



COUNTRY PARTNERSHIP FRAMEWORK for
**THE REPUBLIC
OF PANAMA**

FOR THE PERIOD FY24-FY28

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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**THE REPUBLIC
OF PANAMA**

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Endorsed by
the World Bank Group Board on February 27, 2024
Central America Country Management Unit
Latin American and the Caribbean Region

The International Finance Corporation
Latin American and the Caribbean Region
Multilateral Investment Guarantee Agency



TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	7
1. INTRODUCTION	9
2. COUNTRY CONTEXT AND DEVELOPMENT AGENDA	11
Recent Political and Social Context	12
Recent Economic Developments and Outlook	12
Poverty and Shared Prosperity	14
Main Development Challenges	15
3. WORLD BANK GROUP PARTNERSHIP FRAMEWORK	21
Government Program and Medium-Term Strategy	22
Proposed WBG Country Partnership Framework	22
Outcomes and Objectives Supported by the WBG	24
4. IMPLEMENTING THE COUNTRY PARTNERSHIP FRAMEWORK	35
Financial Envelope and Instruments	36
World Bank Group Portfolio Status	37
Fiduciary Aspects and Country Systems	37
Monitoring the Country Partnership Framework	39
Partnerships and Coordination with Development Partners	39
5. MANAGING RISKS TO THE COUNTRY PARTNERSHIP FRAMEWORK	41
6. ANNEXES	44
Annex 1. Results Matrix – Panama Country Partnership Framework (FY24-28)	45
Annex 2. Panama Country Partnership Framework FY15-21: Completion and Learning Review	58
Annex 3. WBG Response to Covid-19 in Panama During the Country Partnership Framework Period and Beyond	92
Annex 4. Selected Indicators of Bank Portfolio Performance and Management	94
Annex 5. Operations Portfolio (IBRD/IDA and Grants)	95
Annex 6. IFC Program in Panama	96
Annex 7. MIGA's Guarantee Portfolio	98
Annex 8. Country Partnership Framework Consultations	99
Annex 9. Country Partnership Framework and Partnerships with other Development Actors by HLO	100

FIGURES

Figure 1. Indigenous people in rural areas face high rates of monetary and nonmonetary poverty...	17
Figure 2. ...while Indigenous people in urban areas lag other communities on measures of well-being	17

TABLES

TABLE 1. Panama's Key Macro Indicators	14
TABLE 2. High-Level Outcomes and Country Partnership Framework Objectives	24
TABLE 3. Risks to CPF Implementation	43
TABLE 4. Summary of CPF Development Outcomes and Outcome Indicator Ratings	61
TABLE 5. Panama Portfolio Performance, FY15-21	70
TABLE 6. Panama: Lending	95
TABLE 7. Panama: Supervision	95
TABLE 8. Panama: Advisory Services and Analytics	95
TABLE 9. IFC Investments in Panama	96
TABLE 10. IFC Advisory Services Portfolio in Panama	97
TABLE 11. IFC Upstream Advisory Portfolio in Panama	97
TABLE 12. Table of Key Development Partner Activities	101

BOXES

BOX 1. A Migratory Crisis in the Darien Gap	18
BOX 2. Panama's Financial Action Task Force Grey List	20
BOX 3. Consultation Process	23

ABBREVIATIONS AND ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism	IDB	Interamerican Development Bank
ASA	Advisory Services and Analytics	IFC	International Finance Corporation
CABEI	Central American Bank for Economic Integration	IMF	International Monetary Fund
CAT-DDO	Catastrophe Deferred Drawdown Option	INEC	National Institute of Statistics and Census (<i>Instituto Nacional de Estadística y Censo</i>)
CCDR	Country Climate and Development Reports	IOM	International Organization for Migration
CCT	Conditional Cash Transfer	IPF	Investment Project Financing
CGR	Comptroller General of the Republic	LAC	Latin America and the Caribbean
CLR	Completion and Learning Review	MDB	Multilateral Development Bank
CNDPI	National Council for the Integral Development of Indigenous Peoples	MEF	Ministry of Economy and Finance (<i>Ministerio de Economía y Finanzas</i>)
COVID-19	2019 Corona Virus Disease	MIDES	Ministry of Social Development (<i>Ministry of Social Development</i>)
CPF	Country Partnership Framework	MIGA	Multilateral Investment Guarantee Agency
CPSD	Country Private Sector Diagnostic	MSME	Micro, Small, and Medium Enterprise
CRRH	Regional Committee of Hydraulic Resources	NASA	National Aeronautics and Space Administration
DPL	Development Policy Loan	OEA	Organization of American States
E&S	Environment and Social	OECD	Organization for Economic Co-operation and Development
FAO	Food and Agriculture Organization of the United Nations	OGP	Open Government Partnership
FM	Financial Management	PAHO	Pan-American Health Organization
GDI	Graduation Discussion Income	PEN	Strategic National Plan
GDP	Gross Domestic Product	PFM	Public Financial Management
GEF	Global Environment Facility	PFORR	Program for Results
GEI	Government Effectiveness Indicator	PHC	Primary Health Care
GOP	Government of Panama	PIU	Project Implementation Unit
GRID	Green Resilient and Inclusive Development	PLR	Performance and Learning Review
HIC	High-Income Country	POV	Poverty
HLO	High-Level Outcomes	PPP	Public-Private Partnerships
IBC	International Banking Center	SAFE	Survivor-Centered Accessibility Framework Evaluation
IBRD	The International Bank for Reconstruction and Development	SCD	Systematic Country Diagnostic
ICT	Information and Communication Technologies	SDG	Sustainable Development Goals
		SFRL	Social and Fiscal Responsibility Law

ABBREVIATIONS AND ACRONYMS

SIAFPA	Public Financial Administration System	UNDP	United Nations Development Programme
SICA	Central American Integration System	UNDRR	United Nations Office for Disaster Risk Reduction
SMES	Small and Medium Enterprises	UNHCR	United Nations High Commission for Refugees
SPJ	Social Protection and Jobs	WBG	World Bank Group
SSI	Social Sustainability and Inclusion		
TA	Technical Assistance		
UN	United Nations		

The date of the last Country Partnership Framework (CPF) was March 2, 2015 (Report No.93425-PA). It was updated through a Performance and Learning Review (PLR) dated June 29, 2018 (Report No. 123665-PA).

CURRENCY EQUIVALENTS

Exchange rate effective as of January 18, 2024

Currency Unit = Panamanian Balboas (PAB)

PAB 1.00 = US\$1.00

FISCAL YEAR

Panama: January 1 – December 31

World Bank Group: July 1 – June 30

	IBRD	IFC	MIGA
Vice President:	Carlos Felipe Jaramillo	Alfonso Garcia Mora	Ethiopsis Tafara
Director:	Michel Kerf	Elizabeth Ann Marciano	Moritz Nebe (interino)
Task Team Leader	Joelle Dehasse, Meilyn Gem	Sanaa Abouzaid	Gianfilippo Carboni

1. INTRODUCTION



1. INTRODUCTION

1. This Country Partnership Framework (CPF) outlines the World Bank Group's (WBG) proposed engagement in Panama for FY24–28. The CPF comes two years after the end of the FY15–21 CPF (June 30, 2021) and following the WBG moratorium on country engagement products in FY21 due to the COVID-19 emergency. The new CPF has been prepared in the last year of the current government administration to minimize the time lapse since the previous CPF. It builds on the September 2023 Systematic Country Diagnostic (SCD) Update and has benefited from extensive consultations with a wide range of country stakeholders, including political leaders. In this regard, the CPF provides a sound and selective framework for engagement with the new administration that will emerge from national elections in 2024. A Performance and Learning Review (PLR) is planned for FY26 and would be prepared earlier if the new government program or their emerging priorities for the World Bank require it.

2. Panama is classified as a high-income country (HIC), above the Graduation Discussion Income (GDI) threshold. The country has experienced remarkable economic growth since 1990, driven by a

well-established and credible macroeconomic policy framework and reforms that have transformed it into an international hub for trade and services. Notwithstanding its achievements and good access to international capital markets, Panama remains one of the most unequal countries in the world, with significant poverty among Indigenous peoples and Afro-descendants, and low quality and access to key public services. Weak institutions and low revenue mobilization explain the country's lack of progress in human capital and infrastructure indicators. Furthermore, Panama's high growth potential is at risk given its vulnerability to climate change and its impact on water resources and canal activities, among others, as well as due to recent developments in the mining sector.

3. In line with the guidance for HICs, the CPF proposes that new WBG interventions focus on strengthening policies and institutions that promote the social and economic development required for sustainable graduation from the International Bank for Reconstruction and Development (IBRD). WBG engagements will include the delivery of regional and global public goods and interventions that foster innovation, inclusion, and shared prosperity; catalyze private sector solutions; strengthen capital markets; support resource mobilization; and create knowledge.

2. COUNTRY CONTEXT

AND DEVELOPMENT AGENDA



2. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

RECENT POLITICAL AND SOCIAL CONTEXT

4. **Panama will hold presidential and legislative elections on May 5, 2024.**¹ A new administration will replace that of President Laurentino Cortizo on July 1, 2024. Ten candidates representing a wide spectrum of political parties are vying for the presidency, including independent candidates. The incoming administration will need to prepare a new five-year strategic development plan to be launched in 2025, which will provide the basis for further defining the WBG program.

5. **In late 2023, a massive protest movement against a recently enacted law to regularize the contract of a large copper mine paralyzed Panama's economy.** The National Assembly had granted a 20-year exploitation license to *Cobre Panamá* in 1997, which in 2017 was declared to be unconstitutional for not complying with the national tendering process. The authorities renegotiated the contract in early 2023, and its ratification in October fired up widespread demonstrations, prompting major road closures, shuttering schools and public services, and halting commerce and transport of basic goods across the country. On November 28, Panama's Supreme Court determined the contract, and the law ratifying it, to be unconstitutional. The authorities subsequently prepared a roadmap focused on: (1) an orderly closure of the mine (including proper care and maintenance); (2) defending the state in international arbitration; and (3) identifying alternative sources of growth.

6. **The widespread nature of the protests, months ahead of a presidential poll, exposed the fragility of the country's social compact and public distrust of state institutions.** The recent protests echoed similar events from a year earlier, when the cumulative impacts of the COVID-19 pandemic and inflationary pressures due to Russia's invasion of Ukraine triggered what were

then the largest street demonstrations and nationwide shutdowns in 20 years. Through a dialogue platform established with civil society groups, the government agreed to a series of measures to reduce the cost of basic foods and pharmaceuticals, freeze gas prices, and increase education spending, among other actions that restored calm.

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

7. **Strong growth over the past two decades, fueled by trade, services and large investment projects, turned Panama into one of the fastest-growing economies in the world.** Panama's growth during 2001–19, averaging 6.1 percent, was the highest in Latin America and the Caribbean (LAC) and was more than double the average growth in LAC. Large investment projects over the 2010s included the Canal and Tocumen airport expansions, which successfully transformed Panama into an important hub for freight and passengers, as well as the metro in Panama City. Panama also expanded its services exports in transport and logistics, tourism, and the financial sector. Starting in 2019, the *Cobre Panamá* mine—the country's second-largest export source after the Canal, accounting for about 40 percent of goods exports in 2022 and with cumulative investments of about 10 percent of the country's 2022 gross domestic product (GDP), including a port and an electricity generation plant—came on stream, further increasing Panama's export potential. Yet exports as a share of GDP have declined substantially, from 66 percent during 2008–14 to around 42 percent by 2020–21, driven by a fall in merchandise re-exports (from 33 percent to 15 percent). Exports thus remained largely stable during 2020–21 but are expected to decline with the declaration of unconstitutionality of the *Cobre Panamá* mine contract and the approval of a Law constraining the approval of new mining exploration and exploitation license.

8. **The COVID-19 pandemic hit Panama's economy hard, which nonetheless experienced a strong rebound during 2021–23.** As a result of its highly open economy and the large share of services in GDP, Panama

¹ Panama's constitution does not allow consecutive presidential terms.

experienced one of the sharpest economic contractions in the world in 2020 due to the pandemic, and this was fortunately followed by a vigorous recovery. In 2021, real GDP growth reached 15.8 percent, setting the stage for a resilient recovery that extended into 2023 (10.8 and 6 percent, respectively). The labor market also recovered, with the employment rate increasing from 54 to 58 percent of the labor force between 2021 and 2023, and the unemployment rate dropping from 11 to 7 percent over the same period. Despite a substantial decline in growth in the last quarter of 2023, driven by protests against the copper mine contract and a slowdown in Canal traffic, the economy still exhibited strong year-on-year growth, estimated at 6 percent. This performance was fueled by a pick-up in activities, such as construction, transport and storage, wholesale and retail commerce, utility, business services, and hotels and restaurants.

9. Panama was on track to meet the Social and Fiscal Responsibility Law (SFRL) overall fiscal deficit target, albeit with delays, but 2023 developments and the forthcoming elections are likely to further delay this objective. The overall and primary deficits were 6.4 and 4.2 percent of GDP, respectively, in 2021, down from 9.7 and 7.2 percent of GDP a year earlier. Public finances improved further in 2022 with the overall and primary

deficits improving by two 2 percentage points of GDP (i.e., 4.1 and 2.3 percent of GDP, respectively) through increased tax collection and contained wage bill spending. The public sector debt-to-GDP ratio, which jumped from 38 to 64 percent of GDP between 2018 and 2020 during the pandemic, declined to 60 percent by 2023. The 2008 SFRL calls for the overall fiscal deficit to reach 1.5 percent of GDP by 2025, a path that was derailed by the increase in the overall deficit to 4.7 percent in 2023, driven by: (1) low elasticity of revenue collection to growth, due to numerous tax exemptions, (2) maintenance of subsidies for certain food, energy and other products – a legacy of 2022 protests against inflation, and (3) the fact that mining revenues did not materialize as the renegotiated mining contract was declared unconstitutional. Despite this temporary setback, the government maintained its commitment to fiscal sustainability by withdrawing the draft 2024 budget from the National Assembly and resubmitting a new budget law with cuts amounting to 4.9 percent of GDP. (The baseline fiscal scenario presented in Table 1 below does not yet incorporate a fiscal reform that the winning candidate in the forthcoming elections might promote early on.)

10. Growth is expected to sharply decline in 2024 to 2 percent as copper production comes to a halt; but commerce, tourism, financial, transport, and logistic services should help lift growth back over the medium term. Cobre Panama accounted for about 4 percent of GDP, and the ruling of the constitutional court calls for a full stop in production – although some minimum level of production will need financing over the medium-term to fund appropriate levels of care and maintenance and, eventually, mining closure. Private and public investment are also expected to decline in 2024, driven by high interest rates and a moderate fiscal consolidation effort. However, GDP is expected to gradually recover starting in 2025 onwards as Panama continues to be an attractive investment destination, supported by its robust services sector, as well as political and economic stability. Heightened social and contract-termination risks are nonetheless expected to moderate FDI flows.

11. Going forward, increasing the complexity of the economic structure of Panama will be critical to boost productivity and maintain high growth performance.



Transport, logistics and communications, commerce, tourism, and the financial sector, are all leading sectors in Panama that are highly integrated to the world economy and whose productivity can be boosted with policies to increase their value added. Promoting environmentally friendly high-end tourism and agro-industries is also a potential source of growth where the authorities can boost productivity.

POVERTY AND SHARED PROSPERITY

12. Panama's remarkable economic growth in recent decades translated into outstanding job creation and poverty reduction. With average GDP growth of 5.8 percent between 1990 and 2019, Panama's GDP per capita rose rapidly, from 17 percent to 47.6 percent of GDP per capita in the United States, driven by capital and labor accumulation, primarily in low-value-added sectors. Rapid growth led to exceptional levels of job creation in these sectors, with employment rising from 48 percent in 1991 to 63 percent in 2019.² Job creation was broadly inclusive, with workers in the bottom 40 of the income distribution transitioning from agricultural activities to relatively higher-earning sectors, such as services and construction. This shift contributed to reduced poverty rates and the consolidation of a large middle class. The percentage of the population living below the poverty line, on less than US\$6.85 per day per capita (in 2017 purchasing power parity terms),

fell from 50 percent to 12 percent between 1989 and 2019. By 2019, almost 60 percent of the population was considered middle class—one of the most significant shares in the region.

13. Economic growth slowed, however, in the second half of the 2010s, and the labor market began to weaken, which eroded the potential of household income to recover after economic shocks. The completion of infrastructure megaprojects, combined with declining foreign direct investment and exports, has led to slower growth since about 2017. The informality rate reached 49.5 percent in 2019, its highest level in 15 years, while unemployment rose to 6.6 percent. During the years leading up to the pandemic, real labor earnings in sectors that had previously driven poverty reduction and the growth of the middle class, including construction, transportation and logistics, and retail and wholesale, started to plateau. More than 57 percent of employment is concentrated in micro, small, and medium enterprises (MSMEs) and in self-employment, which exhibit higher levels of informality and lower job quality. Although poverty reduction continued in the second half of the 2010s, driven by improvements in rural areas, the Panamanian labor market lacked the dynamism to quickly recoup the income and employment losses caused by the pandemic, without relying heavily on social assistance programs.

TABLE 1. Panama's Key Macro Indicators

	2018	2019	2020	2021	2022	e2023	p2024	p2025	p2026	p2027
Annual percent change unless indicated otherwise										
Real GDP Growth	5.6	3.3	-17.7	15.8	10.8	6.0	2.0	3.5	4.0	4.4
Private Consumption	2.7	5.0	-15.9	7.0	10.9	8.0	3.8	6.5	7.0	7.0
Government Consumption	6.4	4.9	16.2	9.8	6.3	8.3	4.9	-0.1	-0.5	1.2
Gross Fixed Capital Formation	7.6	-0.6	-49.3	29.6	20.1	11.6	3.7	6.0	6.4	7.0
Exports, Goods and Services	5.0	1.2	-20.6	20.6	12.7	3.3	0.2	2.7	6.8	5.0
Imports, goods and Services	4.3	-2.5	-34.0	25.2	12.5	4.7	0.6	3.7	8.0	4.0
Agriculture	1.1	5.6	1.9	4.7	5.2	2.5	2.0	2.0	2.0	2.0
Industry	7.0	1.4	-34.7	30.2	12.3	14.6	-2.3	3.5	4.0	5.0
Services	5.2	4.3	-10.7	11.7	11.8	7.7	3.4	3.6	4.0	4.5
Consumer Price Inflation	0.8	-0.4	-1.6	1.6	2.9	1.8	1.5	1.5	1.5	1.5

² Calculations based on Labor Market Survey (EML) 1991 and 2019.

	2018	2019	2020	2021	2022	e2023	p2024	p2025	p2026	p2027
Percent of GDP, unless indicated otherwise										
Current Account Balance	-7.4	-4.8	-0.3	-3.0	-4.1	-3.8	-3.8	-5.3	-4.9	-4.9
Foreign Direct Investment	-7.3	-5.3	-0.1	-2.4	-3.6	-3.5	-3.3	-3.3	-3.4	-3.5
Fiscal Balance	-2.8	-2.7	-9.7	-6.4	-4.1	-4.3	-4.9	-4.7	-4.6	-4.4
Debt	38.2	44.5	64.7	60.1	60.3	60.5	61.2	62.4	63.1	63.3
Primary Balance	-1.0	-0.9	-7.2	-4.2	-2.3	-2.5	-3.0	-2.7	-2.3	-2.1
GDP, US\$ millions	67 294	69 722	57 087	67 407	73 449	80 299	85 450	91 048	97 574	105 527

Source: World Bank staff calculations based on official data from INEC and MEF.

* Incorporates the decrease in mining exports by US\$675 million in 2023, or 25 percent of *Cobre Panama's* exports, and by US\$1.8 billion from 2024 onwards (about 70 percent of *Cobre Panama's* exports).

14. Despite significant poverty reduction, inequality has been reduced at a much slower pace and remains high and complex. Although Panama has reduced income inequality, it has done so only at the pace of the rest of the region, despite its exceptional growth and job creation rates. Inequality has been less responsive to growth and thus remains among the highest in the region, below only that in Brazil and Colombia.³ The persistence of inequality stems from a labor market structure that is highly concentrated in low-productivity sectors, such as services (trade), agriculture, and construction, with relatively higher informality rates and lower job quality. Low-income households are overrepresented in these sectors, and they have not benefited much more from growth than their richer counterparts. Informal workers earn less than half of what formal workers earn, and agricultural workers receive only one-fourth of the average labor earnings among urban workers. Moreover, territorial inequalities contribute significantly to inequality. Panama and Panama Oeste account for over two-thirds of GDP and formal employment. Meanwhile, monetary poverty rates reach an alarming 70 percent in the

*comarcas*⁴ Although Panama is a high-income country, education outcomes are comparable to those of lower-middle-income economies,⁵ and there are significant regional disparities in education and health outcomes, particularly between Indigenous *comarcas* and the rest of the country.⁶

MAIN DEVELOPMENT CHALLENGES

15. The 2023 SCD Update points to the limits of the country's economic model. As growth has slowed under this model, it has revealed structural constraints related to the quality of human capital and productivity, and a need to diversify into higher-value-added and more inclusive sectors to sustain growth and create more and better jobs. The SCD Update identifies four major constraints to sustaining inclusive, resilient, and green growth: **(i) low productivity**, driven by structural issues, including the low level and slow growth of human capital, limited entrepreneurial and innovation capacity among MSMEs, and high rates of informality; **(ii) exclusion and inequality**, notably disparities in access to and quality of services and in

³ For example, for every percentage point increase in GDP in the LAC region between 2007 and 2017, the Gini index decreased by 0.28 percent; in Panama, this rate is 0.05 percent over the same period. Source: IADB. 2020. *La desigualdad de Panamá: su carácter territorial y el papel de la inversión pública*.

⁴ For the purposes of this report, and based on data availability in Panama's household surveys, we use the term *comarcas* to refer to the province-level territories of Emberá-Wounaan, Guna Yala, and Ngöbe-Buglé.

⁵ Secondary enrollment rates (63.8 percent in 2019) have not improved in recent decades and remain below the regional average (77.5 percent). According to the Regional Comparative and Explanatory Study (*Estudio Regional Comparativo y Explicativo*, ERCE), 83 and 97 percent of sixth-grade students did not achieve minimum learning outcomes in reading and math, respectively, in 2019. Recently launched results of PISA 2022 indicate that 84, 58, and 62 percent of 15-year-old students in Panama scored below minimum proficiency in math, reading, and science, respectively, above LAC regional averages for each subject.

⁶ Life expectancy is 78 years nationwide, but only 70 years in Indigenous regions. Infant mortality and stunting rates are higher, and deficiencies in education are worse, in the *comarcas*. Based on the 2018 CRECER national assessment, more than 75 percent of third graders in the *comarcas* had a low or very low score in math.

economic opportunities across regions, ethnicities, and gender; **(iii) environmental vulnerability to climate change**, with an increasing frequency and intensity of natural disasters caused by rising temperatures, which poses significant risks, especially in a country whose major economic assets and sectors—including the Canal, hydroelectricity, tourism, and agriculture—are highly dependent on sustainable water management and in need of support for a green energy transition; and, intertwined with all three of these development challenges, **(iv) institutional weaknesses**.

Low Productivity and Informality

16. Panama's sustained growth over the past three decades has been driven primarily by factor accumulation, both capital and labor, rather than by total factor productivity. While overall growth has been commendable so far, the 2023 SCD Update suggests that low total factor productivity has become the "Achilles' heel" of Panama's growth outlook, which in turn is linked to low human capital (including workforce skills), weak innovation systems, and increased levels of informality.

17. The slow growth of human capital has limited entrepreneurial and innovation capacity among MSMEs and contributes to high rates of informality. Panama's low score on the human capital index, at 0.50,⁷ is on par with those of lower-middle-income countries and reveals the status of human welfare and lagging investments in human capital. Also affecting productivity is the large share (50 percent) of the labor force employed informally, most often in low-productivity MSMEs. Low education outcomes and informality are long-standing developmental challenges for Panama and are especially acute in rural areas and *comarcas*. These challenges must be addressed if the country is to transition to a higher-value-added economic model based on sustained productivity growth.

18. The COVID-19 pandemic further impacted labor productivity and learning poverty, compounding inequality. Lockdowns and school shutdowns in response to the pandemic crisis in 2020–21 had a significant impact on employment and education losses. At the onset of the pandemic in 2020, unemployment rose to 18.5 percent. Already vulnerable populations were the most affected by job losses, particularly women, mothers of young children, the elderly, and the less educated.⁸ Panama's losses due to the pandemic could be as high as 1.7 learning-adjusted years of schooling and are likely to translate into a significant decrease in earnings and productivity.

Exclusion and Inequality

19. Panama has low levels of public service delivery compared to its peers, and these services are critically lacking in lagging and Indigenous regions. While low levels of service delivery are a challenge across the country, disparities between urban and rural and *comarcas* heighten exclusion and inequality. Indigenous people, particularly the 424,330 living in *comarcas* and other rural areas, lag other groups across a wide range of indicators of well-being. *Comarcas* also have the worst average indicators on education and access to basic services like water, sanitation, and electricity (Figure 1). Communities in the *comarcas* have limited physical and digital infrastructure, with 90 percent of households lacking access to good-quality roads and 55 percent



⁷ A child born in Panama today will achieve only 50 percent of his or her potential lifetime productivity, far below the LAC region.

⁸ World Bank. 2021. COVID-19 LAC High-Frequency Phone Survey.

having no internet access. Indigenous people living in urban areas fare better than those in *comarcas* but experience significant deprivation compared to other groups. The poverty rate among the 207,191 Indigenous people living in urban areas is 15 percent, about three times the aggregate urban poverty rate. In addition, 29 percent of urban Indigenous people lack access to in-home sanitation, and one in four has no access to water (Figure 2). These are among the lowest indicators of access to basic public services among the 12 LAC countries with large Indigenous populations.

20. Gender disparities contribute to exclusion, particularly among Indigenous women. Despite recent gains, the female labor force participation rate remains significantly lower than the rate for men. In 2019, 55.5 percent of women participated in the

labor force versus 79.7 percent of men. The pandemic reversed a decade of progress in this area, and in 2021 the female labor force participation rate was 8.1 percentage points below its 2019 level and close to the level observed in 2011. Gender gaps in the labor market have negative implications for economic growth. In LAC, economic losses due to the labor force participation gap are estimated at 23.1 percent of GDP per capita. Indigenous women face particularly acute deprivation. In the *comarcas*, they have the lowest levels of education (4.5 years compared to 6.0 years for men) and receive the lowest hourly income (equal to 23 percent of the average income for men at the national level). Panama also has one of the highest teenage pregnancy rates in the region, a factor that further holds back girls' and women's potential and perpetuates poverty across generations.

FIGURE 1. Indigenous people in rural areas face high rates of monetary and nonmonetary poverty...

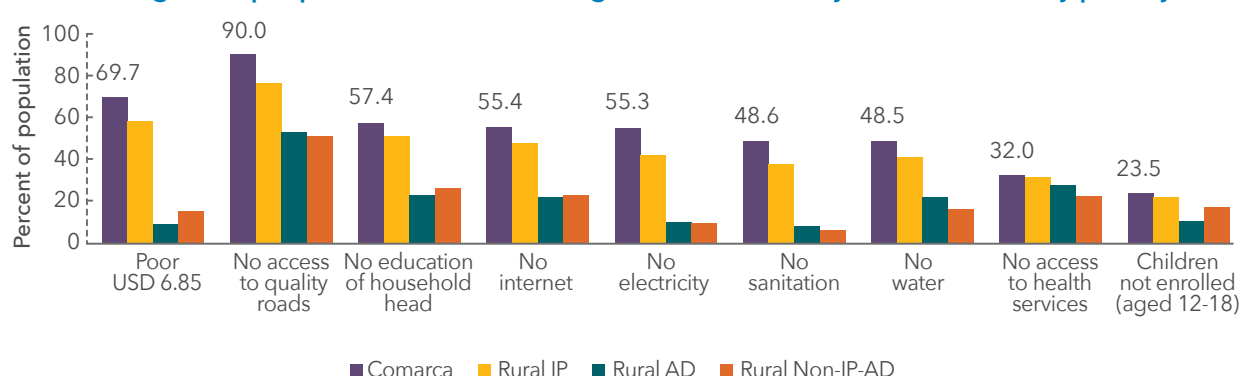
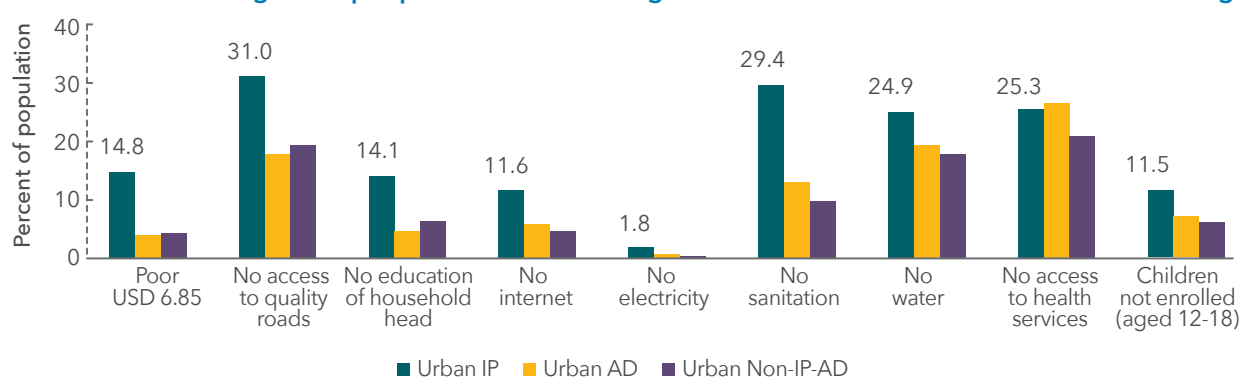


FIGURE 2. ...while Indigenous people in urban areas lag other communities on measures of well-being



Source: SCD Update (2023); Encuesta de Mercado Laboral 2019 and Encuesta de Propósitos Múltiples 2019.

Note: All indicators are measured as a share of the population, except "children not enrolled," which is the share of children 12-18 years of age.

21. In addition to Indigenous people and women, other vulnerable groups face social and economic marginalization. Afro-descendants, persons with disabilities, and sexual and gender minorities are vulnerable to poverty and deprivation. Afro-Panamanians make up 33 percent of the population in 2023, making them the country's largest minority. Economically depressed districts of the province of Colón and poorer neighborhoods of Panama City attest to the exclusion faced by Afro-descendants, many of whom live in these areas. People with disabilities make up an estimated 12.6 percent of the Panamanian population and generally receive no public support for equal access to opportunities. Their households experience higher levels of overcrowding (14 percent compared to 11 percent) and lower levels of access to basic services. Panama has taken few steps to create a more open and inclusive society for sexual and gender minorities, who continue to face high levels

of discrimination and exclusion. Transit migrants are another vulnerable group that has grown in numbers in recent years (Box 1).

Environmental Vulnerability and Climate Change

22. With one of the highest percentages of forest cover in the world, making it one of only three countries to be carbon-negative, Panama needs to protect and optimize its natural assets while pursuing its development objectives. Most of Panama's forest is in protected areas and claimed Indigenous territories, which have proven critical for promoting forest conservation and climate change. In addition, the country's greenhouse gas emissions have been increasing in per-capita terms yet are still below the averages of LAC and the countries of the Organization for Economic Co-operation and Development (OECD).⁹ However, climate change has important impacts on productivity, innovation, and health, requiring

BOX 1. A Migratory Crisis in the Darien Gap

Panama has experienced an unprecedented surge of migratory flows through the Darien Gap over the past two years, creating new stresses and opportunities. Panama regularly experiences three simultaneous migration flows: (i) regular migration driven by economic need and labor mobility; (ii) transit flows through the Darien Gap and mainly within Indigenous *comarcas* (Emberá Wounaan); and (iii) an increased, yet relatively small, number of refugees and asylum seekers as more migrants seek international protection in Panama.

Transit flows through the Darien Gap have reached an unprecedented magnitude, with significant impacts. As of October

31, 2023, SENAFRONT reported 458,228 crossings at Lajas Blancas, an 85 percent increase from the 248,284 reported in December 2022 (up 185 percent from 133,726 in 2021 and 414 percent from 6,465 in 2020). In the three months between August and October 2023, arrivals averaged 2,244 persons per day, compared to 300 inhabitants living at the entry point of Bajo Chiquito (in the Emberá-Wounaan *comarca*). An estimated 30 percent of arrivals are minors, and a growing number of arriving migrants are unaccompanied children—as high as 50 percent of all arrivals in May 2023.

Conditions at the Darien Gap are extremely precarious and dangerous. Migrants that arrive

in host communities lack access to shelter, information, food, health care, water, and other basic services, and many are subject to physical and sexual violence. The medium- and long-term impacts of these migratory flows include straining natural resources in the Darien National Park, invasion of Indigenous peoples' lands, and increased social unrest. They have also created local economic opportunities, however. The World Bank estimates that the long-term economic benefits of migration through Panama (0.7 to 0.9 GDP average annual growth rate) have the potential to outweigh the short-term costs (0.4 to 0.5 percent of annual GDP), but these need to be sustainably managed.

⁹ <https://ourworldindata.org/grapher/per-capita-ghg-emissions?time=latest>

enhanced adaptation measures. Panama's water resources are under significant pressure, jeopardizing economic activities in key sectors, including the Canal, hydroelectricity, tourism, and agriculture.

23. Panama ranks 14th among countries most exposed to multiple impacts from climate change based on land area,¹⁰ and has recently seen an increase in the intensity of climate-induced natural hazards. These include intense and protracted rainfall, windstorms, floods, droughts, landslides, tropical cyclones, and El Niño-Southern Oscillation-La Niña events. Increased intensity of such events is expected to have negative social and economic impacts, such as crop failure, increased intensity of heat stress on crop production and vulnerable populations, loss of biodiversity and forests, reduced water quality and quantity, and increased incidence of climate-related human health impacts.¹¹ Climate change is altering weather patterns and affecting water resource availability, with severe consequences for hydropower generation and the operation of the Panama Canal, which are major contributors to GDP.

24. The poorest and most remote regions—particularly coastal and agricultural communities—face disproportionate livelihood impacts from more frequent and intense storms, floods, and droughts. Rising sea levels and other climate hazards are forcing the Kuna Yala to move from ancestral island habitats to the mainland, affecting their culture, lifestyle, and livelihoods.

Institutional Weaknesses

25. Key institutions for productivity, inclusion, and environmental sustainability and resilience need to be strengthened to support sustained and inclusive growth in Panama. Weak accountability, limited information sharing and evidenced-based policymaking, high rates of corruption, and a weak judiciary undermine the integrity of the public sector. Meanwhile, inefficiencies in tax administration reduce fiscal revenue, limiting the government's ability to implement productivity-enhancing reforms and investments.

Decentralization efforts are hindered by limited transparency and, in Indigenous territories, ambiguity and lack of coordination between Indigenous and local authorities. This is compounded by low institutional capacity and insufficient budget allocations to fulfill functions assigned by laws and decrees to Indigenous authorities. Panama's public-spending-to-GDP ratio is one of the lowest among its structural and aspirational peers. Given the lack of results-based investment planning and insufficient alignment of national planning with local development priorities, the effectiveness of investments is uncertain. Although public investment in Indigenous territories has increased in recent decades, it has failed to close gaps in access to basic services and economic opportunities. Public institutions that play a critical role in public sector accountability are regulated by outdated legislation, are opaque, and create significant bottlenecks in public administration. Perceptions of corruption in government are high.

26. Financial sector regulation and supervision in Panama, while advanced, requires significant strengthening to ensure financial stability, and access to financial services is low. The financial sector is one of the leading sectors in Panama and in the region, with assets equivalent to about 210 percent of GDP in June 2022. An underdeveloped payment system and the low share of adults with bank accounts (at 45 percent, compared to 74 percent in LAC) reflect some of the challenges for financial institutions. Persistent weaknesses in financial transparency led to Panama's inclusion on the Financial Action Task Force (FATF) grey list in 2019 and the European Union's tax haven blacklist in 2020. After complying with several actions to strengthen transparency in the financial sector, Panama successfully exited the grey list in October 2023 (Box 2).

27. Panama's social protection programs have helped reduce poverty and increase human capital, but their efficiency and effectiveness remain limited. The *Panama Solidario* program, introduced to respond to the COVID-19 pandemic, is estimated to have prevented

¹⁰ Climate Change Knowledge Portal - World Bank.

¹¹ Ibid.

a more severe increase in poverty rates during the pandemic. Better targeting will be necessary to improve the program's efficiency, however, as it continues to support vulnerable households. The government has increased social spending over time, but it remains only slightly above the LAC average. Panama lacks an adaptive social protection system capable of expanding the beneficiary base in response to shocks and crises. Both regular and adaptive social protection systems require a universal registry of potential beneficiaries. Statistical performance indicators reveal that Panama's national statistical system is less capable and mature than the average among comparator groups.

28. Panama's education system suffers from chronic underinvestment, and access and quality are key issues.

Underinvestment has contributed to low education outcomes and disparities among different groups. Local socioeconomic indicators are a key predictor of student performance, highlighting the consequences of unequally distributed investment. Students from rural households face greater challenges, attending schools with poorer infrastructure and fewer learning materials and traveling longer distances to attend school. These factors contribute to higher dropout rates and weaker learning outcomes among rural students. The quality of education is also of concern, as Panamanian students perform more poorly on international standardized tests than do their counterparts in countries with similar levels of per-capita education spending.

BOX 2. Panama's Financial Action Task Force Grey List

Panama has struggled to bring its anti-money laundering and combating the financing of terrorism (AML/CFT) regime in line with international standards, resulting in periods of being "grey listed" by the international standard-setter, the Financial Action Task Force. The FATF found Panama's AML/CFT regime to have strategic deficiencies, notably in preventing the misuse of legal persons and arrangements for money laundering purposes, and grey-listed Panama in June 2019.

Panama and the FATF agreed to an action plan of 15 items to address deficiencies. The main vulnerabilities included a lack of understanding of the country's AML/CFT risks, a lack of transparency with respect to the beneficial ownership of legal entities and arrangements, a lack of adequate supervision of non-financial businesses and professions,

and a low level of investigations and prosecutions of money laundering. Lack of information and transparency on beneficial ownership makes Panama vulnerable to criminal activities and can facilitate tax avoidance and evasion domestically and abroad.

With support from the World Bank, International Monetary Fund (IMF), and international community, the authorities in Panama have made progress in addressing these deficiencies. Under the development policy loan (DPL) series in FY21-22 (P174107 and P175930), and through World Bank technical assistance (TA), the government implemented part of the action plan to overcome structural vulnerabilities on AML/CFT, namely: creation of a beneficial ownership registry in 2020; increased sanctions for non-compliance with the AML/CFT legal framework through

Law 254/2021, Law 129/2020, and implementing regulations; and a risk analysis of legal entities. While implementation of the beneficial ownership registry is a significant step forward, consideration should be given to expanding the scope and use of the registry to ensure that it continues to be aligned with the evolving risk landscape. At its October 2023 plenary session, FATF concluded that all items in the action plan had been addressed and removed Panama from its grey list. Panama is, however, still on the European Union's list of non-cooperative jurisdictions for tax purposes, as the country was deemed only partially compliant with the international standard on the automatic exchange of financial account information. Thus, Panama still faces an important reform agenda regarding international transparency and information exchange.

WORLD BANK GROUP

3. PARTNERSHIP FRAMEWORK



3. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

GOVERNMENT PROGRAM AND MEDIUM-TERM STRATEGY

29. **The government's strategy to support Panama's development agenda is embodied in the Strategic Government Plan (SGP) for 2020-24 and the Plan Colmena, prepared under President Cortizo's leadership and approved by the National Assembly.** The SGP highlights the existence of five different Panamas: (i) modern; (ii) middle-class; (iii) urban; (iv) rural and agricultural; and (v) Indigenous (comarcas) and outlines the top government priorities for reducing poverty and closing the gaps between them. The SGP consists of five pillars: (1) good governance; (2) law and order; (3) competitive economy that generates jobs; (4) fight against poverty and inequality; and (5) education, science, technology, and culture.¹² A five-year Public Investment Plan (*Plan Quinquenal de Inversiones Públicas*)¹³ complements the SGP, with investments programmed by each public entity on an annual basis. In 2022, the Plan Colmena was launched as a territorial development strategy to empower local communities in implementing the SGP by strengthening local capacity and increasing community engagement in public service delivery.¹⁴ Plan Colmena targets the 300 poorest municipalities across 63 districts in the country.

30. **Panama's SGP is anchored in a longer-term national strategy to make progress toward the United Nations Sustainable Development Goals (SDGs).** The National Strategic Plan and State Vision for Panama (PEN) 2030, adopted by Executive Decree in September 2015¹⁵ and launched in 2017, is articulated around five pillars—people, planet, prosperity, peace, and alliances—with a view to achieving the SDGs by 2030. The PEN focuses on Panama's longer-term objectives to promote equitable and sustainable growth outcomes, and the five-year government strategies are generally aligned with these

goals. At the PLR stage, the World Bank will have an opportunity to adjust the CPF in light of the next five-year government strategy, which would be the final one to support progress toward the SDGs by 2030.

PROPOSED WBG COUNTRY PARTNERSHIP FRAMEWORK

Selectivity in Designing and Implementing the CPF

31. **The CPF applies four selectivity criteria to prioritize the WBG's high-level outcomes (HLOs), cross-cutting themes, and objectives in Panama.** The CPF, as described in greater detail below, is designed to support progress toward three HLOs—inclusive job creation, strengthened and inclusive human capital development, and improved resilience to, and mitigation of, natural shocks and climate change. Cutting across the three HLOs, the CPF will focus on two cross-cutting themes: strengthened institutions and inclusion. Interventions to support key objectives under these HLOs and cross-cutting themes will be determined based on the following selectivity criteria: (i) the Government of Panama's five-year SGP and the Plan Colmena; (ii) the 2023 SCD Update policy priorities; (iii) the WBG's HIC-specific GDI guidelines; and (iv) the WBG's comparative advantage under a One World Bank Group approach.

32. **First, the CPF priorities are aligned with four of the five pillars of the SGP for 2020-24 and with the Plan Colmena.** In terms of the SGP, this includes a proposed focus on strengthening institutions and governance, with a view to making the public sector more efficient in delivering services and improving the private sector environment to generate jobs. In addition, the CPF program includes direct support to improve basic services and human development outcomes in the poorest and most marginalized communities of the *comarcas*, helping to directly implement institution and capacity building and investments of the Plan Colmena. The CPF's alignment with the PEN 2030 to

¹² <https://www.mef.gob.pa/wp-content/uploads/2020/12/PLAN-ESTRATEGICO-DE-GOBIERNO-2020-2024-web.pdf>

¹³ <https://www.mef.gob.pa/plan-quinquenal-de-inversiones-publicas/>

¹⁴ <https://www.gabinetesocial.gob.pa/plan-colmena-panama/>

¹⁵ <https://observatorioplanificacion.cepal.org/sites/default/files/plan/files/PanamaPlanEstrategicoNacionalconVisiondeEstado.pdf>

achieve the SDGs also provides a broader strategic framework for potential areas of alignment with the next administration.

33. Second, the CPF is aligned with key elements of the five policy priority recommendations of the 2023 SCD Update. The SCD Update policy priorities include: **(1) building human capital:** enhance the quality and availability of education and health services, supported under HLO 2; **(2) increasing innovation and entrepreneurial capacity of firms and enhance job quality,** supported under HLOs 1 and 2 through support for improved access to finance and business skills for MSMEs, modernizing public financial management (PFM) systems, and promoting digital access; **(3) ensuring the inclusion of Indigenous communities, rural populations, and women,** supported through HLO 1's focus on promoting opportunities in higher-value-added sectors that have potential for creating opportunities for disadvantaged and marginalized groups, as well as World Bank support for basic public services and well-targeted social protection programs under HLOs 1

and 2; **(4) promoting environmental sustainability and strengthening resilience to natural disasters,** supported under HLO 3's focus on improving the management of forest resources, enhancing disaster preparedness and response capabilities, decreasing greenhouse gas emissions, and promoting the green economy; and **(5) strengthening public-sector institutions** by promoting accountability, evidence-driven policy, effective public service delivery, and revenue mobilization. Strengthening public institutions is a CPF cross cutting theme, although the CPF does not foresee support for law and order or justice services. The CPF also does not foresee direct support for large infrastructure operations, although it plans to provide support indirectly through efforts to strengthen the management of public-private partnerships (PPPs).

34. Third, selectivity in CPF interventions will be exercised by reference to the WBG's GDI requirements for Panama. The focus here will be on strengthening institutions and access to capital markets to prepare Panama for the graduation process. The CPF emphasizes institution building and inclusion across the three proposed HLOs.

BOX 3. Consultation Process

The CPF reflects extensive inputs received through consultations with the government, private sector, civil society, and development partners. During these consultations, government representatives welcomed the updating of the CPF to provide a framework for WBG support during the transition to a new administration and to help orient the next government. They emphasized the importance of aligning the CPF with the next administration's SGP for 2025-28. Participants underlined the critical importance of the WBG's policy advice and emphasized the priorities

of human capital development, increasing productivity, improved public service delivery, and natural resource management. The business community stressed the need for better conditions for private sector development and investment. Civil society representatives reaffirmed their desire for stronger involvement in monitoring CPF implementation and raised concerns regarding opportunities for Afro-descendants, discrimination against the LGBTQ community, and the lack of consideration in national planning for people with disabilities. Women's groups noted that women are

marginalized in several aspects of society, including access to finance. Indigenous women referred to the importance of strengthening economic opportunities for Indigenous women, reducing gender-based violence, and strengthening their voice and participation. Development partners highlighted needs in sanitation and solid waste management, as well as the critical importance of the water sector. They acknowledged that the proposed HLOs and CPF objectives are generally aligned with their own strategies and development priorities.

35. Fourth, the CPF will prioritize opportunities to leverage the strong collaboration between the World Bank, International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA) to support the government's private sector development agenda. Under HLO 1, IFC and the World Bank will continue to deepen support for the government's PPP agenda to mobilize private financing for major infrastructure investments.¹⁶ MIGA and IFC will build on ongoing support to improve access to finance for

MSMEs and thereby help promote private sector and job creation in support of HLO 1 objectives. The three affiliates will continue to coordinate closely to support inclusive job creation in tourism and agribusiness, in digital development and green growth. IFC, MIGA and the World Bank will build on the successful experience with PPPs, facilitated by the close coordination of management and technical staff co-located in Panama and a joint dialogue with authorities and partners.

OUTCOMES AND OBJECTIVES SUPPORTED BY THE WBG

TABLE 2. High-Level Outcomes and Country Partnership Framework Objectives

HLOs	HLO 1: Inclusive Job Creation	HLO 2: Strengthened and Inclusive Human Capital Development	HLO 3: Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change
CPF Objectives	Objective 1.1: Access to finance and private sector-led job creation	Objective 2: Improved access to and quality of health, education, and water services	Objective 3: Enhanced climate resilience and mitigation
	Objective 1.2: Enhanced financial and public investment management		
	Cross-Cutting Themes: Strengthened Institutions and Inclusion		

¹⁶ The WBG advised the government of Panama on the formulation of the 2019 law on PPPs, while IFC signed three mandates to support PPPs and the World Bank in FY22 approved a TA operation to strengthen capacity within the Ministry of Public Works to manage these agreements.



HLO 1: Inclusive job creation

36. **HLO 1 will track efforts to promote job creation mainly through enhanced access to finance for MSMEs and women, as well as key interventions in tourism and agri-business.** Although Panama is an important international financial center, access to finance remains an issue for MSMEs and hinders their growth and formalization. Exploring alternative sources of growth and improving human capital will also be critical as traditional sources of growth have lost dynamism (the canal) or been suspended (metal mining). These two factors introduce a sense of urgency to pursue reforms that will enable the country to exploit alternative sources of growth, in both urban and rural areas.

37. **Inclusive job creation will also require public sector interventions, including more and better public investments, which will in turn demand enhanced public sector resource management.** Mobilizing private financing through PPPs will help create fiscal room for basic services and infrastructure (such as water and secondary roads). At the same time, it is paramount for Panama to increase its domestic resource mobilization to safeguard fiscal sustainability, enhance public investment, and introduce a level playing field in the private sector, where some firms enjoy a disproportionate number of tax breaks.

38. **In line with the WBG's GDI guidelines for HICs, the CPF will use an institution-building lens to ensure a focus on strengthening key institutions.** The aim is to improve institutional effectiveness and capacity to enact or implement reforms to strengthen public resource management, promote partnerships with the private sector and the mobilization of private capital, and strengthen the business environment, including through better access to finance and support for MSMEs.

Objective 1.1: Access to finance and private sector-led job creation

39. **More and better jobs will require a focus on sectors with still untapped potential.** Although the role of agriculture has declined in the past decades, from about 25 percent to 3 percent of GDP, it has the potential to continue making important contributions to Panama's economy through export revenues, employment generation, and domestic food and nutrition security. The country's agricultural production systems are diverse, and significant opportunities remain unexploited that could add value by further developing and diversifying agro-industry, both for internal consumption and for



export. High-value fresh produce, for instance, is not a land-intensive product and is an area where Panama would have comparative advantages in domestic and foreign markets (Panama already produces one of the most valuable coffee varieties in the world, the Geisha coffee). Tourism is already an important contributor to Panama's value-added as a destination for consumers and vacationers, and as a regional transit hub, and sustainable tourism has similar untapped potential. Indigenous and local communities could make use of important income opportunities in sustainable forest management and protection, creating jobs while providing local and global benefits.

40. To help achieve this objective, the WBG will pursue dialogue and opportunities to support the agriculture and tourism sectors, including the agribusiness, services, and eco-tourism sectors and their respective supply chains. Analytical work could include a review of the impact of the suspension of mining activities and alternative sources for growth and job creation, as well as supporting a national tourism strategy for Panama, along with TA to key institutions. Through the Panama Sustainable Rural Development and Biodiversity Conservation Project (P178063), the World Bank will continue supporting biodiversity-friendly, economically viable, and inclusive activities in the agriculture and eco-tourism sectors, and will explore the possibility to scale up this support through a Sustainable Tourism and Agribusiness operation. The World Bank will also explore how to support the country's innovation agenda to boost productivity, through knowledge products (including a Country Private Sector Diagnostic, or CPSD) and financing instruments. Building on the recently completed Financial Sector Assessment Program (FSAP), the World Bank will explore the provision of TA (reimbursable or non-reimbursable) to the Banking Supervision Agency and the Ministry of Economy and Finance (MEF) on ways to enhance financial inclusion and reduce the cost of the payment system.

41. IFC will continue providing access to finance for MSMEs in key sectors, with a focus on women-owned enterprises, and promoting skills development interventions. IFC has developed a first mortgage

product with local partners for women in Panama and has in place several lines of credit to foster MSMEs. In addition to providing valuable inputs to women's businesses, this product can serve as a replicable model for the region and globally. MIGA will continue to support this objective through its two active operations in the financial sector (*Caja de Ahorros and Banco Nacional de Panama*), increasing MSME access to credit, including among women-owned MSMEs, and in the affordable housing segment. Furthermore, MIGA will coordinate closely with the World Bank and IFC to explore opportunities for private capital mobilization in key sectors, including tourism. A CPSD in FY25 will help to confirm further priorities for private sector development.

Objective 1.2: Enhanced financial and public investment management

42. Effective management of public resources, including both revenues and expenditures, is instrumental in achieving broad development objectives, such as efficient resource allocation and service delivery. In tune with WBG corporate guidelines for GDI countries, this objective seeks to strengthen the operational efficiency of Panama's PFM system and, by extension, government services to perform tasks in a timely and cost-effective manner using simplified processes and leveraging information technology. The World Bank will support this objective through the Consolidation of the Public Financial Management Information System Project (P180872), with a focus on strengthening fiscal sustainability



and spending efficiency by strengthening public information systems and improving key systems for public investment management, public asset management, and payroll. The authorities have requested the preparation of a Public Finance Review, planned for FY25, including an analysis of options for increasing domestic revenue mobilization while reducing distortions to private investments.

43. PPPs complement PFM interventions by creating fiscal headroom and generating efficiencies, while boosting employment in the short and medium term.

While Panama has made significant investments in infrastructure, including air and seaports, investments in roads and railways are not on par with its aspirational peers and are especially limited in rural and indigenous areas (for example, secondary and tertiary road maintenance and investments). Indicators of digital connectivity are below averages for LAC and OECD countries, and the high cost of broadband services in rural areas has hindered widespread adoption of high-speed internet connections and leveraging of digital tools for basic services. Achieving this objective would help Panama transition to a higher-value-added economic model through increased connectivity. The World Bank will continue to strengthen government capacity to structure and contract PPPs for public infrastructure projects through the Support to Panama PPP Program (P174535) and through a World Bank pilot, with IFC support, of privately financed rehabilitation and maintenance of the East Pan-American Highway. The Climate Resilience and Green Growth DPL series (P179817, P181306) is supporting reforms to increase access to energy and digital connectivity in rural areas and *comarcas*.

44. MIGA will contribute to this objective by leveraging its existing operation in urban transport with Metro Line 1 in Panama City, under which it issued guarantees for the greenfield construction of a metro line to enhance urban connectivity. MIGA non-honoring sovereign financial obligation guarantees were issued in June 2012 for a period of 12 years. Metro Line 1 has been operational since 2014. Furthermore, MIGA will continue to



explore new opportunities to support private sector mobilization through its political risk insurance and non-honoring guarantees for the benefit of crowding in foreign capital, particularly in view of heightened political risks associated with the closing of the mine concession.

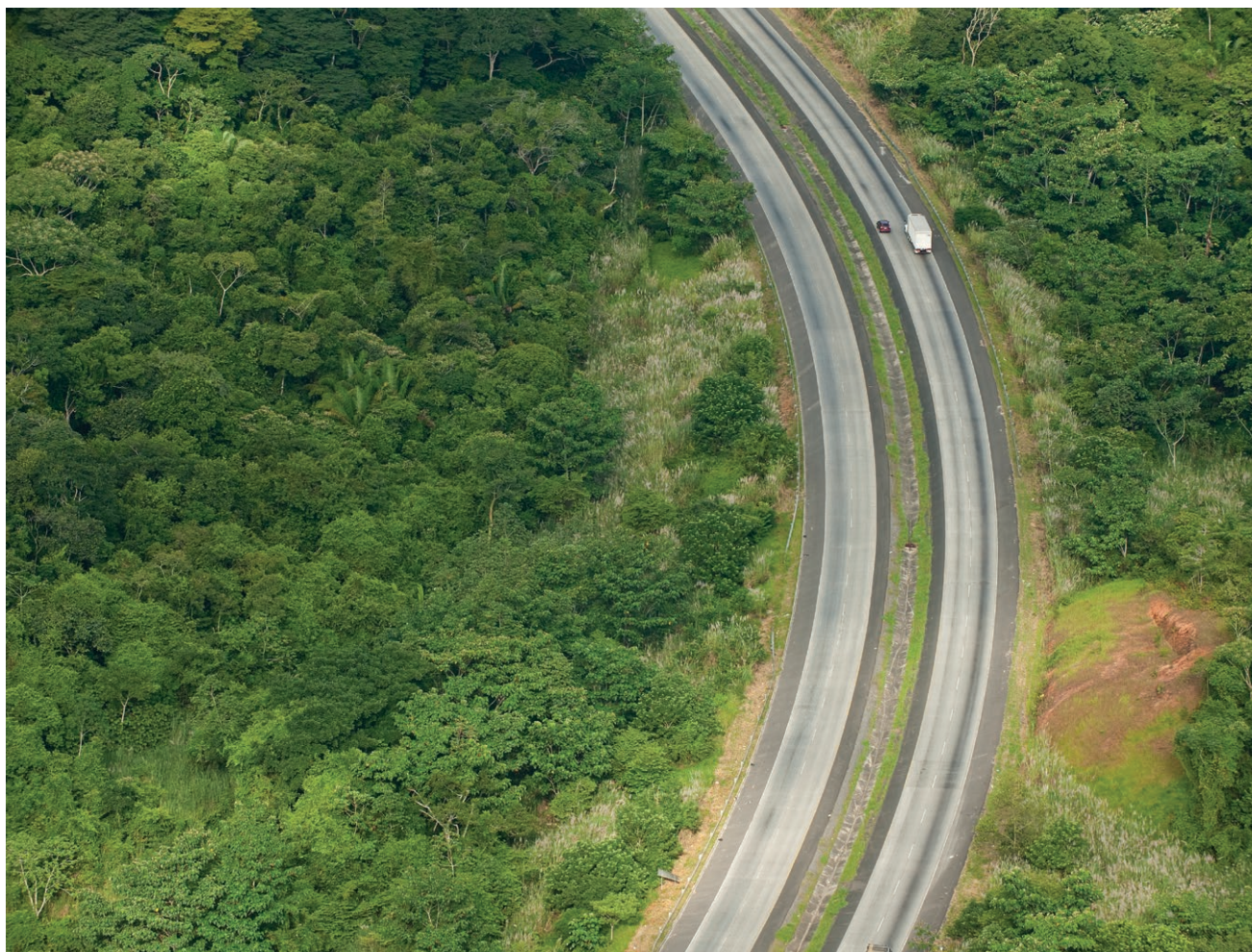
Cross-cutting themes: strengthening institutions and inclusion under HLO 1

45. Objectives 1.1 and 1.2 will strengthen the institutions managing PPPs and investments, including support for private capital mobilization, as well as financial sector institutions. New proposed analytical work (including Country Climate and Development Reports, or CCDRs, and a CPSD) will provide additional underpinnings to strengthen these institutions. The focus of Objective 1.2 is on strengthening public institutions and systems responsible for PFM, which impact the private sector environment and service delivery. The Support to Panama PPP Program Development for Recovery Project (P174535) has been designed to strengthen institutional capacity for mobilizing private capital to finance and manage infrastructure and services, set up a sound PPP institutional framework, and manage the PPP agenda.

46. Objectives 1.1 and 1.2 will promote economic empowerment of vulnerable groups, including women. Under Objective 1.1, IFC and MIGA will seek to address gender gaps by strengthening financial and technical support to female

entrepreneurs and startups. This objective also seeks to promote sectors that are more inclusive of structurally excluded populations to promote sustainable livelihoods (for example, in agriculture, tourism, and forest management). Under Objective 1.2, the Consolidation of Panama Public Financial Management Information System Project (P180872)

will include reporting on gender in employment and compensation practices in the public sector, and support tools to integrate climate change, gender, and citizen engagement in public investment management decisions. The World Bank will pursue opportunities with the new administration to further support Panama in these areas.





HLA 2: Strengthened and Inclusive Human Capital Development

47. HLO 2 will focus on the quality of services and institutions in support of stronger human capital development in Panama. The CPF will track access to and improve the quality of basic services, particularly in health, education, and water, and work to strengthen institutions for inclusive human capital accumulation and increased productivity.

Objective 2: Improved access to and quality of health, education and water services

48. Panama has made important progress in improving key health outcomes, with infant mortality and maternal mortality rates declining notably. Yet significant disparities persist in health outcomes in urban and rural areas, and between the autonomous Indigenous regions and the rest of the country. In the education sector, significant learning losses—from already low levels—in the wake of the COVID-19 pandemic pose the risk of severe downstream productivity and welfare effects for many decades, if left unaddressed. The World Bank will build on its current engagement on health, education, and safety nets to contribute to this outcome. IFC will continue to explore opportunities

to support tertiary education and health services providers, especially in areas where skills translate into labor market opportunities, as well as supporting the formulation of comprehensive strategies and roadmaps for digital transformation.

49. In 2021, the World Bank renewed its engagement in the health sector through the COVID-19 Emergency Response Project (P173881) and additional financing approved in 2022. This operation will be a key contributor to this objective through its support for vaccination programs and modernization of health systems. The government has requested technical and financial support on broader health systems strengthening interventions to address key gaps in access to and quality of health care, incorporating lessons learned and successful strategies used during the pandemic. The World Bank will pursue the opportunity to modernize and digitize health systems, to be reflected in the PLR if concretized.

50. In education, the World Bank has provided support and TA to the Ministry of Education of Panama (MEDUCA), mainly through the Pandemic Response



and Growth Recovery DPL (P174107). This work has included support for the development of the Law of Digital Equity (*Ley de Equidad Digital*), approved in 2022, to expand the use of technology in education. The law promotes improved equity in the education system, strengthens the teaching-learning process, and improves the implementation of alternative and flexible schooling modalities. Panama forms part of a regional initiative that seeks to pool lessons and identify the most efficient and effective means to address learning loss, including the use of intensive tutoring and digital platforms for teachers and for formative assessment of students.

51. Through the Support for the National Indigenous Peoples Development Plan (the IP Project, P157575), the World Bank will continue to support inclusive access to health, education, and water services. Activities include promoting traditional medicinal practices, supporting intercultural bilingual education, and building schools, health centers, and water kiosks in the *comarcas*. MEDUCA has expressed interest in working with the World Bank to strengthen preschool education and decentralize education management. The World Bank will pursue opportunities to support new TA, including reimbursable advisory services, to improve learning outcomes and reduce school dropouts throughout the system, with a special focus on vulnerable populations.

52. The World Bank will build on past investment project financing and development policy support to continue accompanying government efforts to strengthen social protection systems. TA and grant support will strengthen the efficiency and targeting of Panama's social protection



systems to promote inclusiveness and protect the ability of the country's most vulnerable to participate fully in economic growth and production.

Cross-cutting themes: strengthening institutions and inclusion under HLO 2

53. The IP Project (P157575) will continue to strengthen the capacity of government and Indigenous authorities and institutions to plan and deliver services to promote greater access and inclusion. The project is enhancing the capacity of Indigenous authorities to coordinate and consult with government to advance their development plan, with the establishment of the CNDIPI, among others. The project has supported the establishment of grievance redress mechanisms and other environmental and social safeguards at the local and national level. The IP Project is squarely focused on strengthening inclusion of indigenous populations in the *comarcas*.

54. The World Bank is also promoting inclusion through its TA for the preparation of a National Accessibility Plan to support improved access to services and opportunities for Panamanians with disabilities. . In terms of gender inclusion, the IP Project promotes Indigenous women's participation in decision-making processes, such as the Advisory Committee of Indigenous Women. Health and early childhood development activities aim to improve health outcomes for women and children. The World Bank will pursue opportunities with the new government to further strengthen institutional capacity and promote socially inclusive policies, including tracking programming and investments for disadvantaged groups.





HLO 3: Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change

55. **HLO 3 tracks efforts to adapt to and mitigate climate change impacts on the economy and on the population, as well as buttressing Panama's contribution to the international climate change agenda.** Climate change threatens economic growth and disproportionately affects the most vulnerable. Panama suffers from the impacts of both climate-induced natural hazards and altered weather patterns. The country also needs support to decarbonize its energy sources to grow sustainably.

Objective 3: Enhanced climate resilience and mitigation

56. **The World Bank will support this objective by promoting enhanced climate-smart interventions (focusing both on the adaptation and mitigation dimensions) to implement the Energy Transition Agenda for 2020-30.** This agenda aims to: (i) decarbonize energy and transport; (ii) promote energy efficiency by providing universal access to clean cooking and electricity (including liquefied petroleum gas subsidy reform); and (iii) pursue green hydrogen for the maritime sector and the electric vehicles agenda. These objectives would be supported by the implementation of carbon pricing mechanisms and other mitigation financing instruments. The objective also includes support for Panama's reform program to conserve and sustainably manage natural capital by strengthening the country's climate change strategic framework, mainstreaming climate in PFM, promoting nature-based tourism as a strategic sector for green growth, and strengthening climate adaptation and gender-responsive "blue growth" to restore and conserve marine-coastal ecosystems.

57. **The Climate Resilience and Green Growth DPL series (P179817, P181306) will contribute to this objective by supporting Panama's reform program to conserve and sustainably manage natural capital for resilient growth and adaptation to climate change.** Efforts will focus on: (i) strengthening the country's

climate change strategic framework and promoting inclusion for low-carbon resilient development by supporting the preparation of a Climate Change Framework Bill for presentation to the Assembly; (ii) mainstreaming climate considerations in PFM and supporting consistent government spending on climate change mitigation and adaptation by appropriately tagging public investment projects; (iii) promoting nature-based tourism as a strategic sector for green and inclusive growth; and (iv) strengthening climate resilience and promoting a gender-responsive blue growth approach to restore and conserve marine-coastal ecosystems by enacting Panama's Oceans Policy.



58. The IFC will provide advisory services to support this objective, including helping the Panama Canal Authority to refine and enhance its climate strategy to ensure climate-resilient development. This includes integrating key aspects such as decarbonization, adaptation measures, and ensuring a just transition in the process.

59. The Sustainable Rural Development and Biodiversity Conservation Project (P178063) will contribute to this objective by strengthening capacity for biodiversity conservation and increasing the adoption of biodiversity-friendly and inclusive practices in select rural areas of Panama, thereby strengthening adaptation to climate change. As part of this effort, IFC will continue funding green building programs for first-time homebuyers.

60. Additional IBRD support for energy transition and energy efficiency is under discussion with the government. The World Bank has an ongoing dialogue with the National Energy Secretariat (*Secretaria Nacional de Energia*) and provides TA on energy efficiency and renewable energy policies as part of the government's Energy Transition Agenda. The dialogue with the Secretariat on future areas of collaboration includes proposed support to accelerate Panama's energy transition, improve

the quality of electricity service, and reduce fiscal spending through energy efficiency measures and rooftop solar systems in public buildings. The project would be financed by IBRD and the Green Climate Fund and would seek to reduce the fiscal impact of electricity payments for public buildings by installing solar panels on rooftops and replacing inefficient cooling systems. Expected results and benefits of the project would include emissions reductions, fiscal savings, improved quality of electricity service in the public sector, increased resilience of electricity infrastructure, and creation of green jobs.

61. This objective seeks to strengthen the institutional framework for climate and disaster risk management (DRM) and climate risk hazards identification, while building disaster risk assessment capabilities and developing territorial responsibilities for DRM. The World Bank has been providing technical and financial assistance to the government to develop and consolidate the DRM agenda, through the Second Panama DRM DPL with CAT-DDO (P174191) and the Strengthening Disaster Contingent Liabilities Management Capacities for a Resilient and Inclusive Recovery in Central America Project (P500435). Panama also participates in the Central America and Caribbean Catastrophe Risk Insurance Facility Project (P175616), which provides affordable, high-quality



sovereign catastrophe risk insurance for earthquakes and climate-related events for participating countries. With support from the Government of Japan, the initiative includes the development of a national program for the management of contingent liabilities resulting from disasters.

62. Potential future support would build on the significant progress made in developing public policy instruments and reinforcing decision-making and technical capacities for DRM. The MEF, as part of the DRM Cabinet, has requested World Bank support in identifying a prospective DRM program aimed at reducing historically impactful disaster-related contingent liabilities affecting sensitive and critical infrastructure and services. Potential areas to be developed, informed by the current TA, include investments and TA in the following areas: (i) reconstruction and improvement of damaged infrastructure in the transportation and hydraulic sectors; (ii) prospective reduction of contingent liabilities in these sectors, as well as health and education, and development of a National Contingent Liabilities Program with MEF; (iii) implementation of pilot investments for risk adaptation and mitigation in selected urban areas where there is a high concentration of risk factors; and (iv) strengthening the national civil protection system, with an emphasis on improving capacity for preparedness and response, including social protection. This program could be accompanied by support for the reform and consolidation of public policies. The World Bank would also be prepared to provide TA to support the issuance of sovereign green bonds and the possible use of outcome bonds (Sustainability-Linked Bonds) or climate-linked performance-based financing. The World Bank can offer other risk management solutions to help protect public finances against fiscal risks (for example, interest-rate fixings embedded in IBRD loan agreements or protection against droughts such as a weather derivative, in addition to future DDO operations).

Cross-cutting themes: strengthening institutions and inclusion under HLO 3

63. Under the Green DPL series, the World Bank is supporting institutional strengthening and policy reforms to increase resilience. Key institutional reforms include the development of Panama's long-term low-emissions development strategy, which will optimize medium-term planning and budgeting. Furthermore, the DPL series will help address climate change adaptation and mitigation through the decarbonization of land transport, implementation of energy efficiency measures, forest conservation and restoration, and protection of coastal ecosystems and oceans. Building on Panama's capacity to innovate and serve as a regional climate leader, the DPL series will support global public goods. This includes enhancing the resilience of the Panama Canal by reducing pressure on declining water resources due to climate change and through improved forest management. In the area of energy efficiency, Panama is catalyzing the adoption of higher regional standards, which will stimulate markets for efficient appliances and prevent the recycling of obsolete and inefficient cooling systems across borders. The Second Panama DRM DPL with CAT-DDO (P174191) is strengthening the institutional framework for management and response to the impact of climate and disaster risk in a post-COVID context. The program's focus includes consolidating the DRM Cabinet and developing DRM policy, a National Emergency Response Plan, and a National Recovery Framework. The Panama Sustainable Rural Development and Biodiversity Conservation Project (P178063) is strengthening institutional capacity for biodiversity conservation by enhancing the management, governance, and knowledge of biodiversity for key areas of the country.

64. Proposed new advisory services and analytics (ASA) would provide additional underpinnings to strengthen institutions. Robust ASAs, including the proposed CCDD and CPSD, will help Panama meet its international commitments and access capital markets with financial mechanisms linked to natural assets and climate change.

65. Interventions under HLO 3 will support the inclusion of women in the green transition while reducing their greater vulnerability to climate change and natural disasters.

Harnessing women's capacity to act as powerful agents of change for climate resilience, both within and outside the family, will require equal access to information, economic opportunities, and education, including in sectors where women are less

well represented. Additional evidence is required to better understand the risks that climate change poses for women and the potential opportunities the green transition represents for female labor force participation. The CCDD would apply a gender lens to better inform and strengthen the analytical foundations for enhancing climate benefits, generating job opportunities and support for women.

4. IMPLEMENTING THE COUNTRY PARTNERSHIP FRAMEWORK



4. IMPLEMENTING THE COUNTRY PARTNERSHIP FRAMEWORK

FINANCIAL ENVELOPE AND INSTRUMENTS

66. Indicative IBRD financing under this proposed CPF period could reach US\$1.0 billion. This could include a mix of DPLs, investment project financing (IPF), Program-for-Results (PforR) financing, and TA operations. Operations prepared for FY24 delivery include a US\$350 million DPL (the second in a programmatic series of two supporting Green Growth and Climate Resilience) and a US\$40 million PFM IPF (approved in November 2023). The CPF indicative envelope would require increases to the IBRD exposure limit in Panama. The ability to accommodate limit increases to Panama will depend on the evolution of the country's credit risk profile, global economic and financial developments, IBRD's overall financial capacity, and demand from other borrowers. The eventual lending amounts, including for specific instruments, will also depend on the evolution of the fiscal situation, the government's preferences, program performance, and global economic and financial developments.

67. IFC and MIGA will also offer a mix of instruments during the CPF based on private sector demand. IFC will continue to offer advisory services and financing instruments to promote MSMEs and private investment in Panama in CPF priority areas. MIGA will continue to explore opportunities to offer political risk insurance and non-honoring guarantees to international investors to accelerate private capital mobilization in key sectors, including for the development of sustainable eco-tourism in rural areas, particularly as macroeconomic conditions remain fragile, and the investment outlook exposed to downside risks.

68. The WBG remains committed to offering integrated solutions that bring together global knowledge, TA, financial solutions, and policy

implementation support. The World Bank will seek to mobilize instruments adapted to Panama's HIC profile, including support for key reforms through DPLs and TA to leverage knowledge and support reform implementation. The World Bank will continue to explore innovative instruments, including catastrophe or green bonds, that promote investments in global public goods and leverage private participation. The World Bank has been pursuing the use of PforRs to make better use of country systems, support key reforms to improve development outcomes, and reduce transaction costs. Guarantees could provide support for attracting private participation and mobilizing private capital. The World Bank has initiated discussions on reimbursable advisory services in education and other sectors. ASA will continue to inform policy and investment recommendations and are an integral part of the World Bank's toolbox to support CPF implementation.

69. Panama would be a candidate to participate in one or more Global Challenges Programs,¹⁶ if eligible new country-specific operations are confirmed with the new authorities, including in support of the energy transition, climate resilience and digital development. The CPF's focus on resilience to shocks and climate change encompasses support for tackling climate-related global public goods. Engagement in this area initially will seek to enhance sustainable forest and marine resources while promoting economic opportunities and cultural traditions and protecting smallholder and forest-dwelling communities (See HLO1 Objective 1.1). IFC, MIGA and the World Bank will also explore opportunities to collaborate on digital development to promote inclusion and service delivery (through activities described under HLO2 and HLO3). The Bank's analytical work and continue dialogue to help reduce the impact on Indigenous host communities of transit migration through the Darien Gap will also contribute to global public goods.

WORLD BANK GROUP PORTFOLIO STATUS

70. Panama's portfolio consists of eight financing operations, with commitments totaling US\$501 million as of January 2024. These include: (i) four IBRD investment operations totaling US\$207.5 million (US\$173 million undisbursed), including support for access to basic services Indigenous peoples (US\$80 million), a COVID-19 response and health systems strengthening operation and additional financing (US\$120 million), a PPP TA operation (US\$7.5 million), and a project to strengthen the PFM ecosystem for the efficient management of public resources (US\$40 million); and (ii) two grants, one on sustainable rural development and biodiversity conservation (US\$3.51 million) and another supporting governance in public infrastructure management (US\$280,000). Fast-disbursing financing includes two DPLs totaling US\$250 million, including DRM support through a CAT-DDO (US\$100 million) and the first in a programmatic DPL Series on Climate Resilience and Green Growth (US\$150 million).

71. The lending portfolio is complemented by country-specific and regional ASA. Topics include urban resilience and DRM, health systems, PPPs, taxation and anti-money laundering, digital governance, energy, climate change, migration, and social inclusion. A Poverty and Equity Assessment and FSAP are being delivered in FY24.

72. As of November 30, 2023, MIGA's portfolio in Panama supports the financial and infrastructure sectors, with an outstanding gross exposure of US\$730 million. This represents the fourth-highest exposure in Latin America and the fifteenth highest globally for MIGA. Guarantees offered include support to the Panama Metro Authority for the construction of Metro Line 1 in Panama City; guarantees with *Caja de Ahorros*, the state-owned savings bank, to support increased access to affordable housing finance to low- and middle-income households in Panama

and working capital loans for SMEs impacted by the COVID-19 crisis in Panama; and with *Banco Nacional de Panama*, the state-owned bank, for the provision of emergency liquidity to banks during the COVID-19 crisis for on-lending to companies in priority sectors, such as agribusiness, health, sanitation, and food imports, as well as SMEs. The MIGA-guaranteed loans complemented a loan facility from the IMF to the Government of Panama, also being used to finance the trust fund.

73. As of January 2024, IFC's total outstanding investment portfolio in Panama amounts to US\$415 million. This portfolio focuses primarily on financial institutions, supporting initiatives like affordable housing, housing for women, women-owned businesses, green banking, and SMEs. It also includes infrastructure projects, notably supporting the Panama Canal. IFC is currently engaged in providing PPP advisory services to the Electricity Transmission Company (*Empresa de Transmisión Eléctrica*, or ETESA) for its fourth transmission line project, which involves conducting technical, legal, and financial studies. Furthermore, IFC offers PPP advisory services to the Ministry of Public Works, aimed at improving, enhancing, rehabilitating, building, operating, and maintaining approximately 2,000 km of intercity roads. IFC played a significant role in the development of the Panama Canal in 2008, providing a substantial loan of US\$300 million as part of a collaborative effort with four other international financial institutions. This loan aimed specifically to fund the construction of the third set of locks in the canal.

FIDUCIARY ASPECTS AND COUNTRY SYSTEMS

74. PFM in Panama is characterized by the timely review and approval of the national budget by the legislature,¹⁷ reliable public debt management, readily accessible public information on government expenditure, and effective controls over government staff payroll. It is worth noting the progress achieved

¹⁷ The annual budget law is made publicly available online by the government and the legislature immediately after approval. See <https://www.gacetaoficial.gob.pa/Busqueda-Avanzada>

recently by the MEF in preparing consolidated financial statements for the central government. However, those financial statements are not subject to external audit to review the reliability and integrity of financial information, and they are not public. In addition, there are concerns regarding the financial management of World Bank-financed operations, including that projects' budget credibility is affected by significant and numerous budget modifications throughout the year; that the availability of funds to make payments on projects expenditures is unpredictable, with projects frequently lacking adequate budget allocations even though World Bank financing is available to disburse; and that procedures between the project implementation units (PIUs) and the Comptroller General of the Republic (CGR) for processing payment of project expenditures are lengthy and cumbersome. World Bank-financed projects make full use of country systems for budgeting and internal controls and partial use of government systems for accounting and financial reporting through the integrated financial management information system (ITSMO) and for treasury operations. Since there is little information on the auditing capacity and quality of audit standards of the supreme audit institution, the CGR, country systems are not used for external audits of World Bank-financed projects.

75. Panama has a strong public procurement framework, with an organized set of laws, regulations, and resolutions covering most of the public procurement system. PanamaCompra is a robust, fully functioning e-GP system, with several modules for information and publication as well as transactional capacity to carry out the full procurement process.¹⁸ PanamaCompra also houses framework contracts through the *Tienda Virtual* for common goods that are frequently procured by government authorities, and it has recently introduced the *Cotizaciones en Línea* module, a simplified and time-sensitive selection process for low-value, low-risk procurement activities that enhances transparency and access to public procurement for small companies.

Updates to the system are currently being rolled out. Unfortunately, procurement by the MEF in a given calendar year precludes the timely launch of procurement processes and jeopardizes the ability to use allocated budgets in time. In addition, there is a systematic delay between contract award and contract implementation due to the constitutional requirement of ratification ("Refrendo") by the CGR of all public procurement activities. These constraints have a similar impact across all World Bank investment operations, including with respect to the timely allocation of adequate budgets to execute IPFs.

76. To address implementation constraints, including those related to financial management and procurement, the CPF will draw from the following lessons learned in implementing the previous CPF, as outlined in the CLR (Annex 2):

- **Strong government ownership and buy-in underpin successful implementation.** Interventions under the previous CPF that focused on supporting government priorities, rather than WBG-identified goals, gained better traction and showed concrete progress. In contrast, operations that were less well understood or adopted by the client had reduced buy-in and ownership, leading to moderately unsatisfactory results. The early involvement of the MEF at project preparation ensured alignment of World Bank projects and national budget projections.
- **Simplicity in design and realistic project size and timeframes help to set more accurate expectations for what can be accomplished during the CPF period.** The size and complexity of projects must consider the technical and coordination capacity of relevant government agencies and explicitly build or reinforce capacity, as needed, to ensure successful implementation. In addition, implementation schedules need to be grounded in a realistic assessment of processing times and reform momentum.

¹⁸ <http://www.Panamacompra.gob.pa>

- **On-the-ground support and capacity building help to ensure successful outcomes: The decentralization of WBG management and staff is expected to facilitate dialogue and allow for more intensive support during project preparation and implementation.** This has already begun to benefit key IPF operations, such as the IP Project, the COVID-19 additional financing operation, and the Bio-rural Global Environment Facility (GEF) grant, through closer and more regular support. The World Bank has increased its focus on capacity building for PIUs on financial management, procurement, and environment and social (E&S) standards and requirements of World Bank operations and will continue to provide training for PIUs during the CPF period.
- **Strategic and timely ASA and TA have proved essential in supporting critical reforms, sound project design, and effective implementation arrangements.** TA on anti-money laundering reforms helped the authorities implement the FATF action plan to strengthen transparency and good governance. The series of two programmatic DPLs drew on the World Bank's strong record of technical knowledge, established through ASA, to support reforms of strategic relevance. Similarly, the WBG played a key role in shaping the initial project design of the GEF-supported Sustainable Production Systems and Conservation of Biodiversity Project, based on lessons learned from TA under the earlier Rural Productivity and Consolidation of the Atlantic Mesoamerican Biological Corridor Project.

MONITORING THE COUNTRY PARTNERSHIP FRAMEWORK

77. Program performance will be measured according to results obtainable during the CPF timeframe, influenced mostly by ongoing operations or those prepared within the first two years of the CPF period. The accompanying results framework (Annex 1) lists the specific outcomes the World Bank expects to influence through ongoing and planned operations and nonfinancial support, together with relevant

indicators to measure results. Results related to the cross-cutting themes of institutions and inclusion are flagged with a corresponding icon in the results matrix. Implementation Status and Results Reports (ISRs) and Implementation Completion and Results Reports (ICRs) will ensure regular monitoring of implementation and reporting on project outcomes and lessons learned. Country Portfolio Performance Reviews will provide a forum for raising and resolving portfolio-level implementation issues.

78. A PLR is planned for FY26 and could possibly be advanced by one year to reflect adjustments based on the new administration's priorities and SGP for 2025-28. The PLR will update CPF results indicators based on new knowledge, program performance, and changing circumstances. The PLR will be particularly important for capturing IFC's program, given the relatively opportunistic nature of private sector investments. At the conclusion of the CPF period, a CLR will be prepared to evaluate program performance and offer insights into the preparation of a follow-on CPF.

79. The CPF will be accompanied by a communications plan. This includes extensive consultations undertaken for both the 2023 SCD Update and during CPF preparation. A comprehensive communications strategy has been prepared to support CPF launch and implementation and showcase results achieved.

PARTNERSHIPS AND COORDINATION WITH DEVELOPMENT PARTNERS

80. Under the CPF, the WBG will continue to coordinate with key development partners to mobilize resources and optimize impact to achieve HLO objectives. The Minister of Economy and Finance leads the dialogue with multilateral development banks (MDBs), while the Ministry of Foreign Affairs coordinates bilateral development partners and the UN. The WBG coordinates with partner MDBs including IDB, CAF, and Central American Bank for Economic Integration (CABEI) in the design and implementation of operations related to social protection, health, PPPs, water, and reform programs. The WBG holds regular reviews and exchanges with

the IMF on macroeconomic and structural issues. As a member of the UN Country Team, the Bank coordinates closely with the UN Resident Coordinator and with heads of specialized agency. WBG will sustain efforts to leverage co-financing and parallel financing from bilateral and multilateral development partners to deliver on CPF objectives. Key areas for collaboration with partners under the CPF include joint support for modernizing public financial management in Panama, where IDB finances aspects

related to tax administration and IBRD to key spending functions and public assets management; A parallel financing with CABEL to support reforms under the second operation of the Green DPL series (FY24); and close coordination with the UN and MDBs to support the government's plans to minimize environmental, social and fiscal impacts of the *Cobre Panama* mining closure, as well as to identify alternative sources of growth and job creation for the affected region. See Annex 8 for an overview of partnerships by HLOs.

5. MANAGING

RISKS TO THE COUNTRY PARTNERSHIP FRAMEWORK



5. MANAGING RISKS TO THE COUNTRY PARTNERSHIP FRAMEWORK

81. The overall residual risk to achieving the proposed program objective is assessed as moderate. Using the WBG's Systematic Operations Risk-Rating Tool (Table 3), the main risks to CPF implementation are associated with institutional capacity and E&S.

82. The political and governance risk is substantial. Recent public protests against the rising cost of living (2022) and the management of natural resource wealth (2023), the decision to shut down the *Cobre Panamá* mine, and upcoming national elections in May 2024, in the context of elevated social instability, heighten risks to implementation. These risks have been mitigated through extensive consultations, including with political leaders, and through the selectivity of the CPF program. The Bank and Government have prepared a roadmap for promoting continued project implementation through the political transition, to present to the next administration.

83. Risks associated with institutional capacity for implementation and sustainability are substantial. The relatively low technical capacity of government institutions, combined with a complex reform program that requires coordination across government agencies, represents a substantial risk to the implementation and sustainability of the reform program. Institutional capacity constraints are exacerbated when multiple government agencies are involved in the implementation of policy actions and by the lengthy and cumbersome procedure between PIUs and the CGR for processing payments and substantial delays in allocating project funds into implementing agencies' budgets. These risks will be mitigated through:

(i) consistent and strong engagement and dialogue in reform-implementing sectors; (ii) comprehensive TA focused on the most complex policy actions; (iii) regular coordination and capacity building efforts, led by the MEF, to ensure satisfactory progress on the reform program; and (iv) workshops and e-learning to build capacity in teams involved in WBG projects.

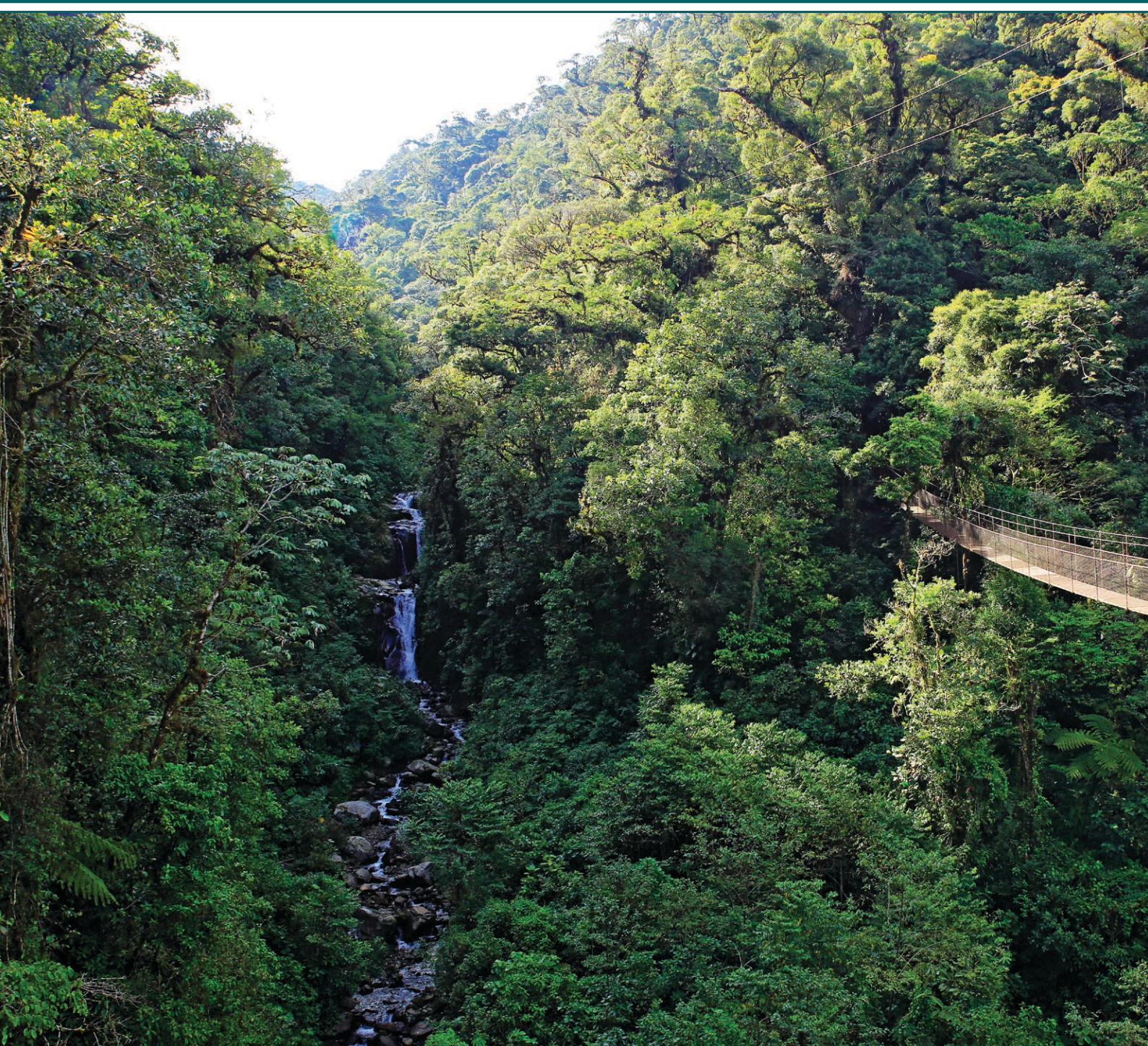
84. While the portfolio's E&S risk is moderate, there is a substantial likelihood of these risks materializing.

Challenges include low technical capacity at the government and contractor levels, performance issues at the PIU level, delays in project implementation, failure to resolve issues of non-compliance with the ESF or safeguards on a timely basis, and political uncertainty arising from the upcoming general elections and the November 2023 protests related to the mining contract. Mitigation measures include strengthening capacity, training for personnel and close implementation support and supervision. E&S capacity building will focus on developing E&S instruments—especially Environmental and Social Management Plans, which are designed to mitigate project risks—and strengthening project planning and project supervision capabilities. Working with contractors to raise their awareness and obtain their buy-in is critical to enhance the portfolio's E&S performance. The CGR's intervention in approving terms of reference and products is challenging from the perspective of both the project pipeline and compliance with the ESF (for example, delays in contract awards and payment of E&S specialists). Climate change has affected the livelihoods of Indigenous people in islands and coastal areas, particularly in the *comarcas* of the Gunas communities, pushing them to migrate to the mainland. Mitigation measures in these areas are supported through the National Indigenous Peoples Development Plan project (P157575), through activities and measures to help communities adjust to these changes.

TABLE 3. Risks to CPF Implementation

Risk Category	Rating (L, M, S, H)	If High or Substantial, please explain shortly why and mitigation measures to be implemented
1. Political and Governance	S	The recent waves of public protest, against the rising cost of living (2022) and the management of natural resource wealth (2023), the decision to shut down the <i>Cobre Panama</i> mine; and the upcoming May 2024 national elections in the context of elevated social instability heighten risks to implementation. These have been mitigated through extensive consultations, including with political leaders, and selectivity of program.
2. Macroeconomic	M	
3. Sector Strategies and Policies	M	
4. Technical Design of Project or Program	M	
5. Institutional Capacity for Implementation and Sustainability	S	The relatively low technical capacity of government institutions, combined with a complex reform program that requires coordination across government agencies, represents a substantial risk for implementation and the sustainability of the reform program. These risks will be mitigated through: (i) consistent and strong engagement and dialogue in reform-implementing sectors; (ii) comprehensive TA focused on the most complex policy actions; and (iii) regular coordination and capacity building efforts, led by the MEF, to ensure satisfactory progress on the reform program, (iv) workshops and e-learning to build capacity in teams involved in WBG projects.
6. Fiduciary	M	
7. Environmental and Social	S	While the portfolio E&S risk is moderate, there is a substantial likelihood of the risk materializing given low technical capacity at both government and contractor levels, performance issues at the PIU level, delays in project implementation, failure to resolve issues of non-compliance with the Environmental and Social Framework (ESF) or safeguards, and political uncertainty derived from the upcoming general elections. Mitigation measures include strengthening capacity building, training, and supervision.
8. Stakeholders	M	
OVERALL	M	

6. ANNEXES



ANNEX 1. RESULTS MATRIX - PANAMA COUNTRY PARTNERSHIP FRAMEWORK (FY24-28)¹⁹

High-Level Outcome 1 (HLO 1) - Inclusive job creation

This is a new HLO. The previous CPF focused on sustaining infrastructure and services related to growth. However, as productivity and competitiveness issues become pressing (and growth potential slows down), it is critical to maintain the pace of job creation and productivity growth, especially for *micro, small, and medium enterprises* (MSMEs) and women. Key actions include enhancing access to finance MSME investments and creating fiscal space for public investments in infrastructure and human capital.

High-level Outcome Indicators	Data source	Current value ²⁰
1. Job Quality Index (JQI) (The index goes from 0 to 1 and is based on four dimensions: income, benefits, security, and satisfaction).	Source: LAC Equity Lab and CEDLAS, and WB staff calculations based on the Encuesta de Mercado Laboral 2021. Source: WDI	Overall Country: 0.67 in 2021 Bottom 40: 0.48 in 2021 Female: 0.66 in 2021
2. Labor productivity (total value added/total employment).		Labor productivity during 2015-19: 31,462 (2015 Constant USD). Source: WDI.

High-level outcome description

Growth is expected to slow down over time, driven by the recent decision to void all mining licensing (and declare unconstitutional the largest mine contract), as well as the reliance on factor accumulation, with anemic total factor and labor productivity. Weak productivity is driven by structural issues, including the low level and slow growth of human capital, limited entrepreneurial and innovation capacity among MSMEs, limited access to finance. In addition, Panama's public financial management needs better governance and operability to improve results/service delivery, including improving public investment management. Greater domestic resource mobilization is also needed to enhance fiscal resilience. Promoting inclusive jobs will require greater access to finance for SMEs, economic diversification, improved resource mobilization and financial management for better infrastructure and human capital, and increasing the overall sophistication of the productive infrastructure in Panama.

Associated SDGs

Goal 8: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all; *Goal 9:* Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation; *Goal 16:* Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

¹⁹ Indicators that track progress toward the cross-cutting themes of strengthening institutions and inclusion are denoted by the following icons:  for institutions and  for inclusion.

²⁰ CPFs track the trajectories of HLO indicators but do not formulate target values.

High-Level Outcome 1 (HLO 1) – Inclusive job creation

CPF Objective 1.1: Access to finance and private sector-led job creation

This is a new objective compared to the previous CPF. However, it builds on activities supported by IFC and MIGA to promote access to credit and financial inclusion. The objective is fundamental to achieving the HLO in a new context where Panama needs to find new drivers of sustained growth. The WB will potentially support investments in productive activities in rural areas (e.g., tourism, agribusiness) that can generate employment and increase value added.

Intervention Logic

Rationale for the CPF objective and WBG engagement: Access to finance remains an issue for MSMEs despite Panama being a major (international) financial hub. Approximately 95.7 percent of MSMEs report limited access to credit (61 percent) and excessive bureaucracy (20 percent) as significant challenges. Key sectors with high economic and employment potential (e.g., agriculture and agro-industry, which employs 88 percent of the rural poor; as well as rural tourism and ecotourism) will also offer significant opportunities for minorities (e.g., indigenous people and Afro-descendants) but will require better (local) infrastructure and human capital, and greater access to finance.

Lessons learned and new knowledge at the program level: Sustaining growth in Panama will require support to sectors with the potential for creating more and better jobs, including higher-value jobs. Although the agriculture sector's economic role has declined over the past decade, from about 25 percent to 3 percent of the country's GDP, the sector has the potential to continue making important contributions to Panama's economy through export revenues, employment generation, and domestic food and nutrition security. The country's agricultural production systems are diverse, and significant opportunities remain unexploited that could add value by further developing and diversifying agro-industry both for internal consumption and exports. Finance will need to flow to agribusinesses as well as other sectors, including housing.

High-Level Outcome 1 (HLO 1) – Inclusive job creation

CPF Objective 1.1: Access to finance and private sector-led job creation

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1.1.1: Share of microloans to WOE in total microloans (%) 🌐</p> <p><i>Baseline:</i> 17% (2022)</p> <p><i>Target:</i> 30% (2028)</p> <p><i>Source:</i> DOTS</p>		<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Panama Sustainable Rural Development and Biodiversity Conservation - (P178063) • Valora – Support to (43010) • Global Bank – Support mortgage financing for WOE or household led by women (43578) • Banistmo – Support to SME financing preferential housing (46951) • Short term revolving credit line- Multibank, Lafise Panama, Banistmo, Ficohsa (28121/33234/33837/36059)
<p>Indicator 1.1.2: Share of SME loans to WOE in total SME loans (%) 🌐</p> <p><i>Baseline:</i> 9% (2022)</p> <p><i>Target:</i> 18% (2028)</p> <p><i>Source:</i> DOTS</p>		<p>MIGA guarantees:</p> <ul style="list-style-type: none"> • Caja de Ahorros, Non-Honoring of Financial Obligations by a State-Owned Enterprise • Banco Nacional de Panama, Non-Honoring of Financial Obligations by a State-Owned Enterprise
<p>Indicator 1.1.3: [Direct employment (#)/ Female direct employment (#)]</p> <p><i>Baseline:</i> 15180/ 5222 (2022)</p> <p><i>Target:</i> 16698/ 5745 (2028)</p> <p><i>Source:</i> DOTS</p>		<p>Financing Pipeline:</p> <ul style="list-style-type: none"> • BAC Panama- support access to financing for MSMEs and WOE – (47864) • Sustainable Tourism and Agribusiness IBRD, TBD • Boosting the country's innovation system IBRD, TBD • Ongoing ASA: The Future of Jobs in CA and DR (P180012) • Panama FSAP Update 1 (P179962) • Diagnostic of the supervision of Public Pension Funds (with SIACAP) • Panama Poverty and Equity Assessment (P180301) • Panama Greening of the Financial Sector (IO 2110464) • IFC CA Sustainable Banking Initiative (606404) • ASA Pipeline: CPSD (Country Private Sector Diagnostic); CCDD (Country Climate and Development Report); Post-Financial Sector Program Assessment TA (likely focused on improving the payment systems and improve access to finance)

High-Level Outcome 1 (HLO 1) – Inclusive job creation

CPF Objective 1.2: Enhanced financial and public investment management

This objective takes a broader approach compared to the previous CPF, which focused on budget management transparency. It is key to support the consolidation of the public resource management systems, including public investment and public assets modules; while supporting greater domestic resource mobilization. This is expected to improve service delivery to households and firms.²¹ Mobilizing private finance for infrastructure will also help create fiscal space for investments and services.

Intervention Logic

Rationale for the CPF objective and WBG engagement: Effective and efficient public resource management should be underpinned by sound, transparent and accountable public financial management (PFM) practices and systems. Further improving the quality of PFM information and the operational efficiency of the PFM system is critical to improve public expenditure/ investment and asset management efficiency. Quality of information is a multidimensional concept that can be measured in terms of the completeness, accuracy, timeliness, relevance, and reliability of PFM data. Efficiency in financial management means performing tasks in a timely and cost-effective manner using standard, simplified processes, utilizing shared services, and leveraging information technology. Meanwhile, *greater domestic resource mobilization (DRM) is key for Panama, considering the expected reduction of non-tax revenues coming from the Canal and the mining sector. At only 8 percent of GDP, revenue is not enough for the state to make key investments in both human and physical infrastructure while strengthening other key public services for households and firms.* At the same time, mobilizing private financing towards infrastructure will create fiscal headroom over the short- and medium-term and generate efficiency-gains in service provision.

Over the last decade, Panama has implemented an ambitious PFM reform agenda with support from the World Bank.²² Reforms have focused on enhancing efficiency, transparency, and accountability in public expenditure management. Panama introduced a program classification that has been piloted in several ministries. A revised public procurement law increases competition, curbs corruption, and introduces environmental and energy efficiency as evaluation criteria. The Ministry of Economy and Finance (MEF) has rolled out major information systems for procurement, *Panamá Compras*, and financial management, *Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa* (ISTMO). The Bank has also been strengthening the government's capacity to structure and contract PPPs for public infrastructure projects, including the ongoing pilot of the privately financed rehabilitation and maintenance of the East Pan-American Highway by the World Bank with IFC support.

This objective is consistent with WBG corporate guidelines for graduation discussion income (GDI) countries and with the Government of Panama's objective to improve public institutions efficiency and effectiveness. Work in this area will support the quality of PFM data.

Lessons learned and new knowledge at the program level: Despite significant achievements, further consolidation is required in core PFM functions and wider public resource management systems. Better governance and integration within the PFM ecosystem would reduce fragmentation, strengthen expenditure controls, and facilitate access to comprehensive, relevant, and timely information to support decision making. Strengthening capacity to protect information resources and react to cyberattacks is critical, as government systems have become a primary target of hackers, including recent high-profile cases in the region. Building internal capacity is critical to service delivery and PFM reform sustainability. Resource mobilization through PPPs for infrastructure requires sustained, long-standing efforts and close collaboration among WBG institutions as a fundamental basis for crowding in the private sector in Panama.

²¹ Bryn Welhem, Philipp Krause, and Edward Hedger. 2013. "Linking Public Financial Management Dimensions to Development Priorities." Overseas Development Institute Working Paper No. 380 (May). London: Overseas Development Institute.

²² Through the Public Sector Efficiency Technical Assistance Project (P121492).

High-Level Outcome 1 (HLO 1) – Inclusive job creation

CPF Objective 1.2: Enhanced financial and public investment management

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1.2.1: Improved timeliness of revenue information, as measured by the average number of days needed for customs duties and import taxes information to be available in the IFMIS 🏛️</p> <p>Baseline: 30 (2023)</p> <p>Target: 7 (2028)</p> <p>Source: MEF Report</p> <p>Indicator 1.2.2: Volume of resources mobilized through PPP engagements</p> <p>Baseline: US\$0 (2023)</p> <p>Target: US\$340 million</p> <p>Source: Ministry of Public Works and MEF, cost estimate of the contract for the Rehabilitation, Upgrading and Maintenance by Performance Standards of the Pan-American Highway East</p>	<p>SPI 1.2.1: Improved comprehensiveness of PFM information, as measured by the number of resource management systems that exchange information with the IFMIS 🏛️</p> <p>Baseline: 4 (2023)</p> <p>Target: 6 (2026)</p> <p>Source: MEF Report</p> <p>SPI 1.2.2: Improved resilience of PFM information, as measured by the percentage critical information security processes at MEF certified based on international standards 🏛️</p> <p>Baseline: 0% (2023)</p> <p>Target: core processes certified (2026)</p> <p>Source: MEF Report</p> <p>SPI 1.2.3: Number of PPP engagements</p> <p>Baseline: 0 (2023)</p> <p>Target: 3 (2026)</p> <p>Source: Ministry of Public Works and MEF</p> <p>SPI 1.2.4: Assessment of revenue mobilization and expenditures efficiency options 🏛️</p> <p>Baseline: No (2024)</p> <p>Target: Yes (2026)</p> <p>Source: World Bank</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Consolidation of the Public Financial Management Information System (P180872) • Open Contracting and Public Infrastructure Transparency (P173484, RE) • Support to Panama PPP Program (P174535) • PCA/ACP – Support to Panama Canal expansion (26665) <p>MIGA guarantees:</p> <ul style="list-style-type: none"> • Panama Metro, <i>Linea 1</i>, Non-honoring of Sovereign Financial Obligations <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • IFC PPP Roads • East Panama Road (606451) • Via Costanera Panama (605053) • Fourth Transmission Line ETESA PPP project (602084) <p>Ongoing ASA:</p> <ul style="list-style-type: none"> • Panama Poverty and Equity Assessment (P180301) • Enhancing the Cyber Resilience in Central America (P180340) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> • Public Finance Review (Public Finance Review)

High Level Outcome 2 (HLO 2) – Strengthened and inclusive human capital development

HLO 2 was represented in the previous CPF under Pillar 2, which focused on ensuring inclusion and opportunities for marginalized and indigenous populations. Reversing the stagnation in human capital outcomes through more inclusive access to good-quality basic services across the country continues to be a key challenge for boosting shared prosperity.

High-level Outcome Indicators	Data source	Current value ²³
1. Human Capital Index	World Bank Human Capital Index https://data.worldbank.org/indicator/HD.HCI.OVRL	Current value (year)
2. Universal Health Coverage Index (UHC)	WHO Global Health Observatory Data Repository for UHC https://www.who.int/data/gho/data/major-themes/universal-health-coverage-major	Current values (year) for Coverage of Essential Health Services and for Catastrophic Health Spending

High-level outcome description

Improving access to more inclusive, higher-quality social services is critical to promote growth and productivity in Panama, and particularly in indigenous comarcas and territories. Panama has low levels of educational attainment, high dropout rates (particularly in secondary education), and poor learning outcome, well below what would be expected for a country with its income level. This situation holds back both the individual and the collective benefits of human capital accumulation. Similarly, low access to health care, especially among vulnerable populations, has hampered the well-being of Panama's population and, by extension, its overall productivity potential. A healthy and well-educated society leads to a more innovative, productive, and cohesive labor force. Public investment in education, health, and social protection systems is inadequate and inefficient, which limits learning opportunities across the country, negatively affects access to quality services and prevents protection for vulnerable groups through effective safety nets for vulnerable groups.

Associated SDGs

Goal 1: End poverty in all its forms everywhere; *Goal 3:* Ensure healthy lives and promote well-being for all at all ages; *Goal 4:* Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; *Goal 10:* Reduce inequality within and among countries.

²³ CPFs track the trajectories of HLO indicators but do not formulate target values.

High Level Outcome 2 (HLO 2) – Strengthened and inclusive human capital development

CPF Objective 2: Improved access to and quality of health, education and water services

This is a new CPF objective. Thanks to a renewed engagement in the health sector, due to the assistance provided during the COVID-19 pandemic and the support provided as part of the Indigenous Peoples Project, the Government of Panama has requested the WBG's technical and financial support on broader health systems strengthening interventions to address key gaps in access to and quality of health care, incorporating the lessons learned and successful strategies utilized during the pandemic. In the education sector, the significant learning loss arising in the wake of the COVID-19 pandemic, from already low levels, poses the risk of severe downstream productivity and welfare effects for many decades if left unaddressed. Panama forms part of a regional initiative that has sought to pool lessons and identify the most efficient and effective means to address learning loss, including the use of intensive tutoring and digital platforms for teachers and for formative assessment of students. The WB is partnering with the IDB, UNICEF, The Dialogue, and other agencies in the regional recovery initiative.

Intervention Logic

Rationale for the CPF objective and WBG engagement: In its Government Plan 2019-24, the national government defined as its main goals to guarantee universal access to health care, with an emphasis on vulnerable populations (indigenous and non-indigenous rural populations), and to improve the quality of care by strengthening and creating new primary health care (PHC) strategies. This is particularly relevant, as Panama is characterized by the dual challenges of an aging population and persistent inequalities in health outcomes and in access to health care between higher and lower income groups and between people living in cities and indigenous and marginalized urban communities. First, the share of the total population over 65 years of age is expected to increase from 3.6 percent in 1950 to 18.9 percent in 2050, which will increase the risk of developing co-morbidities and non-communicable diseases. Second, people at a higher socioeconomic level tend to live 7.18 years longer than those in the lowest stratum and those living in indigenous areas. WBG support is particularly relevant to incorporating lessons learned and successful strategies in improving access to health care among the most vulnerable, including telemedicine, into the broader service delivery network strategy based on high-quality primary health care. Through the current ASA financed by the Government of Japan, the World Bank has developed strong analytics and solid technical partnerships with international agencies, including PAHO/WHO, who view the WB as a fundamental partner in health sector dialogue and financing, especially regarding strengthening equity and quality in primary health care and expanding access to services through telemedicine. Panama is one of the pilot countries for the Alliance on Primary Health Care in the Americas, a new partnership between the World Bank, PAHO and IDB. IFC has not invested in the private health sector in Panama, but is eagerly exploring potential investment opportunities, especially in areas that could narrow gender disparities that tend to disproportionately affect women in vulnerable communities.



The quality of education—including early reading, numeracy, socio-emotional, and digital skills—is crucial for productivity, social harmony, and growth. Panama's overall educational achievement, both in access and learning outcomes, is well below the average for comparable high-income countries. The WBG has a long history of working in education in Panama and elsewhere in Central America, and its continued engagement under the CPF will complement efforts in other areas to enhance growth and equity. Although IFC does not have investments in the private education sector in Panama, the presence of multiple human capital constraints could yield attractive opportunities for IFC involvement. IFC will continue to explore projects to support Panama's education sector, especially in areas where skills translate directly into labor market opportunities that foster productivity and growth.

Institutions, Inclusion and Gender: Among the high-priority public policies of the government are promoting the economic inclusion of the poor and vulnerable, ensuring that budget allocations to the poor are linked to their needs, delivering effective public services in Indigenous Territories, and evaluating SSNs to ensure that they meet priority objectives. Yet, despite the government's strong response to protect household incomes through social programs, the aftermath of the pandemic hit vulnerable groups hard and the fiscal burden of insufficiently targeted transfers poses challenges for efficient use of public resources. Difficult access to services in indigenous territories is exacerbated by low levels of public investment and limited capacity among government agencies to plan and coordinate public investments across sectors and with Indigenous Authorities. Strengthening the capacity of these actors and institutions to plan and deliver services, coupled with support for building and delivering basic services, will promote their greater access and inclusion.

High Level Outcome 2 (HLO 2) – Strengthened and inclusive human capital development

CPF Objective 2: Improved access to and quality of health, education and water services


Lessons learned and new knowledge at the program level: Through its current lending and technical engagement, the World Bank has established a participatory process of engagement with multiple actors within the health sector (within and beyond the health ministry) to acquire an in-depth understanding of the core health issues in Panama and to work with key stakeholders to define potential solutions. Core issues highlighted in World Bank technical reports include: (1) the need to strengthen the primary health care system and care integration, incorporating remote (telemedicine) and mobile approaches that can benefit the most vulnerable; (2) high out-of-pocket spending, with a disproportionate impact on the poorest households; (3) high inefficiencies in pharmaceutical supply chains, which affect consumer prices; (4) low capacity to manage and monitor system performance on quality of care (both technical and experiential quality); (5) low autonomy and capacity to adjust the system to account for local needs; (6) strong potential to leverage increased connectivity and information technology to provide services, as evidenced by the positive experience in using telemedicine to follow up on patients with chronic conditions during the pandemic; and (7) low capacity for integrated solid waste management at the national, regional, and local levels, which poses health and environmental risks in case of future emergencies. In the education sector, many countries have implemented learning recovery programs at both primary and secondary levels of education, including digital interventions that would be applied in Panama.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 2.1: Share of the population included in the priority population targets in the national plan that is vaccinated for COVID-19, disaggregated by gender <i>Baseline:</i> 0% (2022) <i>Target:</i> 84% (2024) <i>Source:</i> COVID-19 Emergency Response Project</p> <p>Indicator 2.2: Share of patients who report being ‘satisfied’ or ‘very satisfied’ with their telemedicine consultation <i>Baseline:</i> 70% (2022) <i>Target:</i> 80% (2024) <i>Source:</i> COVID-19 Emergency Response Project</p> <p>Indicator 2.3: Number of schools in Indigenous Territories implementing the new or expanded IBE  <i>Baseline:</i> 121 (2023) <i>Target:</i> 176 (2028) <i>Source:</i> IP Project</p>	<p>SPI 2.1: Share of personnel in prioritized health institutions receiving support on integrated waste management that have been trained in integrated management of waste <i>Baseline:</i> 0% (2022) <i>Target:</i> 80% (2024) <i>Source:</i> COVID-19 Emergency Response Project</p> <p>SPI 2.2.a: Consultations for hypertension among patients in the Indigenous Comarcas conducted via telemedicine services, disaggregated by gender  <i>Baseline:</i> 0 (2022) <i>Target:</i> 100 (2024) <i>Source:</i> COVID-19 Emergency Response Project</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Panama COVID-19 Emergency Response project (P173881) and AF • Support for the National Indigenous Peoples Development Plan (P157575) • Panama Pandemic Response and Growth Recovery DPL 2 <p>Financing Pipeline:</p> <ul style="list-style-type: none"> • Proposed new health system strengthening project (tentative)

High Level Outcome 2 (HLO 2) – Strengthened and inclusive human capital development

CPF Objective 2: Improved access to and quality of health, education and water services


CPF Objective Indicators

Indicator 2.4: Percentage of national investments within Indigenous Territories, as registered in the SINIP, that are aligned with the IP Plan and consulted with the relevant Indigenous Authorities 

Baseline: 0 (2023)

Target: 75 (2028)


Source: IP Project

Indicator 2.5: Increase in the percentage conditional cash transfer beneficiaries with an updated socioeconomic classification in RENAB 

Baseline: 40% (2023)

Target: 80% (2028)

Source: RENAB-MIDES

Indicator 2.6: Number of WSS Systems in beneficiary indigenous communities updated or newly integrated into SIASAR 

Baseline: 0 (2023)

Target: 150 (2025)

Source: IP Project

Supplementary Progress Indicators

SPI 2.2.b: An electronic system exists to collect feedback on telemedicine program from program users, and MINSA has considered the feedback in the expansion of the program

Baseline: No (2022) **Target:** Sí (2024)


Source: COVID-19 Emergency Response Project

SPI 2.4: National Universal Accessibility Plan enacted 

Baseline: No (2023)

Target: Yes (2024)

Source: National Disability Secretariat (SENADIS)

SPI 2.5: Percentage of women participating in the IP Roundtable as official members of traditional structures' delegation 

Baseline: 8 (2023)

Target: 30 (2026)

Source: IP Project

SPI 2.6: New RENAB regulation enacted 

Baseline: No (2023)

Target: Yes (2026)

Source: Ministry of Social Development

WBG Program

Ongoing ASA:

- Strengthening Panama's health system for the post COVID-19 context (P175211)
- Panama Poverty and Equity Assessment (P180301)
- Human Capital Review (P177403)
- Social Inclusion in LAC - (P175383): National Accessibility Plan for People with Disabilities in Panama
- Panama: Scaling up a Parenting Community Model in Indigenous Territories (P502459)

ASA Pipeline:

- Quality and access to care through digitalization (exploring TF options as well as BB resources)

High Level Outcome 3 (HLO 3) – Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change

This HLO builds on Pillar 3 of the previous CPF, on bolstering resilience and sustainability. It continues support for improved disaster risk management, climate change adaptation and mitigation, and introduces a deeper focus on fostering green growth.

High-level Outcome Indicators	Data source	Current value ²⁴
1. Gain Country Index	Gain Country Index https://gain.nd.edu/our-work/country-index	Current value: 49.5, ranked #81 (2020)
2. Risk Management Index for Latin America and the Caribbean (LAC-INFORM)	INFORM Risk Index http://www.inform-index.org/Subnational/LAC	Current value: 3.9, ranked #79 (2023)
3. CO2 emissions (net carbon balance)	National greenhouse gas inventory as reported through the country's BUR/BTR	Current value: carbon negative (yes)

High-level outcome description

Globally, Panama ranks 14th among countries most exposed to multiple impacts from climate change based on land area.²⁵ Expected impacts from climate change include, among others, increased incidence and intensity of crop failure; increased intensity of heat stress on crop production and vulnerable populations; loss of biodiversity and forests; reduced water quality and quantity; and increased incidence of climate-related human health impacts.²⁶ Extreme weather events, such as intense storms, floods, and droughts, attributable to climate change, are negatively and more regularly affecting the livelihoods of people living in lagging regions, predominantly women, indigenous people, and Afro-descendants. The most vulnerable areas include indigenous territories (comarcas) in the San Blas Archipelago in the Guna Yala comarca, and the Ngäbe-Buglé comarca in Bocas del Toro. These threats undermine the sustainability of agri-food systems and the ability of rural families to secure food and nutrition and generate income. It also increases internal migration, including of indigenous peoples to urban areas, thus impacting their ability to conserve their traditional livelihoods and development cosmovision.

Climate-related extreme events are also disrupting power and transport systems. Infrastructure disruptions pose costs equivalent to more than 1 percent of GDP each year in Panama.²⁷ For example, urbanization in the Tocumen River basin, which contains some of Panama's key transport infrastructure, has led to a serious loss of ecosystems and their associated services. In this area, annual average flood-related damage to buildings is estimated to be on the order of US\$3.1 million.²⁸ Continuation of the recent development pattern along Panama city's coastal floodplain, involving mangrove landfilling prior to urban expansion, would substantially raise flood risks in the Tocumen catchment, most notably to the Tocumen International Airport.²⁹ Ecosystem degradation, along with urban expansion within the floodplains, has increased both the frequency of flood hazards and the number of people, buildings, businesses, and infrastructure exposed to floods in urban areas.

²⁴ CPFs track the trajectories of HLO indicators but do not formulate target values.

²⁵ Panama Vulnerability Assessment. Climate Knowledge Portal. <https://climateknowledgeportal.worldbank.org/country/panama/vulnerability>

²⁶ World Bank 2011. Climate Risk and Adaptation Country Profile. https://climateknowledgeportal.worldbank.org/sites/default/files/2018-10/wb_gfdr climate_change_country_profile_for_PAN.pdf

²⁷ World Bank. 2021. "A roadmap for Climate Action in Latin America and the Caribbean 2021-2025." Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/38001/English.pdf>

²⁸ World Bank. 2020. "Flood risk and coastal assessment of the Tocumen River and prioritization of hybrid infrastructure for urban flood risk reduction in Panama City." Washington, D.C.: World Bank.

²⁹ Ibid.

High Level Outcome 3 (HLO 3) – Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change

The annual cost of extreme weather events is estimated to range from US\$125 million to US\$150 million (0.36 percent to 0.42 percent of GDP),³⁰ which would have significant effects on long-term economic growth. The major contributors to the country's GDP,³¹ including the Panama Canal, are highly dependent on the sustainable management of Panama's forests and natural resources, which are expected to be affected by climate change impacts. The canal region has already seen a temperature rise of an estimated 1.1°C, and this could reach up to 3.6°C by 2100 posing large impacts on water runoff and extreme droughts.³²

Associated SDGs

Goal 6: Ensure availability and sustainable management of water and sanitation for all; *Goal 8:* Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all; *Goal 9:* Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation; *Goal 11:* Make cities inclusive, safe, resilient and sustainable; *Goal 13:* Take urgent action to combat climate change and its impacts; *Goal 14:* Conserve and sustainably use the oceans, seas, and marine resources for sustainable development; *Goal 15:* Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

CPF Objective 3.1: Enhanced climate resilience and mitigation

Climate change could have potential impacts on almost every aspect of Panama's socioeconomic development. On the one hand, Panama is vulnerable to climate shocks and change, which may exacerbate poverty and inequality and its impacts represent an additional fiscal burden. Rural areas will suffer the most from La Niña and El Niño phenomena and associated agricultural productivity losses, which in turn would increase the gravitational pull of cities. Meanwhile, rising sea levels and coastal erosion could displace millions of people and jeopardize livelihoods along populated coasts and islands. Panama is well endowed with renewable energy sources (hydro, solar, and wind), which if developed and deployed effectively, could put Panama on a low-carbon path by decarbonizing its power sector.

Intervention Logic

Rationale for the CPF objective and WBG engagement: The CPF will support the government's efforts to promote enhanced climate-smart interventions to implement the Energy Transition Agenda (ETA) 2020-2030 to decarbonize the energy and transport sectors. Through DPLs and TA, the WBG supports the Energy Secretariat (SNE) and the Regulatory Agency (ASEP) to implement the ETA, contributing to a sound energy transition and the decarbonization agenda in Panama. The various TAs include an assessment on an energy efficiency strategy, universal access to clean cooking and to electricity, LPG subsidy reform, and green hydrogen for the maritime sector. The CPF will also support the implementation of carbon pricing mechanisms and other mitigation financing instruments. The transport sector is the largest contributor to greenhouse gas emissions in Panama, accounting for 23 percent of total greenhouse gas emissions in the country. Decarbonization of the transport sector is essential, therefore, to meeting the country's NDC. Improving urban mobility can bring a significant contribution to this objective. In urban areas, transport-related improvements are still needed to build a more sustainable, inclusive environment and to take full advantage of cities' economic opportunities. Through the Green Growth DPL 1 and 2, the WB is engaged in the implementation of the electric vehicle agenda. The Green Growth DPL 1 and 2 will also support Panama's reform program to conserve and sustainably manage natural capital for resilient growth by: (i) strengthening the country's climate change strategic framework and promote inclusion aspects for low carbon resilient development by presenting to the Assembly the Climate Change Framework Bill; (ii) mainstreaming climate in public financial management and support consistent government spending with climate change mitigation and adaptation by appropriately tagging of public investment projects; (iii) promoting nature-based tourism as a strategic sector for green and inclusive growth; and (iv) strengthening climate resilience and promote a gender responsive blue growth approach to restore and conserve marine-coastal ecosystems by enacting Panama's Oceans Policy.

³⁰ IMF. 2020. "Panama: Selected Issues." IMF Country Report No. 20/125. Washington, DC: IMF.

³¹ In 2018, the contribution of key economic sectors to Panama's GDP was as follows: agriculture 2%, industry 29%, manufacturing 6%, and services 65.1%. See <https://wdi.worldbank.org/table/4.2>.

³² World Bank. 2020. "Harnessing Biodiversity for Sustainable Rural Livelihoods in Panama." Available at: <https://www.worldbank.org/en/results/2020/10/16/harnessing-biodiversity-for-sustainable-rural-livelihoods-in-panama>.

High Level Outcome 3 (HLO 3) – Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change

CPF Objective 3.1: Enhanced climate resilience and mitigation

Disaster Risk Mitigation (DRM) is an important component of climate resilience. Through the Cat-DDO and technical assistance the CPF will support policy, regulatory, and institutional reforms that allow the Government of Panama to: (i) strengthen the institutional framework for management and response to the impact of climate and disaster risk in a post-COVID context; (ii) strengthen climate risk hazards identification and disaster risk assessment capabilities; (iii) develop territorial responsibilities for DRM by increasing the authority and responsibilities of subnational governments on risk-informed land use and territorial investment planning; and (iv) developing an adaptive social protection system to increase the resilience of the poor and vulnerable. To complement the Cat-DDO, it is also important to highlight that Panama has been a CCRIF member since 2018, purchasing excess rainfall policies to protect against climate hazards. This year, the government is considering expanded protection, including an earthquake policy.

The COVID-19 crisis emphasized the importance of SSNs to build a more resilient and inclusive shock recovery by protecting human capital and helping vulnerable workers such as women, youth, and informal workers to get back to productive employment. The emergency response program *Panama Solidario* successfully mitigated poverty increases in 2020 and fully offset the pandemic's impact on poverty in 2021.

Lessons learned and new knowledge at the program level: The CPF will strengthen the country's capability to access carbon markets: The WB will support the government through non-reimbursable TA in the development of a national program for the management of contingent liabilities resulting from disasters. This will include assessing probable fiscal impacts of materialized natural hazards, as well as supporting the government's adoption of key policies that aim to: (i) reduce the fiscal impact of disasters on public finances, thereby helping to protect fiscal sustainability; (ii) respond more efficiently to shocks triggered by disasters by strengthening relevant regulatory frameworks, generating actionable information, diversifying the portfolio of sovereign risk financing instruments, and promoting resilient investments; and (iii) increase the resilience of vulnerable communities against external shocks triggered by materialized natural hazards by designing an emergency cash transfer program.. The emergency response program *Panama Solidario* successfully mitigated poverty increases in 2020 and fully offset the pandemic's impact on poverty in 2021.

High Level Outcome 3 (HLO 3) – Improved Resilience to, and Mitigation of, Natural Shocks and Climate Change

CPF Objective 3.1: Enhanced climate resilience and mitigation

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 3.1: Protected areas under improved management effectiveness (ha) 🏛️</p> <p>Baseline: 0 (2023)</p> <p>Target: 428,187 (2028)</p> <p>Source: Panama Sustainable Rural Development and Biodiversity Conservation (P178063)</p> <p>Indicator 3.2: Zero net deforestation of mangroves in National Protected Areas achieved</p> <p>Baseline: No (2023)</p> <p>Target: Yes (2028)</p> <p>Source: Climate Resilience and Green Growth DPL (P179817)</p> <p>Indicator 3.3: Percentage of poor and vulnerable households affected by a disaster, including those caused by climate shocks, receiving an emergency cash transfer 🏠</p> <p>Baseline: 0 (2023)</p> <p>Target: 40% (2028)</p> <p>Source: Ministry of Social Development</p>	<p>SPI 3.1: Area of landscapes that meet national or international third-party certification that incorporates biodiversity considerations (ha) 🏛️</p> <p>Baseline: 0 (2023)</p> <p>Target: 700 (2026)</p> <p>Source: Panama Sustainable Rural Development and Biodiversity Conservation (P178063)</p> <p>SPI 3.2: Number of agritourism fincas certified</p> <p>Baseline: 0 (2023)</p> <p>Target: 480 (2026)</p> <p>Source: Climate Resilience and Green Growth DPL (P179817)</p> <p>SPI 3.3: Emergency Cash Transfer program created 🏠</p> <p>Baseline: No (2023)</p> <p>Target: Yes (2026)</p> <p>Source: Ministry of Social Development y Crecimiento Verde (P179817)</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Climate Resilience and Green Growth DPL (P179817) Partnership for Market Implementation (P179771) Panama Sustainable Rural Development and Biodiversity Conservation (P178063) Second Panama DRM DPL with Cat-DDO (P174191) Banco General S. – Support to mortgage sector and financing of climate smart projects (42008) <p>Financing Pipeline:</p> <ul style="list-style-type: none"> Climate Resilience and Green Growth DPL 2 <p>Ongoing ASA:</p> <ul style="list-style-type: none"> PASA Supporting the Energy Transition in CA and DR (P178163) IFC CA SustBanking Initiative (606404) Strengthening Disaster Contingent Liabilities Management Capacities for a Resilient and Inclusive Recovery in CA (P500435) Supporting the Energy Transition in CA and the DR (P178163) Supporting the Ministry of Social Development in designing an adaptive social protection system (PE-P174191-SPN-TF0C1956) <p>ASA Pipeline:</p> <ul style="list-style-type: none"> Regional ASA for the Marine Corridor of the East Tropical Pacific Ocean (P179640) Stress test tool (STT) – ASA Towards Shock Responsive Social Protection in the LAC

The *comarcas* were home to more than one-third of Panama's poor in 2019.

ANNEX 2. PANAMA COUNTRY PARTNERSHIP FRAMEWORK FY15-21: COMPLETION AND LEARNING REVIEW

PANAMA FY15-FY21 COMPLETION AND LEARNING REVIEW

Introduction

This Completion and Learning Review (CLR) assesses the design and implementation of the World Bank Group (WBG) Country Partnership Framework (CPF) FY15-21 for Panama and evaluates lessons learned to inform the development of the next CPF. The strategy was discussed by the WBG Board of Executive Directors on March 2, 2015 (Report No.93425-PA) and updated through the Performance and Learning Review (PLR) of June 29, 2018 (Report No. 123665-PA). The CPF period ended formally in June 2021. This review: (a) evaluates CPF program outcomes, as measured by the CPF results framework up to FY21; (b) evaluates the WBG's performance in designing and implementing the CPF program up to FY21, including alignment with the WBG's twin goals of eradicating extreme poverty and increasing shared prosperity; and (c) describes lessons learned that will inform the design of the follow-on CPF for FY24-28. The CPF approach remained valid to support the government's response to the COVID-19 pandemic, and the CLR reports on key events occurring between the second half of calendar year 2021 and 2023.

The FY15-21 CPF was initiated at a time when a new government sought to address the country's structural challenges. Panama's sustained high rate of economic growth had started to taper off and, although the country was on a path to becoming a high-income economy, its human capital indicators, social services, and institutional capacity lagged significantly behind. Panama's economy was marked by high levels of inequality, with a Gini index among the highest in the region. The government had defined an ambitious Strategic Development Plan (SDP), seeking to maintain high growth by diversifying the country's economy and to strengthen access to basic services, natural resources management, and public institutions. The CPF was designed to support these key development priorities.

The CPF was built around 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. In addition to reflecting the SDP priorities, the pillars built on the recommendations of the 2015 Systematic Country Diagnostic (SCD), the WBG's comparative advantages and the lessons of experience. The 2018 Performance and Learning Review (PLR) adjusted the CPF program, indicators, and targets to reflect and address factors affecting program implementation, including limited public sector capacity, persistent fiduciary risks, and the International Bank for Reconstruction and Development's (IBRD) financial capacity. Additional changes were made to support the government's response to the COVID-19 pandemic emergency beginning in 2020 (Attachment 3). Based on the self-evaluation conducted by the country team for this CLR (Attachment 2), the overall development outcome of the CPF is rated *moderately unsatisfactory*, and the overall performance of the WBG in designing and implementing the CPF is rated *fair*.

During the CPF period, the WBG's Executive Board approved eight operations, for a net commitment amount of US\$1.24 billion. These operations included a programmatic series of three Shared Prosperity Development Policy Loans (DPL) (P151804, P154819, P166159), totaling US\$700 million, that supported the government's efforts to promote human development, sustainable economic growth, and institutional strengthening, as well as three investment lending operations: the Strengthening Social Protection and Inclusion System Project (SSPISP, approved for US\$75 million in 2015, P155097); the Burunga Wastewater Management Project (approved for US\$65 million in 2017, P154275); and the Support for the National Indigenous Peoples Development Plan Project (approved

for US\$80 million in 2018, P157575). In FY20, the WBG approved a US\$20 million emergency loan in response to the COVID-19 pandemic (P173881) and in FY21, the first of a programmatic series of two DPLs (US\$300 million, P174107) to support policies protecting vulnerable groups and promoting economic recovery.

The World Bank worked closely with the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) to support private sector development and infrastructure strengthening in Panama.

IFC committed a total of US\$955.6 million during the FY15–21 period, including long- and short-term finance, to support financial institutions that target affordable housing, women-owned businesses, green banking, and small and medium enterprises (SMEs) and to finance critical infrastructure development, including the expansion of the Panama Canal and the Penonomé wind farm. MIGA's engagement in Panama consisted of four projects in the financial and infrastructure sectors, with a total outstanding gross exposure of US\$1,178 million at end-FY2021, which represented at that time MIGA largest country exposure in Latin America and among the top five countries globally. During the CPF period, MIGA issued three new guarantees: (i) US\$250 million for state-owned bank *Caja de Ahorros* to support increased access to affordable housing finance among low- and middle-income households; (ii) an additional US\$150 million for *Caja de Ahorros* to support working capital loans for SMEs affected by the COVID-19 crisis; and (iii) US\$533 million for state-owned bank *Banco Nacional de Panama* (BNP) to support the creation of a Trust Fund, administered by BNP and sponsored jointly by BNP and the Government of Panama, with a dual purpose of providing (a) emergency liquidity to banks to support the country's financial sector at a time of pressure given the COVID-19 shock, and (b) credit to domestic banks for on-lending to SMEs and companies in key sectors affected by the pandemic. The MIGA guaranteed loans complemented a loan facility created by the International Monetary Fund to support the Government of Panama, also used to finance the Trust Fund.

Progress Toward Development Outcomes

Overall progress toward achieving CPF development outcomes is rated *moderately unsatisfactory*. This section evaluates the performance of the overall CPF program, based on the outcomes and results framework as revised in the 2018 PLR. Half of the CPF objectives were achieved or mostly achieved, with notable progress made in boosting the volume of cargo passing through the Panama Canal; increasing the reliability of Panama's energy supply through improved sector planning, energy efficiency standards, and a more diverse, less carbon-intensive energy mix; and strengthening resilience to natural disasters by strengthening the institutional and legal framework for promoting risk reduction and reducing fiscal and physical vulnerability to disasters in key sectors. World Bank support to enhance technology-based mobility solutions in the transport sector and to enhance pollution management capacity in the wastewater sector was less successful, owing to a project cancellation due to lack of government interest and implementation progress. Achievement of the CPF indicator on increasing budget management transparency through the publication of consolidated government financial statements was held back, as the supreme audit institution has not to date issued an opinion on them.

Across all three pillars, the CPF defined 12 outcome indicators in support of seven key development objectives.

At the PLR stage, four were replaced with indicators that better reflected the support being provided and four were revised to more accurately define plans for support and to better capture feasible timelines and targets. One indicator, on increasing the number of communities with sustainable rural water supply and sanitation services, was dropped because the envisioned rural water supply and sanitation project did not materialize. Three completely new indicators were added—focusing on budget transparency, risk financing and insurance, and biodiversity protection—under objectives where other indicators had been achieved. This brought the total number of outcome indicators to be evaluated under this CLR to 14, of which 43 percent were fully achieved, 28 percent mostly or partially achieved, and 29 percent not achieved (Table 1).

Monitoring of progress on CPF objective 4—productive inclusion in social assistance programs—is challenging due to a failure to incorporate intended changes into the final CPF matrix as captured in the 2018 PLR. Under this objective, one of the three original indicators was intended to be revised to better capture the social programs being provided to those in the bottom income quintile. Another indicator was intended to be dropped, as it was no longer being supported by the WBG following the first restructuring of the SSPISP in November 2018. However, these intended changes were inadvertently not included in the final results matrix of the PLR. As such, the CLR attempts both to report on progress against the original indicators and to explain progress under objective 4 more broadly.

TABLE 4. Summary of CPF Development Outcomes and Outcome Indicator Ratings

CPF Outcome	Overall Outcome Ratings	Outcome Indicator Ratings			
		Achieved	Mostly Achieved	Partially Achieved	Not Achieved
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH Moderately Unsatisfactory					
Objective 1: Support enhanced logistics and connectivity	Partially Achieved	1			1
Objective 2: Increase reliability of energy supply	Achieved	2			
Objective 3: Improved budget management transparency and capacity	Partially Achieved			1	1
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS Moderately Unsatisfactory					
Objective 4: Complement social assistance with productive inclusion	Partially Achieved		1	1	1
Objective 5: Improve access to water and sanitation services	Partially Achieved			1	
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY Moderately Satisfactory					
Objective 6: Strengthen resilience to natural disasters	Achieved	3			
Objective 7: Support integrated water resources management in priority areas	Not Achieved				1
Total		6 (43%)	1 (7%)	3 (21%)	4 (29%)

PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH

Moderately Unsatisfactory

Progress toward overall pillar outcomes was mixed, with three of six targets achieved and one partially achieved over the course of the CPF period. Under this pillar, the CPF aimed to support enhanced logistics and connectivity, increase the reliability of energy supply, and improve budget management transparency and capacity.

Objective 1: Support enhanced logistics and connectivity - partially achieved

Efforts to strengthen logistics and connectivity by boosting cargo volume through the Panama Canal (Indicator 1.1) were successful. In 2009, IFC joined four other development banks in committing US\$2.3 billion in financing to support a US\$5.5 billion expansion of the Panama Canal, including adding a new lane and bigger locks to accommodate larger ships, thereby lowering trade costs and increasing efficiency. This intervention contributed to a 57 percent increase in cargo volume passing through the canal, from 309 million tons in 2008 to 517 million tons in 2021, surpassing the CPF target (adjusted at the PLR stage) of 420 million tons.

The CPF's plans to enhance technology-based mobility solutions (Indicator 1.2) through the establishment of a Mobility Lab were not achieved. The Mobility Lab did not move forward because the associated reimbursable advisory services (RAS) project on Smart Mobility Solutions with Open Innovation was dropped following a change in national government administration. The World Bank continued its engagement in the transport sector through MIGA's support to the Metro Line 1 project, which provided urban mobility solutions in Panama City. Based on this experience, future engagement in RAS projects on sophisticated topics such as technology-based open innovation should be analyzed within the specific institutional context and in light of the implementing agency's existing technical capacity.

Although not captured in the CPF or PLR objectives, the WBG made important progress in supporting transport sector and urban connectivity. The World Bank provided trust-funded technical assistance (TA) for the preparation of a new law on public-private partnerships (PPPs), adopted in September 2019. This law targeted financing for transport projects, among others. Following this achievement, the World Bank supported regulations and capacity building for long-term performance-based contracts (PBCs) for road sector management, thus helping Panama launch the first PBC on the basis of the PPP regulation. Building on this experience, the government embarked on a wider initiative to delegate road infrastructure management to the private sector through long-term PBC/PPP contracts, which allow for improved road conditions—and thus connectivity—at a lower cost of administration. IFC was given the mandate to structure several of these deals. In September 2022, the World Bank approved an ongoing US\$7.5 million TA loan (P174535) to build capacity within the Ministry of Public Works and other government institutions to manage PPPs with a view to improving management of the road transport sector. In urban transport, MIGA's issuance of guarantees for the construction of Metro Line 1 in Panama City have continued to contribute toward enhanced urban connectivity. MIGA issued non-honoring sovereign financial obligation guarantees for the construction of the Metro Line 1 project in Panama City in June 2012 for a period of 12 years. The Metro Line 1 has been operational since 2014. As of 2022, ridership reached 115 million passengers per year, up from 57 million in 2014, significantly exceeding original demand projections. The project has been assessed as contributing positively to Panama's economy and the quality of life of its users by supporting the reliability and safety of public transportation and increasing travel time savings, while contributing to the reduction of greenhouse gas emissions, generating jobs, supporting knowledge sharing, and building technical skills among its staff.

Objective 2: Increase reliability of energy supply – achieved

Following critical adjustments to CPF indicators under the PLR, targets on increasing the reliability of energy supply were achieved. With support from the programmatic Shared Prosperity DPLs, the government reduced electricity tariff subsidies by moving from a nationwide approach to one that targets specific geographic regions, thereby freeing up government resources and realigning economic signals in favor of efficiency and reliability. Public expenditures on electricity subsidies declined, in nominal terms, from US\$329.1 million in 2014 to an average of US\$142.7 million over 2017–19 (57 percent).

At the PLR phase, the original CPF indicators under this objective were replaced with two indicators that could more readily be attributed to WBG interventions, the first of which focused on diversifying the energy matrix. Broadening electricity sources beyond hydropower and oil-fired thermal power generation would reduce exposure to droughts and volatile international oil prices and thereby increase the reliability of Panama's energy supply. This would help to address geographic disparities in energy supply, given that hydroelectric power is produced in the east of the country while power demand is highest in the west. The National Energy Plan 2015–50, approved by Cabinet Resolution No. 34 of March 2016, highlights the importance of decarbonizing the energy matrix by increasing the use of renewable energy sources to meet the challenges posed by climate change and local pollution. During the CPF period, Panama diversified its electricity matrix (Indicator 2.1) by adding a total of 496 MW of installed capacity from cleaner energy sources such as wind, hydro, and solar power close to power consumption centers, against a target of 215 MW.

These investments were intended to be complemented by investments in strengthening the country's transmission network, but the project was delayed by challenges in identifying a successful bidder. IFC agreed in September 2017 to serve as transaction advisor to the electric transmission company (*Empresa de Transmisión Eléctrica*) for a project that envisions the design, construction, financing, operation, and maintenance of a 500kV, 330km interconnection transmission line from Colombia to Panama. After two bidding rounds, however, the project has yet to be tendered. It nonetheless remains a high priority for the government, as it would be one of the first PPPs tendered under the 2019 PPP law.

Efforts to increase the reliability of energy supply have been supported by improvements in energy consumption. The second indicator introduced at the PLR stage to measure progress in boosting the reliability of Panama's energy supply focused on approving a sustainable construction code and defining minimum efficiency standards to reduce energy losses (Indicator 2.2). These actions were expected to improve the fiscal sustainability of the energy sector to ensure reliable and continuous access to electricity. Six technical regulations (Attachment 2) were approved between 2017 and 2018 to outline minimum energy efficiency standards for air conditioners, refrigerators and freezers, and engines. A Sustainable Building Code was approved in June 2019. Statistics from Panama's National Public Service Authority demonstrate that energy losses declined from 11.44 percent in the first half of 2015 to 10.35 percent in the first half of 2017.

Objective 3: Improved budget management transparency and capacity – partially achieved

Performance in improving budget management transparency and capacity was uneven. At the end of the CPF period in June 2021, the Ministry of Economy and Finance (MEF) reported that the integrated financial management system (*Integración y Soluciones Tecnológicas del Modelo de Gestión Operativa*, ISTMO) was running in all central government agencies and 32 of 37 decentralized entities. Functionally, it covered budgeting (including the budget execution process and some, but not all, of the budget preparation process) as well as accounting and treasury functions. The rollout of the ISTMO, supported by the Enhanced Public Sector Efficiency Technical Assistance Loan (TAL, P121492), led to significant improvements in the public financial management system,

enabling the integration of budget and accounting classifications, dynamic reporting and availability of real-time budget execution information, integrated controls, automated debt management, budget scenarios, automatic transaction accounting and bank account reconciliation, income integration, and real-time inventory management. The ISTMO generates budget execution reports for all central government agencies, but the reports are not always complete and quality remains unreliable, suggesting that this CPF target was partially achieved (Indicator 3.1). The TAL provided capacity building support for performance-based strategic planning and budgeting, statistics, and procurement, but institutional resistance to the rollout of the ISTMO and continued use of old systems in some agencies hampered results. Capacity building was also provided under the programmatic DPLs, whose support for the use of a Treasury Single Account improved transparency and accountability in the use of public resources, smoothed resource allocation, improved cash management, and reduced unnecessary financing costs.

A new indicator introduced at the PLR stage, tracking budget management transparency through the preparation and publication of consolidated financial statements for the central government (Indicator 3.2), was not achieved.

Although the ISTMO has been deployed across government, the supreme audit institution (the *Contraloría General de la República de Panamá*, or CGR) never issued the requisite opinion on the consolidated statements submitted to it for 2018, 2019, and 2022.

PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS

Moderately Unsatisfactory

Progress toward pillar 2 outcomes generally underperformed with respect to the ambitious targets set out in the CPF, with one of four targets mostly achieved and two partially achieved over the course of the CPF period.

Under this pillar, the CPF aimed to complement social assistance with productive inclusion and improve access to water and sanitation services.

Objective 4: Complement social assistance with productive inclusion – partially achieved

Progress in complementing social assistance with productive inclusion initiatives under this objective was uneven.

Under the SSPISP, the percentage of those in the bottom quintile of Panama's income distribution who benefitted from social assistance (Indicator 4.1) was on track at the PLR stage, and the indicator was slated for revision to better capture the social programs contributing to this target and the planned restructuring of the project. In the end, however, the revised CPF results framework inadvertently failed to reflect intended adjustments to the baseline and targets. In reviewing progress toward the indicator on increasing the coverage of social assistance programs for the bottom quintile, the team was unable to reproduce the calculation that led to the revised baseline in the PLR of 38 percent of the bottom quintile benefiting from social assistance and instead calculated that coverage had dropped to 33 percent over the CPF period.³³ As a result, the targeting of beneficiaries under the *Red de Oportunidades* conditional cash transfer (CCT) program was improved in indigenous areas by excluding ineligible households. At the same time, the number of beneficiaries declined due to normal attrition and the gradual inclusion of new eligible beneficiaries as part of the emergency social assistance response to the COVID-19 pandemic.

³³ This was due in part to a recertification process conducted in Panama between 2017 and 2019, with World Bank technical support, which aimed to reduce inclusion errors by removing beneficiaries of the two largest social assistance programs who did not meet targeting criteria.

Efforts to boost productive inclusion were partially achieved. The CPF originally sought to expand the number of beneficiaries in the integrated social assistance registry who were receiving training and access to market opportunities under the Food and Agriculture Organization's (FAO) "Farmer Field School" methodology (Indicator 4.2), which focuses on building agricultural training and soft skills through learning-by-doing. The number increased from 4,000 to 5,838 beneficiaries—all women—against an objective of 25,000. It is important to note that this indicator was intended to be dropped from the CPF results framework at the PLR stage, as the project had been restructured to reduce the scope of training and labor intermediation activities facilitated by the Ministry of Social Development (*Ministerio de Desarrollo Social*, or MIDES) following the government's decision to focus efforts on other areas. However, this indicator was inadvertently maintained in the revised CPF matrix. This may explain why the indicator was not fully achieved. The SSPISP also supported two rural economic inclusion programs, *Redes Territoriales* and *Cohesión Social*, whose beneficiaries were selected from among participants in the *Red de Oportunidades* CCT program. These programs provided training, assets such as livestock and seeds, and TA to promote income-generating activities. An impact evaluation for the *Cohesión Social* program demonstrated a positive impact on enhancing the income-earning capacity of beneficiaries.

IFC made good progress in extending the reach of financial services to more microenterprises and SMEs (Indicator 4.3), thereby boosting productive inclusion by helping to create economic opportunities for the poor. At the time of the CPF, Panama's micro, small, and medium enterprises accounted for 80 percent of total employment, but only 20 percent of them had access to bank loans, preventing them from growing and creating more jobs. IFC support for microfinance services through Banco Delta (IFC projects #32395 and #38805) and Multibank (#38570) reached an average of 23,579 microenterprises each year between 2014 and 2018 (of which 6,700, on average, were owned or managed by women) and an average of 8,420 SMEs each year during 2015–17 and 2019, against the revised CPF targets of 23,000 and 12,000, respectively.

Objective 5: Improve access to water and sanitation services – partially achieved

Progress in expanding access to water and sanitation services in lower-income rural areas (Indicator 5.1) was slower than anticipated. The Metro Water and Sanitation Improvement Project (P119694) provided an estimated 80,382 people in targeted low-income areas of Colon with access to reliable water supply through new or rehabilitated connections between its restructuring in September 2015 and its closure in June 2017, achieving 67 percent of the CPF target of 120,000 people. The expansion in access to improved sanitation facilities envisioned under that project did not materialize, however, nor was progress on improved sanitation made under the Burunga Wastewater Management Project (P154275), which was eventually cancelled. Moreover, related targets set out under the Support for the National Indigenous Peoples Development Plan Project (P157575) were not achieved during the CPF period due to implementation delays, capacity limitations within the project implementation unit (PIU), and a lack of coordination between the Ministry of Interior (*Ministerio de Gobierno*, or MINGOB) and the education and health ministries. The World Bank continued to support government efforts to expand access to water and sanitation services, mainly through TA on Improving Rural Water Supply and Sanitation National Strategies (P153734). This effort led to an update of strategic rural water supply and sanitation management plans that reflected best-practice principles and promoted knowledge exchange among sector agencies in the region on successful examples of scaling up rural access to water services.

PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY

Moderately Satisfactory

Progress toward pillar 3 outcomes was solid, with three of four outcomes achieved over the course of the CPF period. Under this pillar, the CPF aimed to strengthen resilience to natural disasters and support integrated water resources management in priority areas.

Objective 6: Strengthen resilience to natural disasters – achieved

All CPF targets to strengthen resilience to natural disasters—including those introduced at the PLR stage—were achieved. The Panama DPL with Catastrophe Deferred Drawdown Option (CAT-DDO, P122738) supported the government in strengthening the institutional and legal framework for promoting risk reduction (Indicator 6.1) and reducing fiscal and physical vulnerability to disasters in key sectors. It supported the enactment of a National Policy on Disaster Risk Management (DRM), development of a planning instrument to efficiently implement the new policy, and the adoption of a framework for financial management of disaster risks, including contingency financing, insurance products, and a national emergency fund. With support from the DPL with CAT-DDO, 100 percent of public investments and prioritization processes included DRM or climate change adaptation considerations. During the project's 10-year implementation period, six provinces, including Panama, updated their disaster preparedness and response protocols, and emergency response protocols were developed for the Panama City metro, which carries over 200,000 people per day, on average. Through the DPL with CAT-DDO, US\$41 million in funding was disbursed in March 2020 to help the government's response to the COVID-19 pandemic crisis, reducing the need to reallocate funds from social programs. A total of US\$25 million was disbursed under this CAT-DDO to partially capitalize an emergency fund to finance urgent water provision interventions in areas affected by the El Niño drought of 2015–16. Policy dialogue on DRM and climate change adaptation, initiated under the CAT-DDO operation, has continued even after the project's closure, creating opportunities and entry points for enhancing the country's understanding of its complex and evolving disaster risk profile. A significant achievement was the successful evaluation of earthquake and flood risks in multiple regions of the country, facilitated through implementation of the Central America Probabilistic Risk Assessment platform (CAPRA). This evaluation substantially improved comprehension of Panama's risks and catalyzed the adoption of risk mitigation measures by the National Water and Sewer Agency (*Instituto de Acueductos y Alcantarillados Nacionales*, IDAAN).

The government diversified its disaster risk financing and insurance (DRFI) instruments (Indicator 6.2) under the Strategic Framework for Disaster Risk Financing. The financial management framework has enabled the government to: (i) maintain a sound fiscal position at the national level, which is necessary to support long-term rehabilitation and reconstruction needs; and (ii) develop cost-effective and accessible financing mechanisms for immediate liquidity in case of a disaster, making it possible to rapidly address the needs of people in affected communities. Since the framework's implementation in 2014, Panama has significantly diversified its portfolio of risk management and risk financing instruments, which play a crucial role in providing protection against a wide range of disasters. In total, these initiatives represent an investment of US\$516 million and comprise membership in the Caribbean Catastrophe Risk Insurance Facility, an active contingent loan for natural disasters (in collaboration with the Inter-American Development Bank), and the Panama Savings Fund (*Fondo de Ahorro de Panamá*), active since 2012. The government purchased in 2018, and has consistently renewed each year, parametric insurance for excess rain. Under the Panama Sustainable Production Systems (approved in FY14, P145621) investments in infrastructure programs and training in natural resource management, wildlife rescue, fire monitoring and control, environmental sustainability, biodiversity monitoring, and use of specialized equipment helped expand the area brought under enhanced biodiversity protection (Indicator 6.3), from 194,075 hectares in 2018 to over 654,000 hectares in 2019, exceeding the CPF target of 550,000 hectares.

Objective 7: Support integrated water resources management in priority areas – not achieved

Planned efforts to strengthen wastewater pollution management capacity through the implementation of an Integrated Water Management Plan in a pilot area (Indicator 7.1) did not go forward. Achievement of this indicator was to be supported by the Burunga Wastewater Management Project (P154275), but the project was cancelled in June 2020 following prolonged delays, countrywide budget cuts, and unsatisfactory progress. However, as mentioned above, through the DPL with CAT-DDO (P122738), the government was able to request a withdrawal of US\$25 million (38 percent of the total loan amount) to partially capitalize an emergency fund to finance urgent water provision interventions in the areas most affected by the drought that followed the 2015–16 El Niño–Southern Oscillation event. In addition, the World Bank provided TA to the Ministry of Environment and the National Water Commission (*Comisión Nacional del Agua*, CONAGUA) on developing a National Water Security Plan (P159466). This TA resulting in a policy note on modern principles in integrated water resource management to guide sector governance reforms and a roadmap for the formulation of two river basin plans using a participatory approach. Several workshops were conducted on water governance, through which the ministry and CONAGUA benefited from capacity building and international knowledge exchange, although limited financial resources at the time hindered the implementation of key recommendations, which remain relevant. The World Bank also provided TA on integrated water resource management and water governance in Central America (P166057), training staff in the subregion’s hydrological and meteorological agencies to improve weather and hydrological forecasting capacity and generate information products to support decision making.

WORLD BANK GROUP PERFORMANCE

The WBG’s overall performance in designing and implementing the CPF program is rated *fair*. This assessment is based on its close alignment with key government development priorities; intervention logic based on the analysis contained in the 2015 SCD; use of a balanced mix of investment lending, TA, and advisory services and analytics (ASA), underpinned by intensive policy dialogue; complementarity between IFC and IBRD instruments; close supervision of project implementation; and flexibility and resilience in the face of emerging risks and shifting priorities. Most Implementation Completion and Results Reports (ICRs) and recent Implementation Status and Results Reports (ISRs) for projects underway during the CPF period have rated WBG performance as satisfactory or moderately satisfactory, although the Metro Water and Sanitation Improvement Project, Enhanced Public Sector Efficiency TAL (P121492), and Support for the National Indigenous Peoples Development Plan are notable exceptions. As noted in the CPF and PLR, the WBG needed to maintain full flexibility to adjust to changes in government priorities – notably after a new administration came to office in July 2019 and following the onset of the COVID-19 pandemic crisis in early 2020. In the end, however, the WBG’s efforts to address the 2018 PLR’s recommendations for mid-course corrections were not fully successful, opening up the portfolio to risk. Specific lessons are reviewed below.

Design and Relevance

The CPF priorities were relevant for Panama’s key development challenges and well aligned with the government’s SDP 2014–19.³⁴ The CPF narrowed the WBG objectives by applying additional selectivity filters based on the 2015 SCD recommendations and the WBG’s comparative advantages. To that end, WBG support for continued high growth emphasized fostering private sector investments in promising sectors and addressing bottlenecks to growth, namely energy and public sector capacity (with a focus on budget transparency). WBG support for inclusion and opportunities under CPF pillar 2 focused on strengthening social protection programs, with added

³⁴ The SDP encompassed two pillars—inclusion and competitiveness—and five objectives to enhance: (i) productivity and diversified growth, (ii) quality of life, (iii) human capital, (iv) infrastructure, and (v) environmental sustainability, including land management. Institutional capacity and governance were cross-cutting themes.

emphasis on productive inclusion and access to finance, highlighting efforts to improve sustainable economic opportunities for vulnerable groups. The focus on improving basic services in indigenous comarcas rightly focused on helping Panama address one of its most enduring inequality challenges. Pillar 3 focused on improving the country's resilience to natural disasters and sustainable management of water resources, given the sector's critical role in the economy and challenges in providing households with adequate access to this basic service. These focus areas also considered the World Bank's past experiences in Panama and its comparative advantage based on priorities supported by other development partners. The CPF was realigned through the PLR to take stock of the results already accomplished, increase selectivity due to fiscal space constraints, and strengthen coordination and harmonization with the work of other development partners.

The achievement of some CPF objectives was hampered, however, by project design that did not sufficiently account for institutional complexities, coordination challenges, capacity deficits, and shifting degrees of government ownership. Projects focusing on water supply and sanitation and public sector efficiency, for example, did not include adequate design attention to ensure that institutional arrangements offered a clear definition of roles, responsibilities, and accountability for moving forward on both processing and implementation milestones. These interventions did not focus sufficiently on communicating clearly with the client, or encouraging communication among client agencies. Moreover, despite an identified lack of technical, fiduciary, and coordination skills to implement a complex public financial management project, the TAL project design did not sufficiently address the need for substantial TA in support of implementation. Other projects stalled in the face of insufficient or shifting political ownership of project objectives. The Burunga Wastewater Management Project was cancelled after a promising start gave way to long delays due to the government's failure to allocate sufficient budget resources to execute the project, and the RAS project on Smart Mobility Solutions was dropped following a change in administration, when it became clear that the project lacked a clear champion as well as sufficient technical implementation capacity on the government side.

Flexibility in adapting projects to emerging priorities. Some of the more successful interventions were due to a well-established sector partnership and dialogue between the World Bank and stakeholders and a flexible, adaptive response to evolving situations. Sustained engagement in the social protection sector, most recently under the SSPISP, allowed the WBG to respond quickly to the emergence of COVID-19 and provide just-in-time support to enhance the country's CCT program. Flexible approaches also supported effective risk mitigation under the programmatic DPLs, when a private law firm's document leak prompted the addition of a new pillar on international tax transparency and anti-money laundering.

Some of the difficulties in reporting progress in this CLR stem from issues with the design and revision of the CPF results framework. In some areas, such as supporting enhanced logistics and connectivity, the indicators chosen to reflect progress on key interventions in the CPF program did not provide sufficient information to fully assess progress toward the overarching CPF objectives. This CLR has attempted to address this challenge by providing additional evidence to explain how broader WBG interventions have supported achievement of the CPF objectives (paragraph 0). In other areas, such as social protection, the indicators did not fully reflect changes to the government's programming, such that additional calculations were needed to measure the content of current programs against previous measurement indicators (paragraph 0). In some cases, this was due to the inadvertent publication of the revised CPF framework in the PLR without those intended changes incorporated. Finally, some indicators were overambitious, reflecting project design that did not sufficiently account for institutional blockages that could slow implementation.

Program Implementation

Quality of implementation support was generally strong, although the country team faced some challenges in encouraging the degree of interagency coordination needed for efficient implementation of complex projects.

Counterparts appreciated close communication and in-depth support of project preparation and implementation in areas where WBG staff were on the ground in Panama. Regular dialogue with the client supported the WBG's quick response to prevent interruptions to the MIDES's CCT program following the onset of the COVID-19 pandemic. In the area of disaster risk management, strong policy dialogue in the context of the DPL with CAT-DDO helped create an enabling environment for a well-coordinated, inclusive, multisectoral emergency response. As a result, the government requested three new operations to meet expected medium- and long-term financial requirements: (i) an emergency loan for US\$20 million under Fast Track COVID-19; (ii) a DPL operation for US\$300 million to support the post-pandemic recovery agenda; and (iii) a second DPL with CAT-DDO for US\$100 million approved in March 2022. On the other hand, in areas where communication was less well managed or WBG staff turnover was high, these factors hindered reform progress. In the case of projects with complex or overlapping institutional arrangements, the WBG faced challenges in encouraging the degree of interagency collaboration needed for efficient implementation. For example, in the Metro Water and Sanitation Improvement Project, the WBG management and team were unable to motivate the high-level action needed to support accountability within IDAAN with respect to construction delays and contracting issues.

A lack of candidness with regard to progress and risk assessments in some projects prevented timely course corrections. While the Public Sector Efficiency TAL was itself designed to build on the lessons of the FY11–14 CPF, this operation and the Metro Water and Sanitation Improvement Project were held back by less-than-candid progress reporting on the part of supervision teams, delaying the WBG's ability to respond more nimbly to implementation bottlenecks and manage risks as they arose. Moreover, following consistent assessments of political, governance, macroeconomic, and fiduciary risks as moderate in the TAL project, project implementation made only partial use of identified mitigation measures.

Strong collaboration between the World Bank, IFC, and MIGA set the stage for integrated support to the government's private sector development agenda. WBG engagement on public-private partnerships is a key example where the World Bank and IFC have worked jointly to improve the private sector enabling environment and support private sector capital mobilization. As discussed above, the WBG advised the government on the formulation of the 2019 law on PPPs, while IFC signed three mandates to support PPPs and the World Bank approved a TA operation to strengthen capacity within the Ministry of Public Works to manage these agreements. World Bank and IFC staff coordinated regularly on the program, as well as with key development partners in this space (including the Inter-American Development Bank (IDB), Development Bank for Latin America (CAF), and the Central American Bank for Economic Integration).

During the CPF period, the World Bank worked with other development partners to address country sector challenges. For example, the World Bank worked jointly with CAF to prepare parallel financing for a wastewater management project. Similarly, drawing on resources from the FAO, the World Bank provided productive inclusion investments to support women beneficiaries of the Red de Oportunidades CCT program in peri-urban and rural areas. Moreover, implementation of DPL-supported reforms to strengthen tax transparency, social protection, education systems, energy and water sector management, and fiscal management was underpinned by ASA and TA from the World Bank, International Monetary Fund, IDB, Organisation for Economic Development and Co-operation, and other development partners.

Performance of the WBG portfolio over the CPF period was marked by proactivity and flexibility to adapt to changing circumstances, as well as close collaboration between the WBG and the government. The portfolio averaged just under six operations per year during the CPF period, including recipient-executed trust funds and Global Environment Facility (GEF) operations. The average net committed amount was about US\$404 million per year during FY15–21, although following a cyclical pattern responding mainly to budget support, it reached an unprecedented high of US\$736 million by end of FY18. The approval during the CPF period of three Programmatic Shared Prosperity DPLs and the Panama Pandemic Response and Growth Recovery Development Policy Operation (DPO) accelerated both commitments and disbursements, boosting portfolio performance and disbursement as compared to investment operations. IPF disbursement rates averaged 12.5 percent during the FY15–21 period, peaking at 44.8 percent in FY21 due to fast disbursements in support of COVID-19 from the Social Protection Project and the Covid-19 Emergency Response.

The CPF period saw an average of two problem projects. The Enhanced Public Sector Efficiency TAL (P121492) was considered a problem project during FY15–18, owing to budget constraints, software procurement delays, contract processing delays brought about by *ex-ante* controls on the part of the comptroller general (*Contraloría*), and staff turnover due to changes in government administration. The project team worked proactively through two restructurings to adjust implementation arrangements and reallocate the budget among project activities in line with changes in government priorities. The SSPISP (P155097) entered into problem status in FY16, with implementation slowing in response to lack of resources allocated in the national budget, the internal reorganization of MIDES, changes in government priorities, and delays in signing an interinstitutional agreement among MIDES, the Ministry of Labor and Labor Development (*Ministerio de Trabajo y Desarrollo Laboral*, or MITRADEL), the National Institute of Vocational Training and Training for Human Development (*Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano*, or INADEH). The project was restructured three times, including adding a fourth component to finance MIDES's CCT programs in the wake of COVID-19. Project implementation picked up after the third restructuring with the focus on rapidly alleviating the Covid-19 pandemic impact on households and closed MS in February 2022. The Support for the National Indigenous Peoples Development Plan Project (P157575) entered into problem status in FY20, with initial delays arising from turnover in the leadership of MINGOB and in the project coordination unit, a change in government administration soon after effectiveness, weak coordination among partner agencies, and the emergence of COVID-19. The WBG responded by modifying activities to meet urgent pandemic-related needs and, at the mid-term review in September 2021, preparing a detailed action plan with specific targets to be met in order to process a project restructuring and extension of the closing date.

TABLE 5. Panama Portfolio Performance, FY15–21

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	Average
Projects (number)	6	5	5	9	8	4	4	5.9
Net commitment amount (US\$ millions)	472	231	271	736	436	226	460	404
Disbursement ratio (%; IPF only)	21.5	17.5	16.5	3.9	3.9	3.2	44.8	12.5
Problem projects (number)	1	2	2	2	1	2	2	1.7
Prob projects (%)	17	40	40	22	13	50	50	29.0
Net commitments at risk (%)	11.7	34.7	48	17	13.8	61.9	30.4	25.8
Proactivity (%)	100	100	50	100	100	-	50	73

Project readiness and portfolio execution have been held back by procurement challenges. Procurement implementation and disbursements during the CPF period have been hampered by: (i) shifting government priorities; (ii) weak institutional capacity and high turnover of staff in implementing agencies; (iii) weak

interinstitutional coordination; (iv) lengthy, complex national procedures to obtain budget or approvals; (v) delays in budget allocations; (vi) the absence of a project management culture in government agencies; (vii) low procurement processing capacity, causing delays in tender evaluations and contract awards; (viii) a lack of capacity to produce technical requirements, frequently misidentified as a “procurement problem;” and (ix) delays in preparing essential procurement inputs (such as terms of reference, equipment lists, and technical specifications) in time for project launch or even, in many cases, within the first year of implementation. The WBG has responded to these constraints by conducting annual Country Portfolio Performance Reviews, increasing capacity building for PIUs, and placing a particular emphasis on building and strengthening public sector capacity to improve project readiness and portfolio execution.

In the period under review, the portfolio performed well on financial management overall. Financial management risk was substantial, with audit reports and interim financial reports mostly delivered in a timely manner. To mitigate these risks and support WBG portfolio implementation, the financial management team carried out a quality review of the external audit firms in charge of the country’s portfolio and delivered financial management training to implementing agencies. Nevertheless, implementation capacity—including for financial management—continues to affect both WBG program implementation and public service delivery more broadly.

ALIGNMENT WITH CORPORATE GOALS

Economic growth and public transfers helped to reduce poverty substantially over the course of the CPF period, although it remains high in rural and indigenous areas. Before the COVID-19 pandemic, between 2008 and 2019, poverty (measured at the line of US\$6.85 per day in 2017 purchasing power parity) declined from 23.2 percent to 12.1 percent, and extreme poverty (US\$3.50 per day) declined from 10.5 percent to 3.7 percent. Growth was the key driver of poverty reduction nationally (around 80 percent), with increased labor income having a stronger effect than public transfers. While labor force participation increased from 64.9 percent in 2009 to 67.3 percent in 2019, those in the bottom 40 percent of the income distribution had lower participation rates (60.4 percent in 2008 and 62.7 percent in 2019) and the gap between the bottom 40 percent and the rest of the population stayed similar over the ten-year period.

The COVID-19 crisis hit Panama particularly hard due to its economic structure. Labor-intensive sectors, such as tourism, construction, and trade (host to 32.5 percent of the workforce in 2019), were most negatively affected. As a result, the unemployment rate reached 18.5 percent in 2020. The employment gap between men and women widened, and female labor force participation reached its lowest level since 2012, at 33 percent. Panama partially mitigated increases in poverty by implementing social protection programs. Without mitigation measures, it is estimated that poverty would have reached 17.7 percent in 2020 and 16.8 percent in 2021. However, *Panama Solidario*—a monthly transfer program instituted to mitigate the effects of the pandemic—reduced poverty to 14.1 percent in 2020 and 12.9 percent in 2021. As part of its response to the pandemic, the WBG implemented a series of telephone surveys to monitor the impacts of COVID-19 on household welfare. In addition, the WBG poverty team supported poverty and social impact assessments for several operations during the CPF period, including the emergency response loans.

Despite having one of the largest middle-class populations among countries in Central America, and the smallest population of those considered “vulnerable,” inequality remains high in Panama. At 0.509 in 2021, the Gini coefficient is among the highest in the region. The rate of poverty reduction is unequal across the country, dropping more rapidly in richer areas, leading to a further concentration of poverty in rural and indigenous areas. While the urban poverty rate was below 5 percent in 2019, in rural areas it was around 28 percent. Poverty in

the three largest indigenous comarcas was above 70 percent and extreme poverty above 32 percent. Lack of services, particularly access to water and sanitation and health services, continues to constrain development in the comarcas. Challenges persist in the public provision of social services. There are opportunities to improve the public provision of social services across the country. For example, children in indigenous communities still have significantly lower access to basic services than children in rural or urban areas. While the infant mortality rate is 14.8 per 1,000 live births in Panama, in the comarcas and predominantly rural territories it is above 20 per 1,000 live births. Key challenges include improving the targeting of poverty interventions, providing services in isolated communities, and bridging key knowledge gaps on the spatial composition of poverty and the role of taxes, transfers, human capital, and the private sector in promoting shared prosperity and inclusion of rural populations. ASA could also usefully explore the interactions between climate shocks and the livelihoods of the poor and vulnerable in Panama.

Gender considerations have been integrated across the WBG program. First, a gender assessment in 2018, *Towards Equal? Women in Central America*, provided an overview of areas of progress and continuing challenges faced by women in the region.³⁵ The assessment points out that, although Central American countries have taken important steps toward increasing women's inclusion and improving their social and economic outcomes, the persistence of gender norms that limit women's roles and voices remains a key obstacle to increasing economic and social inclusion. The gender assessment provides concrete policy options to help tackle these disparities. Second, the share of gender-tagged operations in the WBGs Panama portfolio has increased substantially since gender tagging was introduced in FY17. In the current portfolio, all projects are gender-tagged, up from 50 percent in FY18, in response to the disparities identified in the country. This makes it possible to identify each project's contribution and commitment to closing gender gaps in Panama. Important ASA activities, including an analytical piece on indigenous women and their economic empowerment, have integrated gender into their design to increase awareness, promote evidence-based policy to narrow gender gaps, and discuss policy implications.

Citizen engagement during the CPF period showed mixed results. Compliance with WBG requirements on citizen-oriented design and inclusion of at least one beneficiary feedback indicator in project results frameworks was 100 percent for all fiscal years in which projects were assessed in Panama (FY16, FY17, FY18, FY22). Credible progress on reporting in ISRs was assessed to be 100 percent compliant in FY19 (in 1 project out of 1), but fell to 0 percent in FY20 and FY21 (0 out of 1 project each year). These corporate requirements, however, are only one way of measuring citizen engagement performance in the WBG portfolio. For instance, one of the projects deemed non-compliant with respect to ISR reporting—the Support for the National Indigenous Peoples Development Plan Project (P157575)—is often cited as a good example of participatory decision making through multistakeholder platforms. The project supported the establishment of a National Indigenous Peoples Council as a permanent space for interaction between government authorities and indigenous peoples. Each of the country's 12 indigenous peoples' territories sends representatives to the council from its own congress.

Panama's ambitious climate change commitments under the Paris Agreement have translated into increased WBG lending focus on climate change adaptation and mitigation. Between FY15 and FY21, average climate co-benefits in IBRD operations in Panama strongly reflected the government's commitment to contributing to Paris Agreement mitigation targets and enhancing the country's resilience to climate change impacts. Climate change co-benefits were evaluated at 26 percent in FY21, only slightly below the WBG target, and increased to 39 percent in FY22 and around 60 percent in FY23. Specifically, as part of the focus on post-COVID recovery, the country program prioritized government policy reforms and investments in green, resilient, and inclusive development.

³⁵ Central America includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Complementary TA helped to advance knowledge and identify policy reform entry points around enhancing private sector investment in roads and electricity, reduce deforestation through enhanced forest protection and diversifying local income opportunities, advancing the blue economy, and moving from subsistence agriculture toward climate-smart agriculture. This TA program was designed specifically to support the country's submission of its Nationally Determined Contribution (NDC) and preparation of its 2020 NDC update. To that end, the WBG deployed targeted capacity building, institutional strengthening, and analytical inputs that have been instrumental in empowering the country to calculate, analyze, and report on Panama's greenhouse gas emissions and targets in a sustainable and autonomous manner. As a result, the country has gained the experience and technical knowledge to comply with Paris Agreement provisions on monitoring and reporting on greenhouse gas emissions, improving evidence-based decision making for climate mitigation.

LESSONS LEARNED

The WBG's experience in implementing the Panama CPF yielded a variety of lessons—both broad and specific—on which it would be useful to draw in designing and implementing the subsequent CPF. General lessons regarding the importance of government ownership, simplicity of project design and implementation arrangements, realism, implementation support, analytical groundwork, and flexibility are reviewed here, and project-specific lessons are taken up in the evaluation matrix (Attachment 2).

Strong ownership and buy-in on the part of the government proved to be an essential component in successful implementation on the ground. Interventions under the CPF that focused on supporting government priorities, rather than WBG-identified goals, were better able to gain traction and demonstrate concrete progress. For example, the programmatic DPL series and the DPL with CAT-DDO were centered around the policy areas determined to be most important to the government, and thus received a greater amount of client focus. Similarly, the Sustainable Production Systems and Conservation of Biodiversity Project, supported through a GEF grant, was deemed satisfactory for both development outcome and WBG performance, illustrating how, with strong government buy-in, a moderate amount of seed funding can be leveraged to secure a much larger pool of resources to support conservation efforts. In contrast, the Enhanced Public Sector Efficiency TAL struggled to achieve targets, as the benefits of public financial management reform were poorly understood by the client, compromising buy-in and ownership and leading to moderately unsatisfactory results.

Simplicity is another critical factor in supporting smooth implementation. Simple project design that focused on a set of key goals, rather than attempting to implement an extensive array of measures, was more successful at moving the needle in the direction of meaningful, sustainable reform. The programmatic DPL series, for example, concentrated on three specific objectives that were aligned with the government's five-year strategic plan, working closely with government agencies that shared strong ownership of the supported objectives. This targeted alignment resulted in generally satisfactory implementation. Ensuring simplicity in institutional arrangements was also important. Projects requiring interagency coordination introduced bottlenecks due to communication challenges and a lack of clarity in lines of responsibility and accountability. Under the SSPISP, for example, a technically sound design in which individual agencies focused on areas relevant to their expertise was undermined by a lack of interagency coordination between MIDES, MITRADEL, and the INADEH. The project's performance only turned around after a project restructuring streamlined the institutional arrangements, removing activities related to MITRADEL and INADEH and refocusing the project's focus toward economic inclusion and rural productivity activities. Similarly, the Metro Water and Sanitation Improvement Project underestimated the risks involved in a hybrid implementation approach, through which a high-level external project unit coordinated with various departments with varying levels of capability within IDAAN, thereby diluting overall accountability.

and slowing implementation. The ongoing National Indigenous Peoples Development Plan Project has suffered delays due to weak coordination between MINGOB and the ministries of education and health (MEDUCA and MINSA, respectively), as well as weak integration of the PIU into the MINGOB organizational structure, which has hampered decision-making autonomy.

Where interagency coordination is a challenge, or where a project relies on a wide range of stakeholders for ownership and implementation progress, it is crucial to have a strong institutional champion to keep up momentum. In the case of the DPL with CAT-DDO, the MEF was able to use its weight and convening power to take the lead in ensuring adequate project preparation and keeping implementation on track. In contrast, the Enhanced Public Sector Efficiency TAL lacked clear leadership arrangements at a sufficiently senior level to resolve any potential conflicts between stakeholders and thus failed to reflect or develop a shared government vision for the project. Similarly, in projects with many financiers—each with different procedures and requirements—there is a risk that the implementing agency will misinterpret procurement rules and misunderstand project processes, thereby leading to implementation delays. This lack of clarity was one of the factors behind the slow implementation and lack of counterpart budget allocation for the Burunga Wastewater Management Project, which was eventually cancelled.

Project size and timing of preparation with national budget processes matter greatly for efficiency in implementation. The size and complexity of projects needs to take into account the technical and coordination capacity of relevant government agencies and explicitly build or reinforce capacity, as needed, to ensure successful implementation. In addition, implementation schedules need to be grounded in a realistic assessment of processing timeline and reform momentum, especially for ambitious projects that involve significant reforms or need to overcome entrenched institutional challenges. The Enhanced Public Sector Efficiency TAL, for example, faced delays as a result of counterpart capacity limitations and overly burdensome payment processing procedures between the comptroller's office (*Contraloría*) and the PIUs. Implementation schedules also need to factor in the time needed to design, consult on, build commitment for, pilot, test, and roll out proposed reforms or new systems. Finally, obtaining active involvement of the MEF during project preparation to help ensure alignment between planned project size and national budget projections during the project timeframe is highly useful in addressing systematic challenges with regard to counterpart funding.

Achieving results requires consistent, on-the-ground implementation support. Even before the start of an operation, the WBG needs to provide intensive support in preparing the project operational manual (POM), memoranda of understanding, and procurement plans, along with offering guidance in the hiring of PIU staff and meeting other effectiveness conditions. The need for early, direct support for drafting documents such as implementation plans and annual programs should not be underestimated during the project preparation process. In the GEF-supported Sustainable Production Systems and Conservation of Biodiversity Project, for example, WBG support in detailing the processes of sub-project cycles in the POM provided the PIU with a clear roadmap, allowing it to act more independently as the project progressed. Similarly, roles, responsibilities, and lines of accountability—especially decision-making processes related to the approval of documents as part of project preparation—should be well defined in the POM and other institutional arrangements. Throughout the life of a project, targeted in-depth training is often needed for PIUs on procurement, contract management, and financial management, together with strategic engagement with the *Contraloría*. This level of implementation support can be achieved through regular videoconferencing between WBG staff and the PIU, *ad hoc* consultations by telephone and email, regular supervision missions, efforts to keep WBG staff turnover low, and meaningful mid-term reviews with creative,

proactive solutions to accelerate progress toward project targets, including early restructuring when deemed necessary. Counterparts in Panama have expressed particular appreciation for the value and effectiveness of staff and consultants working in the field.

Strong analytical groundwork and complementary TA proved essential over the CPF period in preparing sound project design and ensuring adequate program implementation. The programmatic DPL series focused on areas of strategic relevance, in which the WBG had established a record of strong technical capacity and cross-country experience. Similarly, in the GEF-supported Sustainable Production Systems and Conservation of Biodiversity Project, the WBG played a key role in shaping the initial project design based on lessons learned under the earlier Rural Productivity and Consolidation of the Atlantic Mesoamerican Biological Corridor Project. The project also benefited from strong WBG support during preparation to lay the groundwork for establishing an Endowment Fund, enabling the project to become operational during the expected timeframe despite some unforeseen delays.

Within the WBG's own processes, experience during the CPF period shows the critical importance of ensuring candid and honest project performance reviews. Candid ISRs and agile mid-term reviews offer a critical assessment of project progress, potential and existing bottlenecks, possible mitigation measures, and actions needed to achieve project development objectives. In some cases, owing to unrealistic ratings assigned during project supervision missions, WBG teams have missed opportunities to make project adjustments in light of entrenched challenges and/or changes in country context.

Close coordination between development partners and the government is critical during project preparation and implementation. For instance, some activities that were initially envisaged under the social protection project—including the development of the Single Registry, the new proxy means test, and a new Unified Registration Form—were financed using TA funds from other organizations (such as the Organization of American States, EuroSocial, and IDB). Similarly, the contracting of *promotores* to strengthen MIDES's territorial outreach was no longer needed, as they were recruited as permanent staff. Finally, the modernization of MIDES's centers for infants and seniors, a key activity after the restructuring in 2018, was financed by an IDB project. In this regard, it is important to note that some of the alternative sources of financing, such as IDB non-refundable resources (grants), were not only more attractive but also more expedient in terms of procurement processes and did not require budget allocation to be executed.

ATTACHMENT 1: STATUS OF PANAMA FY15-FY21 COUNTRY PARTNERSHIP FRAMEWORK RESULTS MATRIX

CPF Outcome	Status at CLR	Overall Outcome Rating
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH		
Moderately Unsatisfactory		
Objective 1: Support enhanced logistics and connectivity		
Indicator 1.1: Cargo volume through the Panama Canal	Achieved	Partially Achieved
Indicator 1.2: Enhance technology-based mobility solutions for transport-sector planning, management and control through establishment of a Mobility Lab	Not Achieved	
Objective 2: Increase reliability of energy supply		
Indicator 2.1: More diversified electricity matrix by progressively installing new capacity from cleaner energy sources (in MW)	Achieved	Achieved
Indicator 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 losses	Achieved	
Objective 3: Improved budget management transparency and capacity		
Indicator 3.1: Increased transparency in budget management, as measured by budget execution reports being automatically generated for all central government entities	Partially Achieved	Partially Achieved
Indicator 3.2: Increased transparency in budget management, as measured by government preparation (through ITSMO) and publishing of consolidated financial statements of the central government	Not Achieved	

CPF Outcome	Status at CLR	Overall Outcome Rating
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS Moderately Unsatisfactory		
Objective 4: Complement social assistance with productive inclusion		
Indicator 4.1: Percentage of the bottom quintile benefiting from social assistance increased	Not Achieved	Partially Achieved
Indicator 4.2: Number of beneficiaries in the integrated social assistance registry receiving training and access to market opportunities (disaggregated by gender)	Partially Achieved	
Indicator 4.3: People, microenterprises, and SMEs reached with financial services	Mostly achieved	
Objective 5: Improve access to water and sanitation services		
Indicator 5.1: Additional people with access to reliable water supply or to improved sanitation services in targeted lower income areas (disaggregated by gender)	Partially Achieved	Partially Achieved
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY Moderately Satisfactory		
Objective 6: Strengthen resilience to natural disasters		
Indicator 6.1: Increased ability of government to manage risks, as measured by the active implementation of a risk management strategy	Achieved	Achieved
Indicator 6.2: DRFI strategy strengthened, as measured by the adoption of additional financial protection instruments	Achieved	
Indicator 6.3: Areas brought under enhanced biodiversity protection	Achieved	
Objective 7: Support integrated water resources management in priority areas		
Indicator 7.1: Strengthen wastewater pollution management capacity, as measured by implementation of an Integrated Water Management Plan in a pilot area	Not Achieved	Not Achieved

ATTACHMENT 2: PANAMA FY15–FY21 COUNTRY PARTNERSHIP FRAMEWORK RESULTS MATRIX EVALUATION

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH				
Objective 1: Support enhanced logistics and connectivity				
Overall Rating: Partially Achieved				
Indicator 1.1: Cargo volume through the Panama Canal	Baseline: 309 million tons (2008) Target: 420 million tons (2020)	Achieved Actual (2021): 516.7 million tons Status: In the year ending September 2021, 516.7 million tons of cargo and 13,342 transits were processed through the Panama Canal. This represents a substantial increase over the 2008 baseline of 309 million tons and 14,702 transits as well as the 340.8 million tons of cargo volume and 13,874 transits in place at the start of the CPF period in 2015. Source: Panama Canal Authority		Delivered: <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)
	Additional evidence:			Ongoing: <ul style="list-style-type: none"> • Panama Canal Expansion (P26665, IFC)
Indicator 1.2: Enhance technology-based mobility solutions for transport-sector planning, management and control through establishment of a Mobility Lab	Baseline: No (2018) Target: Yes (2020)	Not Achieved Actual (June 2021): No Status: Achievement of this indicator was planned through the Smart Mobility Solutions with Open Innovation project (RAS), but the project was dropped. The RAS was negotiated after a concept review meeting, but interest in the project waned after a change in national government administration. Source: Task team and WBG operations portal	<ul style="list-style-type: none"> • Future engagements in RAS projects on sophisticated topics such as technology-based open innovation should be analyzed in the specific institutional context. In addition to the change in government administration, the client (the land transport authority) was recognized as a public entity with limited technical capacity, subject to substantial political interference from vested interests in the sector. A strong relationship with a single champion may not guarantee successful approval and implementation of these innovative products. 	Dropped: <ul style="list-style-type: none"> • Smart Mobility Solutions with Open Innovation (P161802, RAS) Planned: <ul style="list-style-type: none"> • Panama City Waterfront Redevelopment and Resilience (P166875)

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH				
Objective 1: Support enhanced logistics and connectivity				
Overall Rating: Partially Achieved				

Additional evidence: El World Bank, a través de asistencia técnica (AT) financiada con fondos fiduciarios, brindó asesoría en la preparación de una nueva ley de APP, adoptada en septiembre de 2019, dirigida a proyectos de transporte, entre otros. El World Bank también apoyó las regulaciones y el desarrollo de capacidades para la implementación de PBC para la gestión del sector vial, sobre cuyos fundamentos, el gobierno emprendió una iniciativa más amplia para delegar la administración de la infraestructura vial al sector privado mediante contratos PBC/APP a largo plazo. Esto ha permitido mejorar las condiciones de las carreteras, y, por ende, la conectividad, a un menor costo de administración. Además de la CFI, la cual recibió el mandato de estructurar varios de esos acuerdos, el World Bank cuenta con un préstamo de asistencia técnica de US\$5 million para ayudar a desarrollar capacidades dentro del Ministerio de Obras Públicas y otras instituciones gubernamentales para gestionar las APP con miras a mejorar la gestión del sector del transporte vial.

En el transporte urbano, sobre las bases de la emisión de garantías por parte del OMGI en 2012 y 2013 a fin de apoyar la construcción de la Línea 1 del Metro en la Ciudad de Panamá, como parte de un plan más amplio para mejorar la conectividad urbana mediante la modernización del sistema de transporte de la región metropolitana, la Línea 1 del Metro ha estado en funcionamiento desde 2014. A 2022, la cantidad de pasajeros alcanzó los 115 million de pasajeros por año, un incremento a los 57 million en 2014, superando considerablemente las proyecciones de demanda originales.

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH				
Objective 2: Increase reliability of energy supply				
Overall Rating: Achieved				
Indicator 2.1: More diversified electricity matrix by progressively installing new capacity from cleaner energy sources (in MW)	Baseline: 0 (2015) Target: 215 (2020)	Achieved Actual (June 2021): 496 Status: Between 2015 and December 2020, Panama increased the share of cleaner energy sources in its electricity mix by adding 496 MW to installed capacity as follows: <ul style="list-style-type: none"> • 270 MW wind (55%) • 148 MW hydro (30%) • 78 MW solar (16%) Source: Centro Nacional de Despacho. 2021. <i>Estadísticas de Capacidad Instalada</i> .	<ul style="list-style-type: none"> • Participation of diverse stakeholders (including policy and regulatory organizations, consumer advocates, industry, and market operators), from concept drafting and program design through implementation, can boost the chances of success. • Early involvement of relevant stakeholders can help address barriers to implementation and set the stage for deeper collaboration on upcoming WB support. • Political will is essential to guarantee the correct implementation of new regulations in the sector, as well as strong leadership and decision-making capacity on the part of WB counterparts. 	Delivered: <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) • Third Programmatic Shared Prosperity Development Policy Financing (P166159) Ongoing: <ul style="list-style-type: none"> • Green Building, Advisory (P600110, IFC) • LNG, Thermal Power Generation (P37456, IFC) • Penonome, Wind Power (P34810, IFC) • Central America Energy Assessments – 6C (P155068)
<p>Additional evidence: The National Energy Plan 2015–50, approved by Cabinet Resolution No. 34 of March 2016, highlights the important role of decarbonization of the energy matrix by increasing the use of renewable energy sources to meet the challenges posed by climate change and local pollution.</p> <p>In November 2020, the government approved the Energy Transition Agenda, providing strategic priorities and guidelines for climate action for a national energy policy focused on post-COVID economic reactivation. This agenda outlines a vision toward decoupling economic growth from energy demand, developing a renewable and efficient energy matrix, promoting sustainable mobility, and fostering an inclusive and fair energy transition. The preparation and implementation of this agenda has been supported through WB TA.</p> <p>The increased generation capacity has improved reliability of energy supply by providing more firm capacity than the peak demand. In 2015, the firm demand was not sufficient to satisfy the peak demand.</p>				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH				
Objective 2: Increase reliability of energy supply				
Overall Rating: Achieved				
Indicator 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 losses	Baseline: No (2015) Target: Yes (2018)	Achieved Actual (June 2021): Yes Status: Six technical regulations were approved between 2017 and 2018 for the following energy-consuming products: <ul style="list-style-type: none"> • Split air conditioners with variable refrigerant flow, free discharge, and no air ducts (inverter) • Split air conditioners with free discharge and no air ducts • Window air conditioners • Central air conditioners with cooling capacity of less than 65,000 BTU/hr • Refrigerators and freezers • Engines In addition, the Sustainable Building Code was approved through Resolution No. JITA 035, dated June 26, 2019, and published in the Official Gazette on July 18, 2019. Source: SNE	<ul style="list-style-type: none"> • Minimum energy efficiency standards and labeling for consumer appliances can be a stepping stone for further energy efficiency gains across key energy consumption sectors of the economy. • Effective, proactive, and timely communication reduces stakeholder reluctance and makes it easier to address barriers to implementation. • Procuring hands-on support and working closely with the client creates a positive atmosphere of collaboration, which helps to coordinate political and technical teams and to bridge communication gaps. 	
Additional evidence: Product energy information is based on the Energy Efficiency Policy of Technical Standards and Regulations, through which the Energy Efficiency Indices Management Committee (CGIEE) prepared minimum energy efficiency indices and short-, medium-, and long-term goals. The CGIEE established 14 energy efficiency indices involving household appliances, such as refrigerators, air conditioners, electric motors, and lighting, through Resolution Nos. 114-117 of 2017 and Resolution Nos. 31-32 of 2018.				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 1: SUPPORTING CONTINUED HIGH GROWTH				
Objective 3: Improved budget management transparency and capacity Overall Rating: Partially Achieved				
Indicator 3.1: Increased transparency in budget management, as measured by budget execution reports being automatically generated for all central government entities	Baseline: No (2015) Target: Yes (2018)	Partially Achieved Actual (June 2021): Budget execution reports automatically generated by Integrated Financial Management System (ISTMO) for all central government entities, but quality remains unreliable. Status: There are questions as to the completeness of the transactional record in ISTMO. Source: MEF	<ul style="list-style-type: none"> It may be more useful to monitor the percentage of the budget executed through the system, which would better capture the extent to which the system has contributed to expenditure efficiency and transparency. 	Delivered: <ul style="list-style-type: none"> First Programmatic Shared Prosperity Development Policy Loan (P151804) Panama Second Shared Prosperity Development Policy Loan (P154819) Dropped: <ul style="list-style-type: none"> Fourth Programmatic Shared Prosperity Development Policy Financing Ongoing: <ul style="list-style-type: none"> Enhanced Public Sector Efficiency TA Loan (P121492) Planned: <ul style="list-style-type: none"> Third Programmatic Shared Prosperity Development Policy Financing (P166159)
Indicator 3.2: Increased transparency in budget management, as measured by government preparation (through ITSMO) and publishing of consolidated financial statements of the central government	Baseline: No (2018) Target: Yes (2020)	Not Achieved Actual (June 2021): No Status: ISTMO deployed in all central government and decentralized agencies, but the authorities have not been able to prepare consolidated financial statements. Source: MEF	<ul style="list-style-type: none"> It is important to consider in future operations whether publication of the CGFS is the correct milestone to monitor. 	
Additional evidence: There are quality issues with the information held in ITSMO, which affect the quality of the financial statements. The Accounting Director has indicated that the issues have been identified and are in the process of being addressed. The Ministry of Economy and Finance (MEF) Accounting Directorate submitted the Central Government Financial Statements (CGFS) for 2017 to the Supreme Audit Institution (CGR) in December 2021, and the CGFS for 2018, 2019, and 2022 followed in August 2022—both after the end of the CPF period. The CGFS have still not been published, however, because the CGR has not issued an opinion on them.				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS				
Objective 4: Complement social assistance with productive inclusion				
Overall Rating: Partially Achieved				
Indicator 4.1: Percentage of the bottom quintile benefiting from social assistance increased	Baseline: 38% (2017) (baseline recalculated as part of CLR evaluation to 40%) ³⁶ Target: 48% (2020)	Not Achieved Actual (2021): 33% Status: Coverage of those in the poorest quintile of Panama's population by conditional cash transfer (CCT) programs (<i>Red de Oportunidades</i> and SENAPAN), the social pension <i>120 a los 65</i> , and the <i>Ángel Guardian</i> transfer for those with severe disabilities decreased between 2017 and 2021. Between 2017 and 2019, Panama conducted a recertification process to reduce inclusion errors in the two largest social assistance programs, removing those who did not meet targeting requirements. At the same time, the number of beneficiaries declined due to normal attrition and the inclusion of new eligible beneficiaries was slow, owing in large part to the high investment in emergency social assistance programs during 2020–22 in response to the impacts of the COVID-19 pandemic. Source: World Bank team calculations based on data from SSISP, MIDES	<ul style="list-style-type: none"> • There is a need to ensure more agile identification of the poor and vulnerable through the National Social Registry (RENAB), which needs to expand coverage significantly. • It will also be important to improve the targeting and expand the coverage of the <i>Red de Oportunidades</i> CCT program. Although mentioned in the previous SCD, it has become considerably more relevant in the wake of the COVID-19 crisis. • Key priorities going forward are to improve service delivery and operate these programs more efficiently. 	<p>Delivered:</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) • Strengthening Social Protection and Inclusion System (P155097) <p>Ongoing:</p> <ul style="list-style-type: none"> • Support for the National Indigenous Peoples Development Plan (P157575)

³⁶ The PLR proposed (but inadvertently left out of the revised CPF results framework) a revision to the scope (excluding SENAPAN) and methodological calculation of this indicator, splitting the coverage between individuals (in the 120 a los 65 and Angel Guardian programs) and households (for Red de Oportunidades). Because these proposed changes were not successfully reflected in the PLR, this CLR recalculated baselines and progress to: (i) include SENAPAN, as it is a social assistance program managed by MIDES and Supported through a World Bank investment project, and (ii) amend the methodological problems with the indicator to avoid conflating individuals and households. The team recalculated the coverage of the bottom quintile for the four programs using household surveys of 2017 (baseline), 2019, and 2021, and considering the direct and indirect beneficiaries living in households with at least one program (not double counting). From 2017, the impact of recertification reduced the coverage of the four programs in the bottom quintile, affecting the overall performance of the indicator.

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS				
Objective 4: Complement social assistance with productive inclusion				
Overall Rating: Partially Achieved				
Indicator 4.2: Number of beneficiaries in the integrated social assistance registry receiving training and access to market opportunities (disaggregated by gender)	Baseline: 4,000 (2014) Target: 25,000 (2020)	<p>Partially Achieved</p> <p>Actual (2021): 5,838 eligible beneficiaries of the Ministry of Social Development (MIDES) CCT program included in the social registry were receiving training and access to market opportunities. 100% of these beneficiaries were women.</p> <p>Status: The Strengthening Social Protection and Inclusion System Project (SSPISP) was restructured in November 2018 to reflect an increased focus on rural economic inclusion programs. Training and labor intermediation activities facilitated by MIDES and implemented through INADEH and MITRAEL were reduced in favor of added support for productive inclusion programs under MIDES. The PLR intended to reflect this shift in focus by dropping this indicator from the final CPF results framework. This was not done, however, and as a result of the reduced prioritization of activities in this area, only partial progress was made.</p> <p>Source: MIDES, SSPISP</p>	<ul style="list-style-type: none"> • The SSPISP was overambitious in its design with regard to economic inclusion programs. • The government requested a project restructuring to focus on economic inclusion in rural areas and on CCT beneficiaries. • The new program incorporated an impact evaluation that showed positive results (see additional evidence below). 	
<p>Additional evidence: An impact evaluation of the economic inclusion component of the SSPISP (P155097) showed the following results, published in June 2022:</p> <ul style="list-style-type: none"> • Positive results in 16 types of training • Positive results in adoption of 15 types of agricultural practices (and some livestock) • Increase in stock of chickens through breeding • Lower risk aversion • Increased crop area • Increased agriculture of livestock sales, with values at 110% and 148%, respectively • Program satisfaction rate above 96% 				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS				
Objective 4: Complement social assistance with productive inclusion				
Overall Rating: Partially Achieved				
Indicator 4.3: People, microenterprises, and SMEs reached with financial services	Baseline: 17,528 (micro) + 5,017 (SME) (2013) Target: 23,000 (micro) + 12,000 (SME) (2020)	Mostly achieved Actual (2014-2018): 23,579 on average (micro, of which 6,700 women-owned, on average) (2015-17; 2019): 8,420 on average (SME) Status: IFC interventions through Banco Delta and Multibank sought to expand the reach of financial services to microenterprises and SMEs. As the portfolio fluctuated each year, averages are reported above. Microfinance - total (o/w women-owned): 25,219 (5,823) 2014 19,574 (5,989) 2015 27,548 (8,212) 2016 26,694 (7,809) 2017 18,860 (5,669) 2018 SMEs: 8,925 2015 10,872 2016 9,067 2017 – 2018 4,817 2019 Source: CFI Multibank (#38570), Banco Delta (#38805) and Banco General (#37128)		
Additional evidence: In addition, housing finance interventions reached 8,883 people through Multibank in 2019 and an additional 65,931 through Banco General in 2021.				

Indicator	Baseline/ target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 2: ENSURING INCLUSION AND OPPORTUNITIES FOR MARGINALIZED AND INDIGENOUS GROUPS				
Objetivo 5: Mejorar el acceso a los servicios de agua y saneamiento				
Overall Rating: Partially Achieved				
Indicator 5.1: Additional people with access to reliable water supply or to improved sanitation services in targeted lower income areas (disaggregated by gender)	Baseline: 0 (2015) Target: 120,000 (2020)	Partially Achieved Actual (2017): 80,382 Status: The Metro Water and Sanitation Improvement Project, between its restructuring in September 2015 and its closure in June 2017, provided an estimated 2,115 households (accounting for approximately 11,632 people) with access to reliable water supply and rehabilitated the connections to an additional 12,500 households (accounting for approximately 68,750 people) in Colon. Access to sanitation services did not improve over this time period. In total, then, an estimated 80,382 people gained access to reliable water supply under the project, achieving 67 percent of the target. Planned work on expanding access to improved sanitation facilities under the Burunga Wastewater Management Project did not move forward, and the project was cancelled. Related targets under the Indigenous People Project were not achieved. Following a three-year implementation delay—owing to multiple changes in leadership at the <i>Ministerio de Gobierno</i> (MINGOB), the project's implementing agency, lack of PIU capacity, weak integration of the PIU in MINGOB's organizational structure, and a lack of coordination between MINGOB and the education and health ministries—the project has only been underway for 18 months. Terms of reference have been prepared and background studies to inform implementation have been finalized, but implementation of rehabilitation and community capacity building activities has not yet begun. Source: Task team and WBG operations portal	<ul style="list-style-type: none"> • There is still an opportunity to increase access to water supply and sanitation in lower-income areas, where most people do not live in optimal conditions and these services continue to be limited. • While it is important to increase the coverage of both water supply and sanitation, it is critical to ensure continuity in the services provided, taking into account the widening range in water availability between the wet and dry seasons due to climate change. 	<p>Dropped:/Cancelled:</p> <ul style="list-style-type: none"> • Colon Panama Water and Sanitation • Burunga Wastewater Management Project (P154275) <p>Delivered:</p> <ul style="list-style-type: none"> • Metro Water and Sanitation Improvement Project (P119694) • Improving RWSS National Strategies (P153734) • Water Security for Panama: Key Building Blocks for Development of the National Water Security Plan (P159466) • 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>Ongoing:</p> <ul style="list-style-type: none"> • Support for the National Indigenous Peoples Development Plan (P157575) <p>Cancelled:</p> <ul style="list-style-type: none"> • Burunga Wastewater Management Project (P154275)
Additional evidence: World Bank technical assistance on Improving Rural Water Supply and Sanitation National Strategies (P153734) led to an update of strategic rural water supply and sanitation management plans that reflected best-practice principles and promoted knowledge exchange among sector agencies in the region on successful examples of scaling up rural access to water services.				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY				
Objective 6: Strengthen resilience to natural disasters				
Overall Rating: Achieved				
Indicator 6.1: Increased ability of government to manage risks, as measured by the active implementation of a risk management strategy	Baseline: No (2015) Target: Yes Risk management strategy developed and actively implemented (2020)	Achieved Actual (2021): Risk management strategy under active implementation, resulting in a more comprehensive, resilient, and proactive approach to disaster preparedness and risk reduction Status: The Panama Development Policy Loan (DPL) with Catastrophe Deferred Drawdown Option (Cat DDO) supported the government in strengthening the institutional and legal framework for promoting risk reduction and reducing fiscal and physical vulnerability to disasters in key sectors. The DPL with Cat DDO provided critical contingency financing for government responses to the El Niño-triggered drought in 2015-16 and the COVID-19 emergency. It provided solid foundations for the country's disaster risk management (DRM) program, supporting the enactment of the DRM National Policy, developing a planning instrument to efficiently implement the new policy, and supporting the adoption of a framework for financial management of disaster risks, including contingency financing, insurance products, and a national emergency fund. Source: DPL with CAT-DDO	<ul style="list-style-type: none"> The presence of a strong institutional champion was crucial. The MEF, due in part to its substantial weight and convening power within the government, played a lead role in ensuring adequate preparation and keeping implementation on track. The establishment of DICRE within the MEF played a pivotal role in ensuring that changes in the administration did not diminish the importance of the DRM policy dialogue between the WB and government agencies responsible for carrying out sector-specific disaster risk reduction activities, including MEF, National Civil Defense System (SINAPROC), Ministry of Housing and Territorial Management (MIVIOT), Ministry of Education (MEDUCA), Ministry of the Environment (MIAMBIENTE), Ministry of Health (MINSA), and the Panamanian National Water and Sanitation Utility Institute (IDAAN). 	<p>Delivered:</p> <ul style="list-style-type: none"> First Programmatic Shared Prosperity Development Policy Loan (P151804) Panama Second Shared Prosperity Development Policy Loan (P154819) 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>Planned:</p> <ul style="list-style-type: none"> TA on innovative financing instruments for DRM Panama Sustainable Rural Development and Biodiversity Conservation (P178063)

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY				
Objective 6: Strengthen resilience to natural disasters				
Overall Rating: Achieved				

Additional evidence: During its 10-year implementation period, the DPL with CAT DDO achieved important results by the time it closed in June 2021:

- 100 percent of public investments and prioritization processes included DRM and/or CCA considerations
- 6 provinces, including Panama, updated disaster preparedness and response protocols
- Emergency response protocols were developed for the Panama City metro, which carries over 200,000 people per day, on average
- 6 ministries carried out important disaster risk reduction priority actions, including: (a) creating a specific DRM budget code in the national budget to tag and track investment proposals and channel resources for ex-ante DRM initiatives; and (b) updating the National Policy for Integrated Water Resources Management
- US\$41 million in funding was triggered to help the government's response to the COVID-19 crisis, reducing the government's need to reallocate funds from ongoing social programs.
- US\$25 million was disbursed to partially capitalize an emergency fund to finance urgent water provision interventions in areas affected by the El Niño drought of 2015-16.

The DRM policy dialogue related to the operation helped create an enabling environment for a well-coordinated, inclusive multisector emergency response. As a result of this dialogue, the government requested three new operations to meet expected medium- and long-term financial requirements: (a) an emergency loan for US\$20 million under Fast Track COVID-1925; (b) a DPL operation for US\$300 million to support the post-pandemic recovery agenda; and (c) a second DPL with Cat DDO for US\$100 million.

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY				
Objetivo 6: Fortalecer la resiliencia ante los desastres naturales				
Overall Rating: Achieved				
Indicator 6.2: DRFI strategy strengthened, as measured by the adoption of additional financial protection instruments	Baseline: No (2018) Target: Yes (2021)	Achieved Actual (June 2021): Yes Status: Development of DRM financial protection policies, strategies, or instruments has been completed. The government diversified the instruments under the Strategic Framework for Disaster Risk Financing (DRF) with the purchase in 2018, and renewal in 2019-20, of parametric insurance for excess rain. The WBG and the Directorate of Investment, Concessions, and Risk (DICRE) defined a set of TA activities to incorporate climate and disaster risks in a more comprehensive fiscal risk management strategy, including promoting the efficiency and transparency of post-disaster spending and enhancing DICRE's institutional knowledge of parametric insurance. Source: DPL with Cat DDO	<ul style="list-style-type: none"> • High-level TA was crucial in supporting implementation of the DRF Strategic Framework. • TA provided to the government, with support from the WB's Disaster Risk Financing and Insurance Program (DRFIP) included the preparation of a Disaster Risk Financing Profile for Panama. The analysis, based on historical and probabilistic data, helped senior authorities at the MOF to better understand the government's potential contingent liabilities resulting from disasters triggered by natural hazards. 	
<p>Additional evidence: Analysis of scenarios regarding potential direct financial losses due to damaged physical infrastructure and the cost of rehabilitation or reconstruction, along with the indirect costs of maintaining and scaling up social protection programs and carrying out rescue and recovery operations, motivated the government to fast-track the operationalization of the DRF Strategic Framework, a key outcome.</p> <p>Using funding that became available through the national DRF Strategic Framework, developed as part of the government's commitments under the DPL with Cat DDO, the government was able to finance its emergency response to several extreme hydrometeorological events, including the dry season during the 2015-16 El Niño-Southern Oscillation event, which caused major economic losses owing to lost Panama Canal revenues, and Hurricane Eta in 2020, which despite not making landfall in Panama, caused heavy rainfall, widespread floods, and landslides, resulting in 17 deaths and severely impacting more than 3,300 people through damage to homes and agriculture sector losses.</p>				

Indicator	Baseline/target al PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY				
Objetivo 6: Fortalecer la resiliencia ante los desastres naturales				
Overall Rating: Achieved				
Indicator 6.3: Areas brought under enhanced biodiversity protection	Baseline: 194,075 hectares (2018) Target: 550,000 hectares (2020)	Achieved Actual (2019): 654,015 hectares Status: Project investments in infrastructure programs and training in natural resource management, wildlife rescue, fire monitoring and control, environmental sustainability, biodiversity monitoring, and use of specialized equipment helped expand area under biodiversity protection, as measured by GEF Management Effectiveness Tracking Tool (METT). A new Panama Sustainable Rural Development and Biodiversity Conservation Project is proposed to continue expanding the area under enhanced biodiversity protection. Source: Sustainable Production Systems and Conservation of Biodiversity Project; GEF METT tracking tool	<ul style="list-style-type: none"> • With strong government buy-in, a moderate amount of seed funding can be leveraged to build up a much larger fund (e.g. an endowment fund) for conservation. • It is critical to mobilize multiple, diverse sources of conservation funding to prevent shortfalls from individual investors and donors that may adversely impact conservation outcomes. • Multisectoral approaches to biodiversity conservation can play a critical role in capturing livelihood benefits for low-income and marginalized groups and diversifying the base for conservation financing. • Monitoring and evaluation strategies for biodiversity need careful assessment during project preparation due to the complexity of demonstrating the direct impacts of project interventions on biodiversity. 	
Additional evidence: The Sustainable Production Systems and Conservation of Biodiversity Project (P145621) contributed to enhanced biodiversity outcomes in the buffer zones of protected areas. Under the project, 1,611 hectares of coffee, cacao, banana, and horticulture farms (134 percent of target) were certified, contributing to biodiversity mainstreaming by providing incentives for producers to adopt biodiversity-friendly practices and comply with certifications. Of the total certified land area, 626 hectares received biodiversity-friendly products certification from MIAMBIENTE. Another 77 hectares received organic products certification from the Authority of Panama for Control and Certification of Organic Products (ACERT) of the Ministry of Agriculture and Livestock (MIDA). Finally, 908 hectares received appellation of origin certification through the Ministry of Commerce and Industry (MICI), which is awarded, inter alia, based on compliance with a set of sustainability and biodiversity-friendly practices.				

Indicator	Baseline/target at PLR	Status at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program instruments
PILLAR 3: BOLSTERING RESILIENCE AND SUSTAINABILITY				
Objective 7: Support integrated water resources management in priority areas Overall Rating: Not Achieved				
Indicator 7.1: Strengthen wastewater pollution management capacity, as measured by implementation of an Integrated Water Management Plan in a pilot area	Baseline: No (2015) Target: Yes (2021)	Not Achieved Actual (December 2020): No Status: Achievement of this indicator was to be supported by the Burunga Wastewater Management Project, but the project was cancelled in June 2020 following prolonged delays, countrywide budget cuts, and unsatisfactory progress. Source: Task team and WBG operations portal	<ul style="list-style-type: none"> It is important to reinforce and clearly state the roles and responsibilities of all participating entities to mitigate risks such as significant delays and budgetary constraints. This shortfall highlighted the lack of preparedness in risk management and posed new challenges in the sector during the COVID-19 pandemic, showing the importance of coordination between cross-sectional institutional to better assess risks and develop contingency plans. 	<p>Dropped:</p> <ul style="list-style-type: none"> Colon Panama Water and Sanitation <p>Delivered:</p> <ul style="list-style-type: none"> Country Water Supply, Sanitation, and Hygiene Poverty Diagnostic in Panama (P150563) Metro Water and Sanitation Improvement Project (P119694) <p>Cancelled:</p> <ul style="list-style-type: none"> Burunga Wastewater Management Project (P154275)
<p>Additional evidence: The WBG CatDDO, approved in 2011, provided critical funding after the dry season during the 2015–16 El Niño–Southern Oscillation event, which caused an estimated US\$15 million in economic losses, significant crop loss, and an alarming decline in the availability of fresh water for human consumption and Panama Canal operations. In April 2016, the government requested a first withdrawal in the amount of US\$25 million (38 percent of the total loan amount) to partially capitalize an emergency fund to finance urgent water provision interventions in the areas most affected by the drought.</p>				

ANNEX 3. WBG RESPONSE TO COVID-19 IN PANAMA DURING THE COUNTRY PARTNERSHIP FRAMEWORK PERIOD AND BEYOND

At the onset of the COVID-19 pandemic in 2020, the WBG restructured its portfolio in Panama to support the government's rapid response to the crisis. Due to its highly open economy as a transport and trade hub, and with services accounting for a large share of GDP, Panama experienced one of the sharpest economic contractions in the world during the COVID-19 pandemic, with an 18% decline in GDP in 2020. The Covid-19 lockdown measures had a significant impact on access to key basic services and households' welfare and income opportunities. Among the first measures implemented by the Bank, the CAT-DDO was restructured to immediately disburse US\$41 million to support the government's emergency response. The Burunga Wastewater Management Project (US\$65 million), which had been performing unsatisfactorily, was closed to make room for other operations. The SSPISP was repurposed to finance CCTs, and the Support for the National Indigenous Peoples Development Plan Project was accelerated to deploy a Covid-related healthcare response to indigenous populations. In addition, a US\$20 million Emergency Covid-19 Response Project was prepared in record time to support the provision of key medical supplies for the prevention, detection, and treatment of COVID-19, as part of the WBG's global COVID-19 Multiphase Programmatic Approach (MPA).

The WBG continued to support the government's efforts to address the impacts of COVID-19 beyond 2020 and the CPF period. The Pandemic Response and Growth Recovery DPO Series, a programmatic series of two budget support operations prepared for US\$300 million in FY21 and US\$250 million in FY22, were prepared to support government efforts to protect human capital, while strengthening institution and ensuring a transparent, inclusive and sustainable economic recovery. In March 2022, US\$100 million in additional financing for the Panama COVID-19 Emergency Response Project was approved to finance the acquisition and deployment of COVID-19 vaccines and to strengthen national systems for public health preparedness. And in FY23, the World Bank approved a TA Loan of US\$7.5 million to strengthen Panama's PPP efforts and the first operation (US\$150 million) in a new DPL series focused on reforms for inclusive green growth and climate resilience.

The Pandemic Response and Growth Recovery DPO Series supported critical reforms and helped underpin Panama's rapid recovery from the impact of the Covid 19 pandemic. The DPO series supported key measures to mitigate these impacts while complementing IPF support, including to: reduce the cost of medicines and promote access to telehealth services; promote access to digital education and technical solutions for education services, including in Comarcas; and support cash transfers to poor and vulnerable households and promote labor market inclusion. To help address the impact of large spending pressures generated by the COVID-19 crisis, and following Panama's addition to the FATF grey list in 2019, the DPL series supported reforms to improve spending efficiency, mobilize private financing for public investments and to combat money laundering, including: a new regulatory framework to create the registry of ultimate beneficial ownership (UBO); a new procurement law, and a new legal framework for PPPs. To further promote an inclusive and resilient recovery, the DPL series supported a legal framework for inclusion of indigenous peoples' priorities in public investment planning, implementing and monitoring; and a regulatory decree to ensure that the poorest family farmers received support under the Family Farmer Law. Other measures focused on strengthening adaptation to climate change, promoting renewable energy and decarbonizing the economy through e-mobility for ground transportation, regulating greenhouse gas emissions and gradually developing a domestic carbon market.

MIGA also acted swiftly in support of the Government of Panama through its COVID-19 response program, largely by way of offering credit enhancement guarantees to state-owned banks for emergency liquidity and credit facilitation toward critically affected sectors of the economy. In June and July 2020, MIGA issued new guarantees covering the risk of Non-Honoring of Financial Obligations by a State-Owned Enterprise guarantees in support of (i) Caja de Ahorros, for the provision of working capital to SMEs affected by the pandemic and social housing loans to low- and middle-income households in Panama, increasing access to affordable housing; and (ii) Banco Nacional de Panama, for the provision of emergency liquidity to banks in support of the country's financial sector and credit to domestic banks for on-lending to SMEs. As at year ended 31 December 2022, Caja de Ahorros reported 19,639 beneficiaries reached with financial services, of which 13,369 were women; US\$947 million of total outstanding loans through 20,140 loans, including US\$11 million through 108 loans towards SMEs, and US\$806 thousand through 58 loans towards micro enterprises; and US\$293 million of outstanding housing loans through 4,253 loans.

ANNEX 4. SELECTED INDICATORS OF BANK PORTFOLIO PERFORMANCE AND MANAGEMENT

CAS Annex B2 - Panama				
Selected Indicators* of Bank Portfolio Performance and Management As of Date 02/26/2024				
Indicator	FY2021	FY2022	FY2023	FY2024
Portfolio Assessment				
Number of Projects Under Implementation ^a	4.0	4.0	6.0	6.0
Average Implementarion Period (years) ^b	2.7	1.7	1.9	2.4
Percent of Problem Projects by Number ^{a,c}	50.0	25.0	16.7	16.7
Percent of Problem Projects by Amount ^{a,c}	30.4	14.5	11.3	16.1
Percent of Projects at Risk by Number ^{a,d}	50.0	25.0	16.7	16.7
Percent of Projects at Risk by by Amount ^{a,d}	30.4	14.5	11.3	16.1
Disbursement Ratio (%) ^e	44.8	14.2	3.9	54.4
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US\$)				
Average Supervision (US\$/project)				
Memorandum Item	Since FY80		Last Five FY	
Proj Eval by IEG by Number	59			
Proj Eval by IEG by Amt (US\$ millions)	2,643.7		275.6	
% of IEG Projects Rated U or HU by Number	32.1		20.0	
% of IEG Projects Rated U or HU by Amt	13.6		18.1	
a. As shown in the Annual Report on Portfolio Performance (except for current FY).				
b. Average age of projects in the Bank's country portfolio.				
c. Percent of Projects rated U or HU on development objectives (DO) and/or implementation progress (IP).				
d. As defined under the Portfolio Improvement Program.				
e. Ratio of disbursements during the year to the undirsbused balance of the Bank's portfolio at the beginning of the year: Investment projects only.				
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.				

ANNEX 5. OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

As of 02/26/2024

TABLE 6. Panama: Lending

Project ID	Project Name	Len. Inst	FY	Total Comm. (US\$M)
P181306	Second Climate Resilience and Green Growth	DPF	2024	350.0

TABLE 7. Panama: Supervision

Project ID	Project Name	Fiscal Year	Closing Date	IBRD (US\$M)	Grant (US\$M)	Undisb. Balance (US\$M)
P157575	Support for the National Indigenous Peoples Development Plan	2018	30-Jun-2025	80.0		58.1
P173484	Open Contracting and Public Infrastructure Transparency	2022	31-Dec-2023		0.28	0.21
P173881	COVID-19 Emergency Response	2020	31-Dec-2024	120.0		13.9
P174191	Second Disaster Risk Management DPL with a CAT DDO	2022	14-Mar-2025	100.0		100
P174535	Support to PPP Program Development	2023	31-Dec-2026	7.5		7.5
P178063	Sustainable Rural Development and Biodiversity Conservation	2023	31-Dec-2026		3.5	3.5
P179817	Climate Resilience and Green Growth DPL	2023	31-Dec-2025	150.0		0.0
P180872	Consolidation of Public Financial Management System	2024	15-Dec-2028	40.0		40.0
P179771	Panama Partnership for Market Implementation	2024	31-May-2027		1.62	1.62
TOTAL				497.50	5.40	224.79

TABLE 8. Panama: Advisory Services and Analytics

Task ID	Task Name	Lead GP/Global Themes	ACS Original or Revised Date
P175211	PHRD Strengthening Panama's health system for the post COVID-19 context	Health, Nutrition & Population	31-Mar-2024
P175383	Social Inclusion in LAC - National Accessibility Plan for People with Disabilities in Panama	Social Sustainability & Inclusion	18-Dec-2025
P179962	Panama FSAP Update 1	Finance, Competitive and Innovation	20-Dec-2023
P180301	Panama Poverty and Equity Assessment	Poverty and Equity	10-Sep-2024
P502459	Panama: Scaling up a Parenting Community Model in Indigenous Territories	Social Protection & Jobs	28-Nov-2025
pending	Diagnostic of the supervision of Public Pension Funds (with SIACAP)	Finance	30-Jun-2024

ANNEX 6. IFC PROGRAM IN PANAMA

TABLE 9. IFC Investments in Panama

Project ID	Client	Project Name	Industry	Type	CMT Date	Tenor	Use of Proceeds	Own Acc. Original cmt Amount	Own Acc. committed Amount	Own Acc. Outstanding Amount	Original Mobilization Commitment	Total Committed	Total Outstanding
26665	PCA/ACP	Panama Canal	INR	Préstamo	12/9/2008	20	To support the expansion of the Panama Canal	300	67	67	–	67	67
4301	Valora	Valora	FIG	Loan	6/28/2019	4	Valora is a SPV that was specifically set up for the transaction pertaining to the sale of IFC's equity stake in CIFI	8	4	4	–	4	4
42008	Banco General S.A.	BG Housing	FIG	Loan	12/12/2019	5	To finance on-lending activity in Panama's low-and middle-income	200	100	100	–	100	100
43578	Global Bank	Global Bank Loan	FIG	Loan	10/7/2020	5	To support on-lending activity in Panama's low-and middle-income	70	50	50	–	50	50
46951	Banistmo	Banistmo Loan	FIG	Loan	12/14/2022	6	To found the growth of the Bank's small and medium-sized enterprises	200	200	50	100	200	50
28121	Multibank	GTFP Multibank	FIG	Trade Finance	6/29/2009	1	Short term revolving credit line	50	–	–	–	–	–
33234	Lafise Panamá	GTFP Lafise Panama	FIG	Trade Finance	6/5/213	1	Short term revolving credit line	5	–	–	–	–	–
33837	Banistmo	GTFP Banistmo Pa	FIG	Financ. comercial	10/21/213	1	Short term revolving credit line	50	–	–	–	–	–
3659	Ficohsa	GTFP BANC FIC PA	FIG	Financ. comercial	04/29/215	1	Short term revolving credit line	10			–		
Total								431	281	100		431	281

TABLE 10. IFC Advisory Services Portfolio in Panama

Country	Project ID	Project Name	Industry	Description	Amount - Total (\$M)
Panama	602084	PL IV (ETESA)	INR	The objective of the project is to structure, promote and tender a PPP of Transmission Line IV for the national transmission company ETESA. The project scope includes the financing, construction and operation of a double circuit 500KV (AC) with a capacity of 1,288 MVA, over 330 km in the Atlantic coasts. The impact of the project which will	3.45

TABLE 11. IFC Upstream Advisory Portfolio in Panama

Country	Project ID	Project Name	Industry	Description	Amount - Total (\$M)
Panama	606451	East Panama Road	INR/CTA	This project is the first child project of the Program. The objective of the project is to improve, enhance, rehabilitate, build, operate and maintain approximately 244km of roads east of Panama City known as the East Pan-American Road.	1.41

ANNEX 7. MIGA'S GUARANTEE PORTFOLIO

FY	Project	Effective Date	Expiry Date	Outstanding Gross Exposure (USD)	Description
FY2012	Panama Metro	Jun- 2012	Jun-2024	82,006,067	The project involved the greenfield construction - including the acquisition of rolling stock and the construction of depot and maintenance facilities - and operation of a 13.7 km Line-1 Metro between the northern Los Andes and south-west Albrook areas of Panama City.
FY2020	Caja de Ahorros	Jun-2020	Jun-2035	239,912,831	The project consisting of expanding access to affordable housing finance to lo- and middle-income households in Panama, with the financing being in large part funded by institutional investors.
FY2021	Caja de Ahorros COVID-19	Jun-2020	Jun-2025	153,647,452	The project involved the provision of liquidity in the form of working capital to small and medium enterprises (SMEs) and other companies to help them play their crucial role in creating jobs and reactivating the Panamanian economy.
	Banco Nacional de Panamá	Jun-2020	Aug-2027	260,692,100	The project entailed the creation of a Trust Fund for the provision of emergency liquidity to banks during the COVID-19 crises and accelerate on-lending to companies on priority sectors, such as agribusiness, health, sanitations, and food imports, as well as small and medium enterprises.
Total Portfolio				730,258,450	

ANNEX 8. COUNTRY PARTNERSHIP FRAMEWORK CONSULTATIONS

The CPF design is informed by consultations with the government and multiple stakeholders. Consultations for the CPF took place during September 2023 and included focus groups with representatives of central and local government, private sector, civil society (including Indigenous population, Afro-Panamanians, youth, women groups, people with disability, LGBTI, migrants and refugees), development partners, sector experts, academia, and opinion leaders. The recurring themes of these consultations are fully reflected in the CPF's HLOs and objectives.

Main themes pointed out during consultation for tackling challenges to HLO1, namely low productivity and informality in the labor market, include i. increasing financial inclusion, financial education, and digitalization for SMEs; ii. fostering quality of human capital; iii. improving the connection between academic offer and demands of the labor market; iv. facilitating access to markets by promoting value chains, cooperatives and linkages between small producers and big retailers; v. continuing to strengthen Panama as logistics hub (ancillary facilities, dry ports); vi. promoting new jobs in inclusive sectors such as agribusiness, agritourism, sustainable and community-based tourism; vii. increasing use of PPPs and guarantees for channelizing private financing, viii. more efficient and effective institutions through the implementation of new public financial management system and tools.

For HLO2, focus areas of discussion include i. improving learning outcomes and drop-out rates particularly among lagging poor and vulnerable students through education in native languages, improved pedagogical practices and expanded digital education (including a digital equity policy); ii. reducing barriers to access to health services and enhancing quality, for example, through telemedicine or improving cultural pertinence of services; and iii. better targeting of social programs.

Top priorities for HLO3 include i. creating the conditions for green and blue financing (green companies, Eco parks, green buildings, renewables) through a sustainable taxonomy, tagging systems, carbon markets and green bonds; ii. fostering climate resilience adaptation and mitigation, highlighting priorities such as the resilience in hydroelectric generation, water for the functioning of the Canal, and coastal protection; iii. strengthening DRM frameworks and territorial development; iv. promoting energy and digital access, especially in rural areas; v. improving natural resource management (integrated water resources management, sanitation, sewerage, and waste management).

Finally, vulnerable groups expressed i. greater barriers accessing employment and lack of specific entrepreneurship and training programs; ii. lower access to public services, such as health and particularly mental health; iii. lack of disaggregated data for designing targeted policy interventions; iv. need of recognition of unpaid domestic and care work.

ANNEX 9. COUNTRY PARTNERSHIP FRAMEWORK AND PARTNERSHIPS WITH OTHER DEVELOPMENT ACTORS BY HLO

HLO1 - INCLUSIVE JOB CREATION: The IBRD supported PFM operation complements ongoing efforts of the IDB, which is supporting the MEF through financing focused on improving public expenditure quality, process reengineering related to the budget, and the development of budget data analytic tools. In the area of public procurement, the small grant on Open Contracting is benefitting from financial and technical assistance provided by the Open Government Partnership Multi-donor Trust Fund (OGP MDTF). In addition, the WB collaborates closely with the IMF on macroeconomic and AML/CFT issues, including through the preparation of an FSAP.

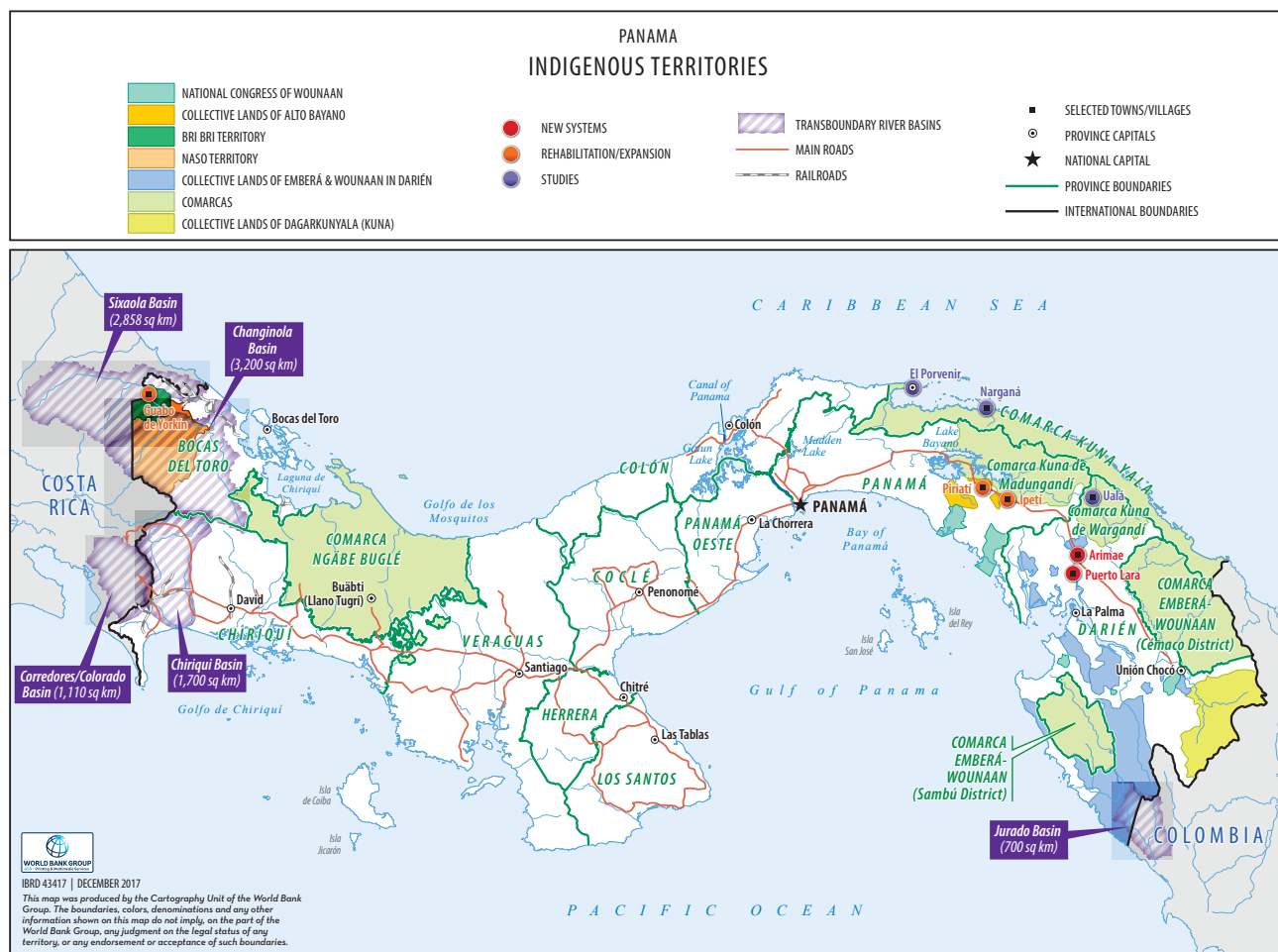
HLO2 - STRENGTHENED AND INCLUSIVE HUMAN CAPITAL DEVELOPMENT: In health, the COVID-19 emergency operation has been prepared in close coordination with CABEL and IDB, to ensure comprehensive support for strengthening immunization activities. The on-going ASA on Public Health Preparedness has been prepared in dialogue with the Pan American Health Organization (PAHO) and JICA. In education, the World Bank will pursue the dialogue on digitizing services and strengthening the education system through partnerships with the IDB, the United Nations Children's Fund (UNICEF), The Dialogue, and other agencies to foster the regional recovery initiative. In social protection, activities build on analytical work conducted jointly with the IDB on the recertification of beneficiaries of social protection programs and coordination continues under ongoing TA activities. The IP project coordinates closely with UNHCR and IOM on activities in the Darien Region related to migration.

HLO3 - IMPROVED RESILIENCE TO, AND MITIGATION OF, NATURAL SHOCKS AND CLIMATE CHANGE: The Climate Resilience and Green Growth DPL series (P179817, P181306) complements efforts of other donors in Panama providing support to enhance the country's climate ambition. Synergies have been established with the UN Development Program and IDB. On forestry and land use change, the World Bank has collaborated with the Food and Agriculture Organization of the United Nations (FAO) and policy reforms have been informed by TA financed with the support of ProGreen, a multidonor trust fund. Another multidonor trust fund, ProBlue, has provided support on blue economy and gender-specific aspects of DPL prior actions. The expansion of the Iguana Island Wildlife Refuge was discussed in a public forum in Pedasí, with participation from local communities, fishermen, tourism organizations, and nongovernmental organizations. The country's Long-term Low Greenhouse Gas Emission Development Strategy was supported by EUROCLIMA+, a program funded by the European Union and co-financed by the German federal government, as well as France and Spain. Public and private sector actors at the national level participated in the discussions that shaped the Energy Transition Agenda and National Strategies (ENME, ENUREE, and ENACU), most notably: The Panama Canal Authority (ACP), the Automobile Distribution Association of Panama (ADAP) and many others. The design of the Second Panama DRM DPL with CAT DDO (P174191) operation was coordinated with IDB, CABEL, the Coordination Center for the Prevention of Disasters in Central America and the Dominican Republic (CEPRENAC), PAHO and National Aeronautics and Space Administration (NASA) and underwent an extensive consultation process with local institutions.

TABLE 12. Table of Key Development Partner Activities

IDB	<p>Key sectors include social investment (5 projects), water and sanitation (5 projects) and government modernization (4), with smaller investments and support for education, financial markets, health, transport, and urban development, and to a lesser extent, agriculture, energy and SMEs.</p> <p>The IDB Group Country Strategy for Panama (2021-24) seeks to support the authorities' efforts to jumpstart economic recovery, to consolidate Panama's position as a high-income country in an inclusive and sustainable way.</p> <p>During CPF consultations, the IDB Group highlighted key objectives going forward to include: (i) modernizing public management; (ii) improving the delivery of basic services; and (iii) reigniting and diversifying productive activity.</p>
CABEI	<p>The Central American Bank for Economic Integration (CABEI) is currently supporting MSMEs (Support Facility Program), urban transport (feasibility studies for Metro Lines, Las Playas Corridor, public transport integration), education (STEM agenda), health (acquisition of health equipment) and energy (innovation strategy of the National Interconnected System). Sectors considered for future support include water and sanitation solutions, MSMEs, energy, infrastructure, logistics and others. Additionally, CABEI foresees support in education and pre-investment for projects in Public-Private Partnerships (PPPs).</p> <p>Among the operations approved in 2022 are US\$145 million for the development of the Las Playas Corridor along the Pan-American Highway, the only road that connects the capital with the interior provinces and the beach area. A US\$75 million financing through the commercial Global Bank, which is expected to provide loans under competitive financial conditions to MSMEs to preserve jobs.</p> <p>Also approved was a non-reimbursable financial cooperation for US\$1.0 million to contribute to access to specialized health services for women, children and adults in hard-to-reach areas, and to improve the quality of education through the implementation of the STEAM methodology (Science, Technology, Engineering, Arts and Mathematics) in pilot programs that will enable the development of public policies in the Panamanian educational system. In total, more than 72,152 people in rural areas will benefit from this collaboration. The Bank approved technical cooperation in the amount of US\$600,000 from the Korea-CABEI Single Donor Trust Fund (KTF) to promote the integration of public transportation systems in the province of Panama Oeste.</p>
CAF	<p>CAF portfolio is focused on road infrastructure projects, urban mobility, water and sanitation, logistics and SMEs. Recent initiatives include "Support Program for the National Climate Change Policy" and "Strengthening Program for Air and Urban Development Policies."</p>
UNICEF	<p>The United Nation Children's Fund program in Panama focuses on three key areas:</p> <ul style="list-style-type: none"> • Social, economic and environmental inclusion: post covid education, early childhood development, quality, vocational training, jobs and skills programs • Governance and institutions. Citizen participation (Bicentennial Pact, Agora platform) • Comprehensive environmental management and disaster risk reduction: capacity building in waste management, pollutants, sustainable tourism, coastal management, water boilers, DRM.
EU	<p>From 1998 to 2020, nine operations have been signed with the public sector, for a total amount of over €800 million. Panama benefits from the €1.28 billion Multi-Annual Indicative Program for Latin America (2021-2027), with key areas for EU-Panama collaboration on: (i) digital transformation and (ii) climate and environmental action, including water security.</p> <p>The EU and Panama share the common ambition to lead the digital transformation and a green agenda. The establishment of a Copernicus Emergency Management Service data centre in Panama with a regional geographic scope for disaster preparedness will be one of the main EU interventions for the coming years. Together with the extension of the BELLA submarine cable to Panama, Copernicus will contribute to the advancement of bi-regional digital priorities and agendas, and to Panama's ambition to become a digital hub in the region.</p> <p>The EU has offered technical assistance to Panama through the "EU Global Facility", a project that provides support to partner countries to put in place effective AML/CFT frameworks in compliance with the international standards.</p> <p>The EIB has identified the following priorities: sustainable transport, water and sanitation, renewable energies & energy efficiency projects, and sustainable agriculture. The EIB, in the largest operation in its history in Latin America, provided USD500 million toward the USD5.2 billion cost of the Panama Canal expansion (2009-2016).</p>
JICA	<p>JICA support to Panama focuses on environmental conservation, poverty reduction in rural region and sustainable socioeconomic growth.</p> <p>JICA has been contributing to economic reactivation through job creation and infrastructure development in the metropolitan area of Panama by the Line-3 Project, as well as implementing cooperation in such challenges as environmental conservation in basins of the Panama Canal and elimination of inequality between urban and rural areas.</p>

ANNEXES



ANNEXES

