a framework for putting in place lines of credit for financing the purchase of these appliances.

28. The WBG program should further capitalize on Panama's strong private sector and access to capital and financial markets. Investment financing and guarantees provided by IFC and MIGA, respectively, have supported very large-scale investments that were implemented well and on schedule. With this in mind, IBRD should continue to explore further opportunities, in coordination with IFC and MIGA as relevant, for promoting private participation in support of government programs and priorities.

29. Recognizing that change will be incremental and over the long-term, it is imperative that the WBG continues to be a committed and engaged partner to Panama. The WBG remains committed to offer flexible solutions, through a blended and strategically sequenced use of policy and investment lending and TA, as well as by leveraging support for maximizing financing for development and exercising its convening power. One critical aspect of such partnership is the importance of ensuring continuity between government priorities and WBG comparative advantage with the availability of WBG resources. At the same time and considering that Panama, while being an upper middle-income country, has low public sector capacity, particular focus of WBG support will be on supporting efforts to strengthen capacities in the public sector not only to improve implementation of the existing portfolio, but also to address Panama's social, political, and economic challenges related to persistent poverty and inclusion.

V. ADJUSTMENTS TO THE CPF AND FUTURE WBG ENGAGEMENT

30. The CPF has provided an effective and flexible framework for WBG partnership with and support to Panama, which the PLR has been designed to maintain. The CPF program was

effective in part because it was supported not only by government commitment, but because it delivered an integrated program of IBRD assistance, with DPFs, investment lending, CAT-DDO and analytical and advisory services mutually supporting the CPF objectives. For example, the policy actions under the DPF series, in the area of budget management and social protection, were complemented by the Public-Sector TA and the Social Protection Project, as well as by analytical services. As a result, the PLR recommends only marginal adjustments to reflect progress towards achieving various CPF objectives, respond to emerging priorities that had not been contemplated at the time of CPF preparation, and to ensure alignment with government lending priorities. First, in addition to the CAT-DDO, which was renewed for three years in 2017, DRM remains a core area of engagement. Given Panama's commitment to strengthen the policy and institutional framework for disaster preparedness, the WBG will support the government to take advantage of the full suite of disaster risk financing instruments and products available to the country. In addition, existing IBRD investment operations in water, public sector efficiency and social protection will continue and be complemented by trust fund resources, where possible and appropriate. Second, newly planned assistance will take into consideration the lessons learned and opportunities provided by the IBRD capital increase (April 2018). Despite its income level and access to external capital markets on reasonable terms, Panama continues to require assistance to build and strengthen institutional capacity to ensure strong economic and social development. Support will be selective and focused on global public goods, public sector strengthening and in areas where IBRD has a unique comparative advantage in promoting innovative approaches stemming from both global experience as well as analytical and advisory services provided in Panama since 2015. In addition, prioritizing linkages with IFC and MIGA in efforts to maximize finance for development over the medium- and long-term are also key priorities. In line with the government's Economic and Social Strategy 2015-2019, the WBG will continue its support in prioritizing policy reforms on tax transparency, financial integrity, and fiscal management, as well as enhancing the regulatory and sustainability framework in the energy and water sectors. In addition, existing and new engagements will also focus on strengthening institutional capacity in the public sector to support social assistance and public-sector service delivery.

31. **The PLR also reaffirms the importance of strengthening private sector-led growth.** To this end, IFC and MIGA will continue to play a critical role in identifying opportunities to crowd in additional resources in sustainable ways by focusing on improving Panama's competitiveness through strategic support to the energy sector and transport and logistics industries, as well as encouraging investments to expand access to finance. For example, IFC is actively taking advantage of global relationships to invest in the expansion of the port sector, including logistic projects like a roll-on/roll-off terminal and fuel storage facilities. MIGA is exploring opportunities to support investors through its credit enhancement and political risk insurance products, including in transport-related infrastructure and energy transmission projects. The WBG is advising the Government on a PPP approach for the fourth transmission line that could maximize private sector participation in infrastructure, and deploy a PPP model structured by IFC that could be replicated in other infrastructure subsectors. In addition, and in response to persistent infrastructure challenges, IBRD and IFC will continue to work together to improve policy and regulatory frameworks to facilitate PPP, for example, in infrastructure for collecting and treating wastewater, while IFC also contributes to improving Panama's investment climate and competitiveness via programmatic advisory programs. Given that the WBG is well-placed in Panama to promote a central role of the private sector in the regional development agenda, it will use the opportunity until the end of this CPF period to deepen collaboration of various parts of the institution in an effort to support the implementation of the government's agenda, combining IBRD lending and TA, IFC investments and MIGA guarantees.

32. **The WBG, through the joint effort of its institutions, is uniquely poised to provide more than just financial assistance.** While the use of a programmatic DPF series has proven to be a flexible and effective instrument to address critical policy issues, the implementation of investment operations continues to be affected by weak capacity in sector institutions. In this context, the provision of investment financing is critical to supporting a middle-income country like Panama in overcoming existing capacity constraints in the public sector over time. Looking ahead, WBG support will continue to use the full suite of its instruments and draw from its institution-wide expertise, including working with Treasury and the Climate Change Group. This support will include: (i) the continuation of ongoing policy work on critical reform agendas; (ii) the provision of innovative financial solutions and risk management; (iii) the delivery of TA and advisory services, including RASs, to continue building on LAC's comparative advantage as an innovation hub and generator of critical knowledge; and (iv) addressing capacity constraints in the public sector. In this context, it will be important to seize the complementarity of different instruments and sequence their use appropriately. Additionally, as opportunities arise, the WBG will collaborate with Panama on innovative activities that can be piloted (e.g., the support to the National Indigenous Peoples Development Plan), to be replicated in other countries.

33. **Given Panama's specific circumstances outlined above, particularly with respect to public sector capacity, the WBG will be selective in the use of available instruments.** The DPF series has been effective in addressing key priorities, including actions aimed at promoting social inclusion and increasing the country's competitiveness. This was accompanied by actions to strengthen the framework for international tax transparency and ensure its effective implementation and shows the effectiveness of DPFs in Panama. In this regard, DPF3, while reduced in size, will continue to support CPF objectives and further advance reforms that have positive global implications, such as: (i) the advancement of key tax transparency and AML/CFT reforms that, with collective action in the global community, will benefit revenue mobilization across countries; and (ii) initial energy efficiency measures to meet Panama's global commitments on climate change. Furthermore, the IBRD will continue to provide investment support in selected and prioritized areas where budget support is not appropriate and operations require public sector implementation, particularly in sectors where the IBRD has a comparative advantage, such as in the Support to the National Indigenous Peoples Development Plan Project. This project will be implemented in Indigenous Territories, is a key priority of the government, and aims to: (i) strengthen the capacity of Indigenous Authorities and implement development investments; and (ii) support delivery of selected public services to Indigenous Peoples. In cases where shifts in government commitment become evident, the WBG will aim to remain as flexible as possible to adapt to government priorities in a way that continues to add value according to WBG comparative advantage and remains aligned with the overarching objectives of the CPF, as in the restructuring of the ongoing Social Protection Project. In other areas where changes in government priorities are not aligned with WBG priorities (Rural Productivity and Health projects) or there is a lack of institutional readiness (Colón Panama Water and Sanitation Project (P154999)), IBRD will not pursue advancing project preparation.

34. **To complement its policy and investment financing, the WBG will continue providing support through a robust and flexible program of analytical and advisory services.** This will focus on supplementing already ongoing work and dialogue across different sectors. In addition, and in line with the maximizing financing for development approach, building on TA provided since 2017 to lay the foundation for increased private participation in infrastructure development, IBRD will shift its support to upstream pipeline development for feasible investment transactions under PPP and help Panama to identify sources for domestic and international private sector financing and guarantees.

Areas of support will include urban transport and resilience, water and energy. Analytical and advisory services will inform technology strategies for the transport sector and support the government in the definition of policy objectives, action plan and institutional responsibilities needed to implement the transport sector’s technological upgrading. A proposed Panama City Waterfront and Redevelopment and Resilience Program (P166875) TA would support the city’s efforts to: (i) promote mitigation of existing and future risks of urban flooding; (ii) plan infrastructure improvement to establish continuous multi-modal waterfront access; and (iii) strengthen capacities to mobilize different sources of infrastructure financing. The regulations supported by DPF3 seek to promote energy efficiency and more responsible use of energy by consumers to prevent pollution and reduce greenhouse gas emissions. These actions are expected to reduce subsidies and improve the fiscal sustainability of the energy sector. In addition to energy efficiency standards, the IBRD will continue to support Panama’s efforts to address key upstream financial barriers to unlock private sector investments in energy efficient infrastructure, which is expected to stimulate public-private collaboration, namely through: (i) blending public and private financial resources to optimize the use of limited public resources and leverage private financing; (ii) supporting private sector energy efficient initiatives through public resources; and (iii) stimulating a nascent market energy service providers. Similarly, in line with strategic support to improve the reliability and diversification of Panama’s energy supply, IFC is advising the government on a PPP approach for the fourth national transmission line, as mentioned in paragraph 31.

35. Annex 2 provides an overview of the proposed changes to the CPF results matrix, adjusting for indicators already achieved and reflecting the enabling environment for new lending as outlined above.

VI. RISKS TO THE CPF PROGRAM

Table 1: Risks to the Panama CPF Program

Risk Categories	Rating
1. Political and Governance	S
2. Macroeconomic	M
3. Sector strategies and policies	M
4. Technical design of project or program	S
5. Institutional capacity for implementation and sustainability	H
6. Fiduciary	S
7. Environmental and social	S
8. Stakeholders	H
Overall	S

36. **The overall risk during the remainder of the CPF period has increased from Moderate to Substantial.** Technical design, environment and social, and stakeholder risks have increased due to the projects that have entered the portfolio during the CPF period.

37. **Political and governance risks are Substantial.** The current administration had been in office for under one year when the CPF was prepared. Despite leading a minority government, it forged alliances with other parties to push forward the government’s agenda. Looking ahead, there is a risk that, as the 2019 elections draw closer, opposition parties may become obstructionist, slowing progress on the legislative agenda. For example, political disagreement or legislative gridlock could threaten the pace of the reform agenda, particularly related to the agenda on international tax transparency, PPPs and AML/CFT. The authorities are aware of this risk and are utilizing a consultation process and

raising awareness on key policy measures. Furthermore, depending on the electoral outcome, commitment to reforms and policies supported by the CPF may waver during the final year of its implementation.

38. **Technical design, environmental and social, and stakeholder risks have increased.** This is primarily due to implementation challenges in the current IBRD portfolio, as well as risks associated with forthcoming operations. First, implementation of the ongoing Social Protection project will likely face higher technical risks, given that the proposed restructuring adds productive inclusion subprojects. Similarly, the results of the Burunga Wastewater Management Project are reliant on investments from other donors and there is a risk that delays in bidding/adjudication and construction of the treatment plant will negatively affect achievement of the project's development objectives. The Indigenous Peoples project faces technical design risks due to the complex implementation arrangements, the multitude of actors, and the geographic remoteness of the implementation area. With respect to environmental and social risks, there is an environmental risk under the Burunga project that the sewerage works are completed before the waste water treatment plant is functional, resulting in sewage being discharged untreated into the Aguacate River or its tributaries. The Indigenous Peoples project faces social risks that conflicts could arise between the government and Indigenous Peoples and that expectations generated among Indigenous Peoples after years of consultation may not be met. The stakeholder risk also relates mainly to the Indigenous Peoples project. Given the multi-dimensional nature of the Indigenous Peoples Plan, and the solutions required to address Indigenous Peoples development challenges, the project adopts a multi-sector approach involving multiple actors. The risk is that partner agencies that do not receive funds directly or "own" the project, could lose interest and fail to deliver on their agreed roles and responsibilities. Design of these projects includes measures to mitigate these risks, including alignment of project design with government priorities and strong counterpart commitment to project objectives and long-term goals.

39. **Finally, the weak capacity of public institutions and ongoing fiduciary challenges continue to pose a High risk,** especially to investment projects requiring institutional coordination. Evidence from the current portfolio demonstrates the challenges related to public sector capacity, as projects have experienced implementation delays, with one having been extended for more than two years, challenges in disbursement, with one project having a high undisbursed balance, and challenges in coordination across actors/ministries. As such, the institutional capacity risk is High. Despite progress in strengthening public financial management systems, fiduciary risks continue to slow project implementation. Panama's standard controls for use of public funds require review of every contract and payment by the Comptroller General's Office, taking on average three months for each contract and between one and three months for each payment. Despite attempts to address this issue, which will actively continue during the remainder of the CPF implementation period, it is unlikely that any solution will be agreed upon before the next CPF. To address these risks, it will be important to recognize that investment projects require substantial hands-on implementation support, streamline institutional arrangements as much as feasible, and prioritize straight forward project design, while ensuring implementation readiness and routine monitoring of bidding documents, contract awards (especially for large contracts) and payment requests.

Annex 1: Updated CPF Results Matrix

CPF Indicators	Supplementary Progress Indicators	WBG Program
<p>Pillar 1: Supporting Continued High Growth</p> <p>This Pillar supports Panama in sustaining its successful model of rapid growth and significant poverty reduction through high levels of investment and increased economic productivity. It supports objectives that aim at fostering investments in promising sectors and addressing bottlenecks to growth. Specifically, the objectives seek to support the government’s efforts to maintain high levels of growth that ultimately translate in greater poverty reduction and shared prosperity. Fostering private investments into existing and new growth sectors and addressing major bottlenecks to growth, namely the energy sector and public-sector capacity are critical to achieving these objectives. The Pillar’s objectives are to: (i) support enhanced logistics and connectivity; (ii) increase reliability of energy supply; and (iii) improve budget management transparency.</p>		
<p>Objective 1: Support enhanced logistics and connectivity</p>		
<p>1. Cargo volume through the Panama Canal</p> <p>Baseline: 330 million tons 2008 Current: 403 million tons 2017 Target: 420 million tons 2020</p> <p style="text-align: center;">ON TRACK</p>		<p><i>Delivered:</i></p> <ul style="list-style-type: none"> • Panama Urban Mobility Reform (P155132) • Urban Planning TA to the Municipality of Panama (P154224) • Urban Planning TA to Panama City Phase 2 (P159648) • Central America Urbanization Review (P152713) • Central America Spatial Analysis of Secondary Cities (P153977) • Metro Line 1, Guarantee (MIGA) <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • Smart Mobility Solutions with Open Innovation (P161802, RAS) • Panama Canal Expansion (P26665, IFC) <p><i>Planned:</i></p>
<p>2. Enhance technology-based mobility solutions for transport-sector planning, management and control through establishment of a Mobility Lab</p> <p>Baseline: No 2018 Target: Yes 2020</p> <p style="text-align: center;">NEW</p>	<p>a. Strategic measures to improve urban mobility under implementation</p> <p>Baseline: No 2015 Current: Yes 2018 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>	
	<p>b. Strategy formulated for urban revitalization in priority sub-districts</p> <p>Baseline: No 2015 Current: Yes 2017 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>	

	<p>c. Policy formulation and regulatory reforms for multimodal transport and land use under implementation</p> <p>Baseline: No 2015 Current: Yes 2018 Target: Yes 2017</p> <p style="text-align: center;">ACHIEVED</p>	<ul style="list-style-type: none"> • Panama City Waterfront Redevelopment and Resilience Program (P166875)
	<p>d. Formulation of a Smart Mobility Strategy</p> <p>Baseline: No 2018 Target: Yes 2020</p> <p style="text-align: center;">NEW</p>	
Objective 2: Increase reliability of energy supply		
<p>1. More diversified electricity matrix by progressively installing new capacity from cleaner energy sources (in MW):</p> <p>Baseline: 0 2015 Current: 215 2018 Target: 215 2020</p> <p style="text-align: center;">NEW</p> <p>2. More rationalized electricity consumption in buildings by approving a sustainable building code, ruling on minimum energy efficiency standards to improve isolation systems and reduce energy losses:</p> <p>Baseline: No 2015 Current: Yes 2017 Target: Yes 2018</p> <p style="text-align: center;">NEW</p>	<p>a. National energy efficiency program introduced to reduce energy consumption</p> <p>Baseline: No 2015 Current: Yes 2016 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>	<p><i>Delivered:</i></p> <ul style="list-style-type: none"> • First Programmatic Shared Prosperity Development Policy Loan (P151804) • Panama Second Shared Prosperity Development Policy Loan (P154819) • Pando & Montelirio, Hydro Power (P27975, IFC) • TA for Sustainable Energy in Panama (P153321) <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • Green Building, Advisory (P600110, IFC) • LNG, Thermal Power Generation (P37456, IFC) • Penonome, Wind Power (P34810, IFC)
	<p>b. Reduction in energy consumption in new buildings with permits approved under the Panama Green Building Code</p> <p>Baseline: 0 2015 Current: 15% 2018 Target: 20% 2020</p> <p style="text-align: center;">ON TRACK</p>	
	<p>c. Additional capacity in the system (from IFC)</p>	

	<p>Baseline: 0 2015 Current: 406.53 GWh 2018 Target: 600 GWh 2020</p> <p style="text-align: center;">ON TRACK</p>	<ul style="list-style-type: none"> • Central America Energy Assessments - 6C (P155068) 								
	<p>d. Placeholder: LGN terminal and powerplant in operations</p> <p>Baseline: 0 2018 Target: 2100 GWh 2021</p> <p style="text-align: center;">NEW</p>									
Objective 3: Improved budget management transparency and capacity										
<p>1. Increased transparency in budget management, as measured by budget execution reports being automatically generated for all central government entities</p> <p>Baseline: No 2015 Current: Yes 2017 Target: Yes 2018</p> <p style="text-align: center;">ACHIEVED</p>	<p>a. ITSMO rolled out at the central level and to all public-sector entities</p> <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Central Level</td> <td style="text-align: center;">Decentralized Level</td> </tr> <tr> <td>Baseline: No 2015</td> <td>Baseline: No 2015</td> </tr> <tr> <td>Current: Yes 2017</td> <td>Current: No 2018</td> </tr> <tr> <td>Target: Yes 2016</td> <td>Target: Yes 2020</td> </tr> </table> <p style="text-align: center;">ON TRACK</p>	Central Level	Decentralized Level	Baseline: No 2015	Baseline: No 2015	Current: Yes 2017	Current: No 2018	Target: Yes 2016	Target: Yes 2020	<p><i>Delivered:</i></p> <ul style="list-style-type: none"> • First Programmatic Shared Prosperity Development Policy Loan (P151804) • Panama Second Shared Prosperity Development Policy Loan (P154819) <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • Enhanced Public Sector Efficiency TA Loan (P121492)
Central Level	Decentralized Level									
Baseline: No 2015	Baseline: No 2015									
Current: Yes 2017	Current: No 2018									
Target: Yes 2016	Target: Yes 2020									
<p>2. Increased transparency in budget management, as measured by government preparation (through ITSMO) and publishing of consolidated financial statements of the central government</p> <p>Baseline: No 2018 Target: Yes 2020</p> <p style="text-align: center;">NEW</p>		<p><i>Planned:</i></p> <ul style="list-style-type: none"> • Third Programmatic Shared Prosperity Development Policy Financing (P166159) • Forth Programmatic Shared Prosperity Development Policy Financing (TBD) 								

Pillar 2: Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups

This Pillar supports the government’s priority of greater inclusion, with an emphasis on efficiency and effectiveness of social programs, creation of opportunities for the most vulnerable, and access to and quality of service delivery. The renewed focus on inclusion aims to improve the delivery of social assistance to respond to the immediate and acute needs of many, while building the necessary health, education, basic infrastructure, and economic conditions for people to create their own prosperity and dignity over the long-term. This Pillar supports two objectives: (i) complement social assistance with productive inclusion; and (ii) improve access to water and sanitation services. The CPF highlighted that the WBG was building its country knowledge on education, and was developing a client-oriented policy agenda on the causes of secondary school drop-outs and on multiple technical and vocational training design and implementation issues (supported by a regional study on School Dropouts in Central America and programmatic TA on Skills and Productive Inclusion) to be ready to provide additional support in this area if requested over the CPF period.

Objective 4: Complement social assistance with productive inclusion

<p>1. Percentage of the bottom quintile benefiting from social assistance increased</p> <p>Current: 38% 2017 Target: 48% 2020</p> <p style="text-align: center;">ON TRACK</p>	<p>a. Beneficiary rosters of social assistance programs recertified</p> <p>Baseline: No 2015 Current: Yes 2016 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>	<p><i>Delivered:</i></p> <ul style="list-style-type: none"> • First Programmatic Shared Prosperity Development Policy Loan (P151804) • Panama Second Shared Prosperity Development Policy Loan (P154819) • Central America Social Sector Expenditure and Institutional Review (P146907) • Skills and Productive Inclusion (P147634) • School Dropout in Central America (P153075) • Central America SPL systems (P153468) • Central America Gender Mainstreaming (P146608) <p><i>Ongoing:</i></p>
<p>b. Targeting and eligibility for the 120/65 non-contributory pension program enhanced</p> <p>Baseline: No 2015 Current: Yes 2016 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>		
<p>c. Culturally differentiated programs in health and education for beneficiaries of <i>Red de Oportunidades</i> are available</p> <p>Baseline: No 2015 Current: Yes 2016 Target: Yes 2021</p> <p style="text-align: center;">ON TRACK</p>		

	<p>d. Percentage of <i>Red de Oportunidades</i> transfers provided by the government through the banking system</p> <p>Current: 76% 2018 Target: 80% 2020</p> <p style="text-align: center;">ON TRACK</p>	<ul style="list-style-type: none"> • Strengthening Social Protection and Inclusion System (P155097) • Support for the National Indigenous Peoples Development Plan (P157575) • Banco General, Housing Finance (P37128, IFC) • Multibank, Commercial Banking (P38570, IFC) • Banco Delta, Microfinance (P38805, IFC) • Sustainable Production Systems and Conservation of Biodiversity (P145621) • Economic Empowerment of Indigenous Women (P163286)
<p>e. <i>Red de Oportunidades</i> coverage in Indigenous areas expanded following recertification</p> <p>Baseline: No 2015 Current: Yes 2018 Target: Yes 2018</p> <p style="text-align: center;">ACHIEVED</p>		
<p>f. Systematic recertification of beneficiary rosters of social assistance programs (following the audit conducted in 2016)</p> <p>Baseline: No 2018 Target: Yes 2021</p> <p style="text-align: center;">NEW</p>		
<p>g. Development of an entrepreneurial development program for Indigenous women</p> <p>Baseline: No 2018 Target: Yes 2020</p> <p style="text-align: center;">NEW</p>		
<p>2. Number of beneficiaries in the integrated social assistance registry receiving training and access to market opportunities (disaggregated by gender)</p> <p>Baseline: 4,000 2014 Current: 4,000 2018</p>	<p>a. Number of youth enrolled in <i>Red de Oportunidades</i> who benefit from training or employment services (disaggregated by gender)</p> <p>Baseline: 730 2015</p>	

Target: 25,000 2020	Current: 730 2018 Target: 5,000 2020	
	ON TRACK	
3. People, microenterprises, and SMEs reached with financial services	a. Volume of micro and SME outstanding portfolio (US\$ million)	
Baseline: 17,528 (micro) + 5,017 (SME) 2013	Baseline: \$55m (micro) + \$114m (SME) 2013	
Current: 19,336 (micro) + 10,872 (SME) 2017	Current: \$61m (micro) + \$500m (SME) 2017	
Target: 23,000 (micro) + 12,000 (SME) 2020	Target: \$75m (micro) + \$600m (SME) 2020	
ON TRACK	ON TRACK	
Objective 5: Improve Access to Water and Sanitation Services		
1. Additional people with access to reliable water supply or to improved sanitation services in targeted lower income areas (disaggregated by gender)	a. Strategy for the institutional and tariff reforms for IDAAN approved	<i>Dropped:</i> Colon Panama Water and Sanitation Project (P154999)
Baseline: 0 2015	Baseline: No 2015	<i>Delivered:</i>
Current: 80,382 2017	Current: No 2017	• Metro Water and Sanitation Improvement Project (P119694)
Target: 120,000 2020	Target: Yes 2019	• Improving RWSS National Strategies (P153734)
ON TRACK	ON TRACK	• Water Security for Panama: Key Building Blocks for Development of the National Water Security Plan (P159466)
	b. Investments planned based on WSS Master Plans in targeted urban areas	• Monitoring Country Progress in Water Supply and Sanitation (MAPAS) in Central America - Phase II (P149602)
	Baseline: No 2015	
	Current: Yes 2017	
	Target: Yes 2017	
	ACHIEVED	
	c. Standardized information system for improving the monitoring of water management in rural areas implemented in more than 50% of targeted communities	
	Baseline: 0 2015	

	<p>Current: 1,710 2018 Target: 2,500 2020</p> <p>ON TRACK</p>	<ul style="list-style-type: none"> • Regional Agenda and Action Plans for Sanitation in Central America (P132284) • First Programmatic Shared Prosperity Development Policy Loan (P151804) • Country Water Supply, Sanitation, and Hygiene Poverty Diagnostic in Panama (P150563) • Status of DRM in the Water Supply and Sanitation Sector in FOCARD-APS member countries (P132057) • Monitoring Country Progress in Water Supply and Sanitation (MAPAS) in Central America (P132281) <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • Burunga Wastewater Management Project (P154275) • Support for the National Indigenous Peoples Development Plan (P157575) • DRM Development Policy Loan with a CAT DDO (P122738)
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Pillar 3: Bolstering Resilience and Sustainability

This Pillar supports the various challenges to the sustainability of Panama’s stellar growth performance, especially those arising from stresses on water and natural resources coupled with climate change risks. Changing weather patterns could have a potential impact on the availability of water, which impacts various sectors, including energy. Risks can be partially mitigated through diversification of power generation sources to include a variety of renewable energy, natural gas, and energy efficiency measures. Rapid growth pressures natural and water resources with the lack of enforcement of adequate environmental regulations and standards and weak understanding of the risks the country faces handicaps and effective mitigation strategy. This Pillar has two objectives: (i) strengthen resilience to natural disasters; and (ii) support integrated water resources management in priority areas.

Objective 6: Strengthen resilience to natural disasters

<p>1. Increased ability of government to manage risks, as measured by the active implementation of a risk management strategy</p> <p>Baseline: No 2015 Current: Risk management strategy developed and actively implemented 2016 Target: Risk management strategy developed and actively implemented 2020</p> <p style="text-align: center;">ACHIEVED</p>	<p>a. Five-year Operational Plan on Fiscal Policy related to management of disasters approved</p> <p>Baseline: No 2015 Current: Yes 2016 Target: Yes 2016</p> <p style="text-align: center;">ACHIEVED</p>	<p><i>Delivered:</i></p> <ul style="list-style-type: none"> • First Programmatic Shared Prosperity Development Policy Loan (P151804) • Panama Second Shared Prosperity Development Policy Loan (P154819) <p><i>Ongoing:</i></p> <ul style="list-style-type: none"> • DRM Development Policy Loan with a CAT DDO (P122738) • Support to Panama DRFI Strategy Implementation Plan (P161294, RAS) • Sustainable Production Systems and Conservation of Biodiversity (P145621) • Phase 1 CRP JIT Panama (P165963)
<p>2. DRFI strategy strengthened, as measured by the adoption of additional financial protection instruments</p> <p>Baseline: No 2018 Target: Yes 2021</p> <p style="text-align: center;">NEW</p>	<p>b. Mapping of contingent liabilities</p> <p>Baseline: No 2015 Current: Yes 2017 Target: Yes 2018</p> <p style="text-align: center;">ACHIEVED</p> <p>c. Flood risk assessment carried out for the Juan Diaz watershed and the Panama City SEA Zone costal area</p> <p>Baseline: No 2018 Target: Yes 2020</p>	<p><i>Planned:</i></p> <ul style="list-style-type: none"> • TA on innovative financing instruments for DRM

	NEW	
3. Areas brought under enhanced biodiversity protection Baseline: 194,075 2018 Target: 550,000 2020 NEW	a. Endowment Fund to support the sustainable management of protected areas under operation Baseline: 25 2018 Target: 100 2020 NEW	
Objective 7: Support integrated water resources management in priority areas		
1. Strengthen wastewater pollution management capacity, as measured by implementation of an Integrated Water Management Plan in a pilot area Baseline: No 2015 Current: No 2018 Target: Yes 2021 ON TRACK	a. Contracts awarded for Panama Bay sewerage collection system in low income areas Baseline: 0 2015 Current: 0 2018 Target: 1 2019 ON TRACK	<i>Dropped:</i> <ul style="list-style-type: none"> • Colon Panama Water and Sanitation Project (P154999) <i>Delivered:</i> <ul style="list-style-type: none"> • Country Water Supply, Sanitation, and Hygiene Poverty Diagnostic in Panama (P150563) • Metro Water and Sanitation Improvement Project (P119694) <i>Ongoing:</i> <ul style="list-style-type: none"> • Burunga Wastewater Management Project (P154275)
	b. Water resource management assessment and roadmap completed Baseline: No 2015 Current: Yes 2017 Target: Yes 2017 ACHIEVED	
	c. Real-time hydrological/water quality monitoring system established and operational Baseline: No 2018 Target: Yes 2021 NEW	

Annex 2. Matrix of Changes to the Original CPF Results Matrix

Indicator/ Supplementary Progress Indicator	Action
Pillar 1: Supporting Continued High Growth	
Objective 1: Support Enhanced Logistics and Connectivity	
Cargo volume through the Panama Canal	Revised. The target for this indicator has been revised downward to reflect more realistic valuations of volume given expected transits based on historical information and projected increase in use of Neopanamax vessels.
Percentage increase in opportunities within a 60 or 45-minute travel time by transit for the bottom 40 percent in the Panama City metropolitan area (disaggregated by gender)	Dropped. Given challenges in tracking this indicator and the lack of mechanisms to do so moving forward, this indicator has been removed.
Enhance technology-based mobility solutions for transport-sector planning, management and control through establishment of a Mobility Lab	New.
Strategic measures to improve urban mobility under implementation	No change.
Strategy formulated for urban revitalization in priority sub-districts	No change.
Policy formulation and regulatory reforms for multimodal transport and land use under implementation	No change.
Formulation of a Smart Mobility Strategy	New.
Objective 2: Increase Reliability of Energy Supply	
Number of days without mandatory load shedding reduced	Dropped. Considering the challenging WB attributability of this indicator, it is proposed to drop the indicator
More diversified electricity matrix by progressively installing new capacity from cleaner energy sources	New. The progressive diversification of the energy matrix is key to increase the reliability of the energy supply by reducing the exposure to droughts and volatile international oil prices, in a current energy matrix dominated by hydro and oil-fired thermal power generation.
More rationalized electricity consumption in buildings by approving a sustainable construction code, ruling on minimum energy efficiency standards to improve isolation systems and reduce energy losses	New. The energy consumption in Panama is growing at annual rates above 4% and is expected to continue at similar pace in the mid-term. To increase the reliability of the energy supply, a more efficient energy consumption will reduce the need for additional investments in generation and networks in the power sector, ultimately

	reducing the pressure from the demand side on the power supply.
People provided with new or improved access to electricity (million)	Dropped. To avoid misleading interpretation of the initial wording, as it does not mean to reflect an increase in the access to electricity, but the number of households-equivalent which could be supplied by the new renewable plants installed.
National energy efficiency program introduced to reduce energy consumption	No change.
Reduction in energy consumption in new buildings with permits approved under the Green building code Panama	Revised. The timeline to reach the target has been extended given the grace period for technical implementation.
Additional capacity in the system	Revised. The name of the indicator has been modified and the target has been revised downward given the reduction in IFC's portfolio in this area, namely the closing of the hydro project.
National 15-year Energy Strategy approved, including measures to improve governance framework	Dropped.
Placeholder: New milestone forthcoming related to LNG	New
Objective 3: Improve Budget Management Transparency and Capacity	
Increased transparency in budget management, as measured by financial statements for budget execution being automatically generated for all central government entities	Revised. The language of the indicator has been revised to refer to "budget execution reports" instead of "financial statements for budget execution" in order to avoid any confusion with "financial statements", which are more comprehensive documents.
Increased transparency in budget management, as measured by government preparation (through ITSMO) and publishing of consolidated financial statements of the central government	New.
ITSMO rolled out at the central level and to all public-sector entities	Revised. ITSMO rollout at the central level is complete. The rollout to all public-sector entities will be maintained for the remainder of the CPF period; the target timeline has been revised.

Pillar 2: Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups	
Objective 4: Complement Social Assistance with Productive Inclusion	
Percentage of the bottom quintile benefitting from social assistance increased (disaggregated by gender)	Revised. The definition has been revised to adjust the social programs contributing to this target. The baseline has been recalculated as of PLR stage and the endline target has been adjusted.
Beneficiary rosters of social assistance programs recertified	No change.
Targeting and eligibility for the 120/65 non-contributory pension program enhanced	No change.
Culturally differentiated programs in health and education for beneficiaries of <i>Red de Oportunidades</i> are available	No change.
Percentage of <i>Red de Oportunidades</i> transfers provided by the government through the banking system	Revised. The definition has been revised to include additional MIDES CCT programs, th baseline is revised as of PLR stage and the target has been revised.
<i>Red de Oportunidades</i> coverage in Indigenous areas expanded following recertification	No change.
Systematic recertification of beneficiary rosters of social assistance programs (following initial recertification in 2016)	New.
Development of an entrepreneurial development program for Indigenous women	New.
Number of beneficiaries in the integrated social assistance registry receiving training and access to market opportunities (disaggregated by gender)	Dropped. This is no longer supported by WB-supported projects.
Number of youth enrolled in <i>Red de Oportunidades</i> who benefit from training or employment services (disaggregated by gender)	Revised. The baseline and targets for this indicator have been revised.
Annual program* reports specify the number of complaints received and addressed	Dropped. Development and implementation of Grievance Redress Mechanisms are built into project design, therefore additional monitoring is not needed.
People, microenterprises and SMEs reached with financial services	Revised. The target and timeline to achieve the target have been revised to reflect the lower than expected number of micro loans and higher than expected number of SME loans.
Volume of micro and SME outstanding portfolio (US\$ million)	Revised. The target and timeline to achieve the target have been revised to reflect the lower than expected

	volume of micro loans and higher than expected volume of SME loans.
Objective 5: Improve Access to Water and Sanitation Services	
Additional people with access to reliable water supply or to improved sanitation services in targeted lower income urban areas and rural areas (disaggregated by gender)	No change.
Increase in number of communities with sustainable rural WSS services	Dropped. At the time of the CPF a Rural WSS project was envisioned, but did not materialize.
Strategy for the institutional and tariff reforms for IDAAN approved	Revised. Given that this activity is not yet under implementation but is still expected to be completed, the date to achieve the target has been extended.
Investments planned based on WSS Master Plans in targeted urban areas	No change.
Rural WSS National Strategic Plan completed	Dropped. At the time of the CPF a Rural WSS project was envisioned, but did not materialize.
Standardized information system for improving the monitoring of water management in rural areas implemented in more than 50% of targeted communities	Revised. This activity is supported by multiple projects, but implementation has been slower than expected. The date to achieve the target has been extended.
Pillar 3: Bolstering Resilience and Sustainability	
Objective 6: Strengthen Resilience to Natural Disasters	
Increased ability of government to manage risks, as measured by the active implementation of a risk management strategy	No change.
Five-year Operational Plan on Fiscal Policy related to management of disasters approved	No change.
DRFI strategy strengthened, as measured by the adoption of additional financial protection instruments	New.
Mapping of contingent liabilities completed	No change.
Flood risk assessment carried out for the Juan Diaz watershed and the Panama City SEA Zone coastal area	New.
Areas brought under enhanced biodiversity protection	New.
Endowment Fund to support the sustainable management of protected areas under operation	New.
Objective 7: Support Integrated Water Resources Management in Priority Areas	
Additional volume of treated wastewater (according to environmental norms) entering the Panama Bay	Dropped. This indicator was designed when the Burunga Wastewater Management Project (P154275) was

	expected to be \$100m and include the construction of a wastewater treatment plant. The approved project (\$65m) did not include this activity.
Strengthen wastewater pollution management capacity, as measured by implementation of an Integrated Water Management Plan in a pilot area	Revised. This indicator was previously a milestone and has been slightly revised to reflect the delivery of the pilot as a key aspect of efforts to strengthen wastewater management. The timeline to achieve the target has been revised to reflect the project implementation timeline.
Contracts awarded for Panama Bay sewerage collection system in low income areas	No change.
Water resource management assessment and roadmap completed	No change.
Real-time hydrological/water quality monitoring system established and operational	New.

Annex 3. Detailed Progress Against the Original CPF Results Matrix

Indicator/ Supplementary Progress Indicator	Baseline	Target	PLR Actual	Associated Project(s)/ Activity(ies)	
Pillar 1: Supporting Continued High Growth					
Objective 1: Support Enhanced Logistics and Connectivity					
1.1.1	Cargo volume through the Panama Canal	330 million tons	600 million tons	<p>PARTIALLY ACHIEVED</p> <p>2015: 340 million tons PC/UMS (Panamax only, no new locks)</p> <p>2017: 403 million tons PC/UMS (138 million Neopanamax + 263 million Panamax)</p> <p><i>Additional Information:</i> Data on cargo volume from 2015 represents the last full year in operation prior to expansion. Since transit (and volume) in 2016 were both pre- and post-expansion, these values are not relevant for comparison. In its first full year with the expanded canal in operation, there was an increase in volume due to the use of Neopanamax vessels. However, total transits increased only slightly, as the canal continues to operate near full capacity.</p> <p>Total transits (original & expanded locks) in 2017 reached 11,992 (1,828 Neopanamax + 10,164 Panamax)</p>	P26665 (IFC)
		(2008)	(2016)	(2017)	
<p><i>Definition:</i> Volume in tons of cargo that passes through the Panama Canal on an annual basis. Data collected by Panama Canal Authority on an annual basis.</p> <p><i>Clarification:</i> Measurements are calculated using millions of metric tons Panama Canal Universal Measuring System</p>					

	(PC/UMS), which is the basis upon which vessels are charged for use of the Canal. One PC/UMS ton is approximately 100 cubic feet of cargo space; a twenty-foot-long container is equivalent to approximately 13 PC/UMS tons.				
1.1.2	Percentage increase in opportunities within a 60 or 45-minute travel time by transit for the bottom 40 percent in the Panama City metropolitan area (disaggregated by gender)	To be calculated	Baseline + 10%	<p>UNABLE TO BE MEASURED</p> <p>Weaknesses in the definition of this indicator limited the ability to track progress against it. While some measures of travel time are available, tracking accessibility to opportunities by income quintile proved difficult.</p> <p><i>Additional Information:</i> While it was not possible to measure this indicator as originally envisioned, data obtained from Metro de Panama S.A. showed that the length of Metro Line 1 could be travelled in between 23.5 and 27 minutes (depending on time of day), as compared to an average travel time of 2 hours by car. In addition, the initial demand projections expected an average of 150,000 users per day. These projections were exceeded, with ridership reaching an annual equivalent of approximately 293,000 per day. Initially after opening Line 1, there was a two-month period where riders could use the metro free of charge. After the introductory period, the current flat rate of \$0.35/trip was introduced.</p> <p>In addition, the WB provided policy advice for pro-poor and gender issues in the transit system's future integrated design. Specifically, it conducted a review of literature and international experience on transit integration, with a special focus on subsidies in the context of developing countries.</p>	Metro Line 1 (MIGA) P155132
		(2015)	Not defined		
<i>Definition:</i> Opportunities are defined as jobs, education and health facilities, entertainment, markets and public open space.					

	Accessibility is calculated using a Bank open source tool developed for urban mobility assessment, which uses other available open data and open source tools, such as Open Trip Planner Analyst, OpenStreetMap, transit routes and service plans in the General Transit Feed Specification scheme. The tool combines travel times in different travel modes and for each origin-destination pair with the location of the economic and social opportunities to calculate the accessibility for a given travel time threshold. Disaggregated by gender. Data collected by the transit management body for the integrated transport system for updates on the geographic location of economic and social opportunities.				
1.1.a.	Strategic measures to improve urban mobility under implementation	No	Yes	ACHIEVED	Metro Line 1 (MIGA) P155132
		(2015)	(2016)	(2018)	
1.1.b	Strategy formulated for urban revitalization in priority sub-districts	No	Yes	ACHIEVED	P154224 P159648
				<p>A Strategic Plan for Calidonia proposed a new vision as a civic and cultural district in which access to public services and culture is promoted through improved accessibility through public transit and non-motorized transport.</p> <p>A Strategic Plan for <i>Via Espana</i> planned for the improved function and quality of public spaces. The WB also supported a report on public realm design and management for Panama City which issues a series of recommendations for improvement with a focus on</p>	

				governance, institutionality and standards.	
		(2015)	(2016)	(2017)	
1.1.c.	Policy formulation and regulatory reforms for multimodal transport and land use under implementation	No	Yes	ACHIEVED The Integrated Plan for Sustainable Urban Mobility (<i>Plan Integral de Movilidad Urbana Sostenible</i> , PIMUS) was formulated with IDB funds. The WB provided support to assist the ATTT on conceptualizing implementation strategies for the institutional, policy and regulatory reforms in the context of the PIMUS. Building on the PIMUS proposal and the WB's NLTA, the government requested WB support through an RAS to support a technology modernization plan for the ATTT and the transport sector (US\$ 1.5 million). The RAS services will be implemented to inform government policy alternatives and strategies on technology-based mobility solutions for transport-sector planning, management and control.	P155132
		(2015)	(2017)	(2016)	
Pillar 1: Supporting Continued High Growth					
Objective 2: Increase Reliability of Energy Supply					
1.2.1	More diversified electricity matrix by progressively installing new capacity from cleaner energy sources (in MW)	0	215	UNDERWAY The Bank has supported the update of operational procedures of the System Operator and is supporting the development of the Regulatory Framework for Ancillary Services through the AA Central America Energy Assessments - 6C (P155068), to ultimately provide modern tools and adequate environment to the Power System to progressively integrate additional amount of variable renewable energy in the wider power sector without compromising the security of supply.	P155068

		2015	(2020)	2018	
	<p><i>Definition:</i> Total capacity installed (in MWs) for the generation of electricity from cleaner primary energy sources -with lower Green House Gases (GHG) emission factors than the displaced generation plants-. Considering that the power generation plants which are to be displaced by the new capacity are oil-fired power plants, renewable and LNG-fired plants will reduce the average GHG emissions of the power sector in Panama, greening and cleaning the power generation park. Data is from IFC's investments in LNG, Penonome and Montelirio.</p>				
1.2.2	More rationalized electricity consumption in buildings by approving a sustainable building code, ruling on minimum energy efficiency standards to improve isolation systems and reduce energy loses	No	Yes	ACHIEVED	P155068
		(2015)	2018		
	<p><i>Definition:</i> A new Sustainable Building Code to reduce energy loses in new buildings and thus ensure a more efficient energy consumption. The electricity demand in Panama is growing at an annual rate above 4%, and is expected to grow in the midterm at similar pace. Adequate isolation and energy efficient building procedures and materials reduce significantly the amount of energy wasted in buildings (mainly Air Conditioner), with a high impact in the aggregated national consumption. The approval of the Sustainable Building Code must be published in the Official Gazette.</p>				

1.2.a.	National energy efficiency program introduced to reduce energy consumption	No	Yes	ACHIEVED	P155068 P151804 P154819
				Through the AA Central America Energy Assessments - 6C (P155068), the Bank supported the Energy Efficiency Standard&Labeling Program for residential and small commercial Air Conditioners and refrigerators, and the Sustainable Building Code. The	

				<p>support includes the program design, capacity building, implementation support, communication campaign and market impact analysis.</p> <p>In addition, the proposed DPF3 will support the adoption of the Sustainable Construction Guidelines to help improve energy efficiency of new buildings, aligned with Panama’s Nationally Determined Contributions, which embody national efforts to reduce national emissions and adapt to the impacts of climate change as per the 2015 Paris Agreement.</p>	
		(2015)	(2016)	(2016)	
1.2.b.	Reduction in energy consumption in new buildings with permits approved under the Green building code Panama	0	20%	<p>PARTIALLY ACHIEVED</p> <p>15% (estimated)</p> <p>Energy efficiency standards for the construction of new public and private buildings were issued by the National Secretary of Energy through the adoption of the Sustainable Construction Guidelines for Saving Energy in Buildings (November 2016). This code included one year of grace period for the technical implementation, with effective application since November 2017. The regulation requires a 15% reduction in energy consumption for all new buildings country wide over the period of November 2017 to November 2019. After this time, buildings must comply with a 20% reduction threshold.</p>	<p>P151804 P154819 P600110 (IFC)</p>
		(2015)	(2018)	(2017)	
1.2.c.	Additional capacity in the system (from IFC wind and hydro power projects)	0	857 GWh	<p>PARTIALLY ACHIEVED</p> <p>Wind: 406.53 GWh Hydro: no data available on GWh in the system</p> <p>Wind: <i>Parque Eolico Penonome</i> is currently operating in test mode due to technical definitions in the IFC loan</p>	<p>P34810 (IFC) P27975 (IFC) P37456 (IFC)</p>

				<p>agreement. It has, however, already started to deliver energy to the grid in accordance with its power purchase agreements. The Project was exempted from reporting DOTS because it is still within the three-year period and the board expected date of reporting started in 2018. As a reference, the plant has supplied up to ~10% of the daily demand on February 21, 2018 (high wind season), showing considerable impact even at this early stage.</p> <p>Hydro: While there is no data available for capacity in the system as a GWh measurement, the Pando Montelirio Hydroelectric Plant is operational and has a capacity of 88MW. IFC financing has been fully repaid.</p> <p><i>Additional Information:</i> In 2016, IFC completed a \$150 million financing package for the construction and operation of Central America’s first integrated LNG to power facility. The project consists of a 380 MW gas-fired power plant and an on-shore LNG import and regasification terminal with an 180,000-cubic meter storage tank. The facility is expected to displace at least 2,100 GWh of power currently generated from heavy fuel oil and diesel, thereby avoiding about one million tons of carbon dioxide emissions each year. Once operational, the project will offset about 4 percent of Panama’s carbon dioxide emissions each year.</p>	
		(2015)	(2018)	(2018)	
1.2.d.	National 15-year Energy Strategy approved, including measures to improve governance	No	Yes	ACHIEVED	P153321
				A National Energy Plan 2015-2050 (NEP) was approved in 2016, depicting the main directions for the energy sector to develop. The NEP sets out the strategies for developing the energy sector in Panama to	

	framework			overcome the key structural challenges and ensure a sound and sustainable development to ultimately meet the expected growing demand and international climate change commitments. The WB support helped understand the underlying causes and structural weaknesses that contribute to Panama's energy challenges, as well as an action plan to address such institutional weakness in the energy sector and to support the preparation of an energy efficiency action plan.	
		(2015)	2016		
Objective 3: Improve Budget Management Transparency and Capacity					
1.3.1	Increased transparency in budget management, as measured by financial statements for budget execution being automatically generated for all central government entities	No	Automatic generation	ACHIEVED All account transactions incorporated into the TSA are automatically recorded and linked with the accounting module of the ITSMO. The use of a TSA improves transparency and accountability in the use of public financial resources by smoothing the allocation of resources through improved cash management, avoiding idle balances in the banking system and reducing unnecessary financing costs. Central government entities included in ITSMO and have automatic generation of budget execution reports. Financial statements are also generated automatically, though only at the institutional level. At present, consolidated financial statements for the central government are not yet being produced by ISTMO.	P121492 P151804 P154819
		(2015)	(2018)	(2017)	
<p><i>Definition:</i> Financial statements for budget execution automatically generated for all central government entities. Data collected by MEF on an annual basis.</p> <p><i>Clarification:</i> “Financial statements for budget execution” are not the same as “financial statements”, which are more comprehensive documents. This indicator has been revised to reflect this nuance in the updated Results Matrix (Annex 1).</p>					
1.3.a.	ITSMO rolled out	No	Yes, central	ACHIEVED	P121492

	at the central level and to all public-sector entities		level	The roll-out of an integrated system for financial management (ITSMO) was completed for all 25 central government institutions and one decentralized agency.	P151804 P154819
			(2016)	(January 2017)	
		(2015)	Yes, all public-sector entities	PARTIALLY ACHIEVED 58% (21/36) of the decentralized government is covered.	
			(2017)	(2018)	
Indicator/ Supplementary Progress Indicator	Baseline	Target	PLR Actual		Associated Project(s)/ Activity(ies)
Pillar 2: Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups					
Objective 4: Complement Social Assistance with Productive Inclusion					
2.4.1	Percentage of the bottom quintile benefitting from social assistance increased (disaggregated by gender)	38%	48%	PARTIALLY ACHIEVED Progress towards this indicator has been assessed based on beneficiary estimates using the <i>Encuesta de Mercado Laboral</i> from August 2017 for the following MIDES programs: <i>Red de Oportunidades, 120 a los 65, and Angel Guardian</i> . Consideration of beneficiaries has been limited to these programs, as they were supported by WBG interventions through the programmatic DPF series. As such, the baselines have been re-estimated to account for this narrowing of the definition. Revised Baseline: 7.1% (individuals); 29.9% (households) Actual (2016): 8.2% (individuals); 34.5% (households)	P155097 P151804 P154819
		(2013)	(2020)	(2016)	

	<i>Definition:</i> Number of people in the bottom quintile benefitting from social assistance divided by total number of people in the bottom quintile. Disaggregated by gender. Data collected through the National Household Survey for the number of people in the bottom quintile. Data on the number of social assistance beneficiaries is from the Integrated Social Assistance Registry. Social assistance programs include <i>Red de Oportunidades, Plan de Seguridad Alimentaria y Nutricional</i> and <i>120 a los 65</i> .				
2.4.1.a.	Beneficiary rosters of social assistance programs recertified	No	Yes	ACHIEVED An audit of beneficiaries of the <i>Red de Oportunidades</i> has been completed to improve the coverage and targeting of beneficiaries, while reducing fiscal leakage in the program. In addition, recertification has been established for all MIDES CCT programs (<i>Red de Oportunidades, 120 a los 65, and Angel Guardian</i>). In 2017, for example, 20 percent of existing beneficiaries were recertified.	P154819 P155097 P151804
		(2015)	(2016)	(2016)	
2.4.1.b.	Targeting and eligibility for the 120/65 non-contributory pension program enhanced	No	Yes	ACHIEVED The percent of elderly (aged 65 or older) Panamanians without other pensions who receive benefits from the 120/65 program increased from 27% (2012) to over 35% (2016). The targeting of the program has also been enhanced through the application of the new proxy-means test.	P151804 P154819 P166159
		(2015)	(2016)	(2016)	
2.4.1.c.	Culturally differentiated programs in health and education for beneficiaries of <i>Red de Oportunidades</i> are available	Standard programs	Differentiated programs	PARTIALLY ACHIEVED A New Model of Social Intervention was developed to articulate the interactions between the communities and government and non-governmental organizations in <i>comarcas</i> , rural areas, and peri-urban areas.	P151804 P154819
		(2015)	(2017)	(2016)	

2.4.1.d.	Percentage of <i>Red de Oportunidades</i> transfers provided by the government through the banking system	0	60%	<p style="text-align: center;">PARTIALLY ACHIEVED</p> <p style="text-align: center;">37%</p> <p>MIDES has signed a contract with <i>Banco Nacional</i> to allow for the channeling of CCT payments through the banking sector since 2015.</p> <p>In addition to the <i>Red de Oportunidades</i>, the percentage of beneficiaries receiving transfers from other MIDES CCT programs includes: 95% of <i>Angel Guardian</i>; 83% for <i>120 a los 65</i> as of December 2017.</p>	P151804 P154819
		(2015)	(2017)		
2.4.1.e.	<i>Red de Oportunidades</i> coverage in Indigenous areas expanded following recertification	No	Yes	<p style="text-align: center;">ACHIEVED</p> <p>In 2015, MIDES completed an audit of beneficiaries of the <i>Red de Oportunidades</i> that led to the identification and exclusion of nearly 10,000 households (of about 70,000 households) that did not qualify for the program. MIDES then included a similar number of extreme poor families, mainly living in Indigenous <i>comarcas</i> (70 percent of the new beneficiaries), thereby reducing the extreme poor coverage gap. MIDES amended the <i>Red de Oportunidades</i> program to mandate the regular updating of the registry of beneficiaries and prioritize poor and vulnerable households.</p>	P155097 P151804 P154819
		(2015)	(2018)		

2.4.2	Number of beneficiaries in the integrated social assistance registry receiving training and access to market opportunities (disaggregated by gender)	4,000	25,000	NOT ACHIEVED This work was envisioned to be supported by the Strengthening Social Protection and Inclusion System project. However, at the request of the government, the financing of this activity is being supported by IDB and the work has not yet begun. The WB project is being restructured to focus more on programs to increase productive inclusion.	P155097
		(2014)	(2020)		
<p><i>Definition:</i> Number of beneficiaries in the integrated social assistance registry receiving training plus number of beneficiaries in the integrated social assistance registry receiving access to market opportunities. Disaggregated by gender. Training includes training delivered by the Small and Micro Enterprise Authority, the National Training Institute, the Ministry of Agriculture and other agencies, and facilitated by the Ministry of Social Affairs. Market opportunities include rural productivity packages, agricultural extension activities, labor intermediation, and occupational training programs. Data comes from the integrated social assistance registry and is collected on an annual basis.</p>					
2.4.2.a.	Number of youth enrolled in <i>Red de Oportunidades</i> who benefit from training or employment services (disaggregated by gender)	730 (no disaggregation available)	5,000	NOT YET UNDER IMPLEMENTATION This work was is envisaged to be supported by the Strengthening Social Protection and Inclusion System project following a restructuring (ongoing as of March 2018) at the request of the government.	P155097
		(2015)	(2017)		
2.4.2.b.	Annual program reports specify the number of complaints received and addressed	Annual program reports specify the number of complaints received	Bi-annual program reports include number/type of complaints received and number/type of replies	PARTIALLY ACHIEVED MIDES has a functioning mechanism to receive complaints.	P155097
		(2014)	(2018)		

2.4.3	People, microenterprises and SMEs reached with financial services	17,528 (micro) + 5,017 (SME) (2013)	41,920 (micro) + 8,795 (SME) (2018)	<p align="center">PARTIALLY ACHIEVED</p> <p align="center">19,336 (micro) + 10,872 (SME)</p> <p>Results based on calendar year 2016 data, as 2017 information has not yet been reported.</p> <p align="center">(2017)</p>	P37128 (IFC) P38570 (IFC) P38805 (IFC)
<p><i>Definition:</i> Number of people, microenterprises, and SMEs reached with financial services supported by WBG-financed operations. Efforts to harmonize definitions across World Bank and IFC will be deepened, to allow the disaggregation of reporting of individuals/micro enterprises and SMEs reached. For the World Bank, financial services refer primarily to loans outstanding to individuals, microenterprises, and SMEs. Efforts will be made in the future to also cover additional financial services supported by the World Bank, such as access to deposit accounts. IFC counts a broad range of financial services with data disaggregated between individuals/micro enterprises and SMEs, including:</p> <ul style="list-style-type: none"> • Individuals/Micro Finance: This category includes deposit accounts, the number of outstanding micro, housing, and retail loans as well as clients reached with insurance and pensions. IFC counts the year-end number of outstanding loans, clients insured, and deposit accounts. Microfinance loan is defined as a commercial loan with amount at origination up to US\$10,000. Retail loans include consumer credit cards, store cards, motor (auto) finance, personal loans (installment loans), consumer lines of credit, and retail loans (retail installment loans). • SME Finance: SME finance includes SME loans, leasing, as well as enterprise insurance. SME loan is defined as a commercial loan with amount at origination between US\$10,000 to US\$1,000,000 (or to US\$2,000,000 in more advanced economies). Enterprise insurance includes the number of non-life commercial lines and agribusiness. <p>Data comes from IFC investments and is collected on an annual basis.</p>					
2.4.3.a.	Volume of micro and SME outstanding portfolio (US\$ million)	US\$55m (micro) + US\$266m (SME) (2013)	US\$114m (micro) + US\$456m (SME) (2018)	<p align="center">PARTIALLY ACHIEVED</p> <p align="center">US\$61m (micro) + US\$500m (SME)</p> <p>Results based on calendar year 2016 data, as 2017 information has not yet been reported.</p> <p align="center">(2017)</p>	P37128 (IFC) P38570 (IFC) P38805 (IFC)
Objective 5: Improve Access to Water and Sanitation Services					
2.5.1	Additional people with access to reliable water supply or	0	120,000	<p align="center">ON TRACK</p> <p>80,382 people are estimated to have been provided with a new or rehabilitated household connection to the</p>	P119694

	to improved sanitation services in targeted lower income urban areas and rural areas (disaggregated by gender)			<p>drinking water distribution system by the Metro Water and Sanitation Improvement Project.</p> <ul style="list-style-type: none"> • New connections: 2,115 households (approximately 11,632 people) • Rehabilitated connections: 12,500 (approximately 68,750 people) <p>Disaggregation by gender not yet available. Improved access to sanitation was not achieved over the course of the CPF, though the Metro Water and Sanitation Improvement Program did support the design of several sanitation works in Chilibre that were to be carried out by IDAAN following project closure.</p>	
		(2015)	(2020)	(2017)	
<p><i>Definition:</i> Number of additional people that have access to reliable water supply or improved sanitation services within targeted lower income areas. Disaggregated by gender. Reliable water is defined as piped potable water with adequate pressure and continuity of at least 16 hours per day, 7 days per week. The Project will accept the following sanitation solutions as improved: (i) connection to a public sewer; and (ii) connection to an on-site treatment system.</p>					
2.5.2	Increase in number of communities with sustainable rural WSS services	0	60	NOT ACHIEVED	
		(2015)	(2020)	At the time of the CPF a Rural WSS project was envisioned, but did not materialize.	
<p><i>Definition:</i> Number of communities with sustainable rural WSS services. Sustainable is defined as community, system and service provider type A in the SIASAR. This is rural WSS information system to collect and publish up-to-date information on a public web interface, with a mobile application operational in certain communities. Rural Communities in Panama are defined as population with less than 1,500 people. Data comes from the SIASAR system and is collected on an annual basis.</p>					
2.5.a.	Strategy for the institutional and tariff reforms for IDAAN approved	No	Yes	NOT YET UNDER IMPLEMENTATION	P154275
		(2015)	(2017)	This is one of the actions included in the National Water Security Plan (NWSP), but it has not yet been implemented.	(2018)

2.5.b.	Investments planned based on WSS Master Plans in targeted urban areas	No	Yes	ACHIEVED	
		(2015)	(2017)		
2.5.c.	Rural WSS National Strategic Plan completed	No	Yes	<p>PARTIALLY ACHIEVED</p> <p>The WB provided support to the National Directorate for the Water and Sewerage sub-sector under the Ministry of Health's implementation agency for the Water Supply and Sanitation in Low-Income Communities Project (IBRD-7477-PAN). However, as the RWSS strategic plan for Panama was completed in March 2015 it should not be counted as an achievement under this CPF.</p> <p>The Strategy later supported the preparation of both the National Water Safety Plan and the National Policy of Water and Sanitation.</p> <p>At the time of the CPF a Rural WSS project was envisioned, but did not materialize.</p>	P153734 P159466 P149602 P132284
		(2015)	(2017)		
2.5.d.	Standardized information system for improving the monitoring of water management in rural areas implemented in more than 50% of targeted communities	0	5,000	<p>ON TRACK</p> <p>A standardized information system for improving the monitoring of water management in rural areas has been implemented (www.siasar.org) and data is being collected. As of today, 1,374 communities have registered in SIASAR and the government plans to collect data from an additional 1,000 communities by December 2018. Complementary support to achieve this indicator is planned under the forthcoming Support for the National Indigenous Peoples Development Plan</p>	P151804 P154819 P157575 P166900

				project (P157575) and through the Consolidation and Expansion of the Rural Water and Sanitation Information System TA (P166900). In addition, this indicator will also receive support from other donors, including the IDB.	
		(2015)	(2018)	(2018)	
Pillar 3: Bolstering Resilience and Sustainability					
Objective 6: Strengthen Resilience to Natural Disasters					
3.6.1	Increased ability of government to manage risks, as measured by the active implementation of a risk management strategy	No	Risk management strategy development and actively implemented	ACHIEVED Panama has developed a Strategic Framework for the Financial Management of Disaster Risk and adopted a medium-term DRM operational plan, which is a multi-year action plan that provides a thorough tool to operationalize the DRM Strategic Framework. The National Plan for Disasters and Emergencies Response, informed by provincial and local emergency protocols and developed in the years leading up to the CPF, was adopted in February 2016 by the National Civil Protection System. The Ministry of Health adopted (by Ministerial Resolution No. 0980, August 2016) the National Emergencies and Disasters Preparedness, Response and Recovery Plan for the Ministry of Health. The National Water and Sanitation Utility Institute (IDAAN) completed a probabilistic risk analysis for selected water and sanitation infrastructure located in Panama Western Province.	P122738 P161294
		(2015)	(2020)	(2016)	
<i>Definition:</i> To develop a risk management strategy, the government will first need to undertake a mapping of risk to gain an understanding of the country's exposure to risk. Following the mapping exercise, the government will need to decide on an acceptable risk management strategy based on its assessment of a number of variables, including the market and availability of different contingent financing mechanisms, prices, events covered, and Panama's appetite for risk. The strategy will outline the					

	<p>various contingent financing instruments and mechanisms that it may use in the event of a natural disaster. For high frequency but low severity events, retention instruments to be used are budget reallocations and the general contingency budget line that does not require an exemption. For less frequent but more severe events, contingent credit lines and resources from an emergency fund that require a waiver could be used. For very rare but very severe events, the government could access other retention and transfer resources, such as the Panama Saving Fund and catastrophe insurance. In order to strengthen and complement these instruments, the government plans to analyze catastrophe insurance, strengthen the co- insurance scheme, create an emergency fund, and establish standards for concessions insurance. Data collected by MEF on an annual basis.</p>				
3.6.a.	Five-year Operational Plan on Fiscal Policy related to management of disasters approved	No	Yes	ACHIEVED	P122738 P154819 P161294
				The Five-Year Operational Plan to implement the Strategic Framework for the Financial Management of Disaster Risk was adopted by Ministerial Resolution No. 001. MEF expanded the functions and responsibilities of the Directorate of Investment, Concessions, and Risks (DICRE) in 2011. Since then, DICRE has developed financial protection policies, strategies, or instruments, including a DRM financial management program. In addition to this supplementary progress indicator, DICRE has undertaken relevant activities to strengthen Panama's financial protection policies, strategies and instruments, including: (i) developed and approved (by Executive Decree, 2014) a Disaster Risk Financing and Insurance Strategic Framework; and (ii) conducted (with WB support, 2017) a cost-benefit analysis for various disaster financing strategies.	
		(2015)	(2016)	(2016)	
3.6.b.	Mapping of contingent liabilities completed	No	Yes	ACHIEVED	P122738
				A cost-benefit analysis of the existing and new financial protection tools for disaster risk of Panama's DRFI Strategic Framework was initiated in 2016 and completed in 2017. The results helped MEF to assess different strategies that include the use of new instruments (such an emergency fund and/or a	

				catastrophic insurance) against the current strategy (status quo).	
		(2015)	(2018)	(2017)	
Objective 7: Support Integrated Water Resources Management in Priority Areas					
3.7.1	Additional volume of treated wastewater (according to environmental norms) entering the Panama Bay	0	300 l/s	NOT ACHIEVED A smaller than expected lending allocation did not allow for IBRD financing of a wastewater treatment plant, as originally envisioned. Financing for the plant is being provided by CAF. In addition, a Colon Water and Sanitation project was envisioned at the time of the CPF, but did not materialize.	P154275 P154999
		(2015)	(2020)		
<i>Definition:</i> Additional volume, in liters/second, of treated wastewater according to environmental norms entering the Panama Bay. Indicator seeks to determine the proportion of wastewater that is treated, in order to reduce pollutants before being discharged to the environment, by level of treatment according to acceptable standards. Panamanian environmental norms are 35 mg/L of BOD5 and 35 mg/L of total suspended solids. Data comes from the Panama Bay Authority and data will be collected on an annual basis.					
3.7.a.	Contracts awarded for Panama Bay sewerage collection system in low income areas	None	All	ON TRACK Only one contract is expected to be awarded for this work in FY19. Given some delays in initial Project implementation and contracting of this activity, the contract has not yet been awarded.	P154275
		(2015)	(2017)	(2018)	
3.7.b.	Water resource management assessment and roadmap completed	No	Yes	ACHIEVED The NWSP 2015-2050: Water for All was approved by the government (August 2016) and the National Water Council was created to promote, guide, coordinate, and guarantee the development and implementation of the NWSP. NWSP performed an assessment of water resources and provided a road map. The Bank performed three assessments to complement the NWSP, including: (i) an assessment on the water	P154275 P159466

				resources information system; (ii) an assessment of the existing planning tools; and (iii) an assessment of the regulatory framework for water resources.	
		(2015)	(2017)	(2017)	
3.7.c.	Pilot water resource management plan under implementation	None	1	ON TRACK The planning methodology was developed under the Water Security for Panama TA support. The Integrated Urban Water Management Plan for the pilot area is under development and not likely to be completed until 2020 under the Burunga Wastewater Management Project.	P159466 P154275
		(2015)	(2018)	(2018)	

Annex 4. WBG Portfolio

IBRD Active Portfolio as of May 17, 2018:

Project ID	Project Name	Inst.	Closing Date	Total Comm. (\$M)	Undisb. Bal. (\$M)	IP	DO
P121492	Enhanced Public Sector Efficiency Technical Assistance Loan	IPF	31-Aug-2018	55.00	14.54	MS	MS
P145621	Sustainable Production Systems and Conservation of Biodiversity	IPF	30-Dec-2019	9.59	5.63	MS	MS
P122738	Disaster Risk Management Development Policy Loan with a CAT DDO	DPF	30-Nov-2020	66.00	41.00	S	S
P154275	Burunga Wastewater Management Project	IPF	31-Dec-2021	65.00	64.92	MS	S
P155097	Strengthening Social Protection and Inclusion System	IPF	28-Feb-2022	75.00	74.00	U	MU
P157575	Support for the National Indigenous Peoples Development Plan	IPF	30-Jun-2023	80.00	80.00		
TOTAL				350.59	280.09		

IBRD Pipeline as of May 17, 2018:

Project ID	Project Name	FY	Qtr	Prob.	Inst.	Total Comm. (\$M)
P166159	Third Programmatic Shared Prosperity Development Policy Financing	2018	Q4	A	DPF	100.00
TOTAL						100.00

IBRD Advisory and Analytical Services as of May 17, 2018:

Task ID	Task Name	Prod. Line	RAS (Y/N)	AIS	ACS
P161294	Support to Panama DRFI Strategy Implementation Plan	AA	Y	3-Aug-2016	31-Oct-2018
P161802	Smart Mobility Solutions with Open Innovation	AA	Y	28-Sep-2016	29-Nov-2019
P163286	Economic Empowerment of Indigenous Women	AA	N	14-Jun-2017	28-Feb-2019
P165963	Phase 1 - CRP JIT Panama	AA	N	25-Oct-2017	17-Jul-2018
P166875	Panama City Waterfront Redevelopment and Resilience Program	AA	N	26-Feb-2018	30-Jun-2020

MIGA Exposure as of April 30, 2018:

Effective Date	Expiration Date	Investor Name (Guarantee Holder)	Investor Country	Business Sector	Project Name	Maximum (\$USD)
06/29/2012	06/21/2024	Citibank N.A./Govco, LLC	United States	Infrastructure	Panama Metro	199,590,348
12/31/2013	06/21/2024	Citibank N.A.	United States	Infrastructure	Panama Metro	207,411,297
TOTAL						407,001,645

IFC Committed and Outstanding Portfolio as of January 31, 2018:

Commitment Fiscal Year	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
1998/ 2000/ 2016/ 2012	Banco General S.	100.00	102.24	0	0	0	0	100.00	0	100.00	0	0	0	0	100.00	0.00
2013/ 2018/ 2014/ 2017/ 2015/ 2016	Banco LAFISE PA	0	0	0	0	3.69	0	3.69	0	0	0	0	3.69	0	3.69	0.00
	Costa Norte LNG	43.43	0	0	0	0	0	43.43	0	19.88	0	0	0	0	19.88	0.00
2010/ 2014	Del Istmo Re	0	0	0.00	0.00	0	0	0.00	0	0	0.00	0.00	0	0	0.00	0.00
2014/ 2017	Delta Banco	8.67	5.33	0	0	0	0	8.67	0	8.67	0	0	0	0	8.67	0.00
2018/ 2017/ 2015/ 2016	Ficohsa Panama	0	0	0	0	4.14	0	4.14	0	0	0	0	4.14	0	4.14	0.00
2017	Gas Natural Atlantico	100.57	0	0	0	0	6.00	106.57	0	75.00	0	0	0	3.70	78.70	0.00
2013	Laureate Panama	21.43	3.57	0	0	0	0	21.43	0	21.43	0	0	0	0	21.43	0.00
2009/ 2010/ 2013/ 2014/ 2017/ 2011/ 2015/ 2016/ 2012	Multibank	76.44	5.00	0	0	5.00	0	81.44	0	75.73	0	0	5.00	0	80.73	0.00
2009	PCA/ACP	300.00	0	0	0	0	0	300.00	0	300.00	0	0	0	0	300.00	0.00
2017/ 2015/ 2016	St. Georges Bank	0	0	0	0	0.60	0	0.60	0	0	0	0	0.60	0	0.60	0.00
2003/ 2004	UBCI	0	0	0.00	0	0	0	0.00	0	0	0.00	0	0	0	0.00	0.00
2015	UEP II	72.67	7.33	0	14.72	0	3.00	90.39	0	72.67	0	14.72	0	3.00	90.39	0.00
Total Portfolio		723.20	123.47	0.00	14.72	13.43	9.00	760.35	0	673.37	0.00	14.72	13.43	6.70	708.22	0.00