Report Number: ICRR0022553

1. Program Information

Country	Practice Area (Lead)
Panama	Macroeconomics, Trade and Investment

Programmatic DPF

Planned Operations	Approved Operations
4	3

Operation ID	Operation Name
P151804	PA First Prog. Shared Prosp. DPL

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-84920	30-Apr-2016	300,000,000.00

Bank Approval Date	Closing Date (Actual)
07-Apr-2015	30-Apr-2016

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	300,000,000.00	0.00

Country	Practice Area (Lead)
Panama	Macroeconomics, Trade and Investment

Operation ID	Operation Name
P154819	Panama DPL2 (P154819)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-84920,IBRD-86420	31-Jul-2018	300000000.00
Bank Approval Date	**Closing Date (Actual)**	
08-Sep-2016	31-Jul-2018	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	300,000,000.00	0.00
Actual	300,000,000.00	0.00

Country	Practice Area (Lead)
Panama	Macroeconomics, Trade and Investment
Operation ID	**Operation Name**
P166159	Panama Third DPF (P166159)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-86420,IBRD-88810	31-Dec-2019	100000000.00
Bank Approval Date	**Closing Date (Actual)**	
15-Jun-2018	31-Dec-2019	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	100,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program document (PD1) for the First Programmatic Shared Prosperity Development Policy Loan (DPL1) for Panama stated the project development objectives (PDOs) as: “to support the Government of Panama’s efforts to (i) expand inclusion and opportunities, (ii) improve service delivery, and (iii) modernize fiscal management.” The Second and Third loans in the series (DPL2 and DPL3) restated, reordered, and specified the development objectives as: “to support the Government of Panama’s efforts to: (i) strengthen the frameworks for international tax transparency, financial integrity, and fiscal management; (ii) strengthen institutional arrangements to support social assistance and education; and (iii) enhance the regulatory and sustainability framework in the energy and water sectors” (PD3, p. v).

The objectives remained broadly consistent throughout the series, although the ordering, wording, and specificity of the objectives changed between operations. For the purposes of this ICRR, the PDOs are stated as follows:

Strengthen social programs;

Strengthen public service delivery in water and energy;

Strengthen fiscal management.

b. Pillars/Policy Areas

For the purpose of this ICRR, each objective has two Pillars/Policy Areas:

Objective 1: Strengthen social programs:

Pillar 1: Institutional arrangements to support education;

Pillar 2: Institutional arrangements to support social assistance.

Objective 2: Strengthen public service delivery in water and energy:

Pillar 3: Water and sanitation management;

Pillar 4: Regulatory and sustainability framework of service delivery in the energy sector.

Objective 3: Strengthen fiscal management:

Pillar 5: Fiscal management;

Pillar 6: Financial integrity and international tax transparency.

These correspond broadly to the pillars stated in the PDs, though with some differences in wording and pre-eminence given to Pillars 5 and 6 in DPO2 and DPO3. Pillars 1 and 2 each had two clusters of five Policy Actions (PAs) over the three operations. Pillar 3 had only one PA in DPO1, and no follow-up. Pillar 4 had two clusters of three PAs. Pillar 5 had four clusters of seven PAs. Pillar 6 had three clusters of five PAs. Counting all sub-actions in PAs that had two or more parts, the total number of specific actions was 11 in DPO1, 15 in DPO2, and 13 in DPO3. These pillars and PAs are summarized in Table 1 and discussed in Section 3 below. Table 1 also shows the original pillars as restated in each operation.

Prior Actions (primary)	**Follow-up Prior Actions: DPO2**	**Follow-up Prior Actions: DPO3**
OBJECTIVE 1: STRENGTHEN SOCIAL PROGRAMS		
Original Pillars: *(DPO1): Expand Inclusion and Opportunities* *(DPO2, DPO3): Strengthening Institutional Arrangements to Support Inclusion in Social Assistance and Education*		
Pillar 1: Institutional arrangements to support education		
PA1 (DPO1): The Government has increased payment incentives to the beneficiaries of the Beca Universal program differentiated by schooling level	**PA2** (DPO2): The Borrower, through the Ministry of Education (MEDUCA), has: (a) taken initial actions aimed at participating in the Program for International Student Assessment (PISA), through the issuance of an official notification to the OECD informing of its participation in the 2018 PISA; and (b) completed and published the microdata of the 2013 Third Regional Comparative and Explanatory Study (TERCE).	
PA3 (DPO1): The Government has: (a) piloted a vocational training program, ProJoven, that provides on-the-job training to graduates of the technical branch of secondary education; and (b) legally created a new set of baccalaureates, including the creation of curricula consistent with labor market demands.	**PA4** (DPO2): The Borrower has: (a) established and regulated the implementation of the program "Panama Bilingüe"; and (b) approved the curricula for the new technical baccalaureates, which includes the development of non-cognitive skills.	**PA5** (DPO3): The Borrower has: (i) institutionalized the Panama Bilingüe Program, including the obligation of MEDUCA to establish mechanisms for monitoring, certification, and recertification for English language teachers; and (ii) through the Ministry of Labor and Labor Development (MITRADEL), rolled out and implemented the ProJoven program across the country.
Pillar 2: Institutional arrangements to support social assistance		
PA6 (DPO1): The Government has expanded the coverage and the benefits of the social protection program for the elderly without pension (*120 a los 65* program) to provide 120 B/. monthly.	**PA7** (DPO2): The Borrower, through the Ministry of Social Development (MIDES), has completed an audit of beneficiaries of the conditional cash transfer program *Red de Oportunidades* to improve the coverage and targeting of beneficiaries, while reducing fiscal leakage in the program.	**PA8** (DPO3): The Borrower has: (i) created a Single Registry of Beneficiaries and a Single Payment Platform, and mandated periodical recertification of beneficiaries of, *inter alia*, the *Red de Oportunidades, 120 a los 65,* and *Angel Guardián* conditional cash transfer programs; and (ii)

		approved and adopted a Unique Registry Form for Social Protection **PA9** (DPO3) : The Borrower, through MIDES, has established: (i) a proxy-means test to target the beneficiaries of *Red de Oportunidades, 120 a los 65,* and *Angel Guardián* conditional cash transfer programs, and (ii) criteria for recertification of beneficiaries of the *Red de Oportunidades, 120 a los 65,* and *Angel Guardián* conditional cash transfer programs.
PA10 (DPO2): The Borrower, through MIDES, has signed an agreement with a regulated financial institution to channel payments to beneficiaries of all conditional cash transfer programs through said financial institution		
OBJECTIVE 2: STRENGTHEN PUBLIC SERVICE DELIVERY IN WATER AND ENERGY		
Original Pillars: *(DPO1): Improve service delivery in water and energy* *(DPO2, DPO3): Enhance the regulatory and sustainability framework in the energy and water sectors*		
Pillar 3: Water and sanitation management		
PA11 (DPO1): The Government has: (a) created a management unit within the Secretaria de Metas Presidenciales to carry out a basic sanitation plan to provide 100 percent access to drinking water and leave 0 latrines; and (b) launched a standardized information system for improving the monitoring of water management in rural areas.		
Pillar 4: Regulatory and sustainability framework of service delivery in the energy sector		
PA12 (DPO1): The Government has approved: (a) a resolution for the adjustment of electricity tariff subsidies; and (b) a law establishing a regime of incentives to increase the share of renewable energy in the power generation matrix.	**PA13** (DPO2): The Borrower has reduced electricity tariff subsidies through the replacement of the nation-wide Fund for Energy Compensation (FACE) with a geographically-targeted Fund for the Occidental Region (FTO).	
PA14 (DPO3): The Borrower: (i) through the National Secretary of		

Energy, has issued energy efficiency standards for the construction of new public and private buildings; and (ii) through the Ministry of Commerce and Industries, has publicly disclosed the energy efficiency technical standards for air conditioners, making them binding.		
OBJECTIVE 3: STRENGTHEN FISCAL MANAGEMENT		
Original pillars: *(DPO1): Modernize fiscal management* *(DPO2, DPO3): Strengthening the Frameworks for International Tax Transparency, Financial Integrity, and Fiscal Management*		
Pillar 5: Fiscal management		
PA15 (DPO1): The Government has: (a) approved the introduction of the Single Treasury Account; and (b) channeled all funds of the treasury and Ministry of Economy and Finance (MEF) through the Single Treasury Account.	**PA16** (DPO2): The Borrower, through MEF, has: (a) expanded the application of the new financial information management system, ISTMO, to central government entities; and (b) integrated 23 budgetary accounts of central government entities under the Treasury Single Account.	**PA17** (DPO3): The Borrower, through MEF, has completed the integration of all budgetary accounts of central government entities under the Treasury Single Account, with links to ISTMO.
PA18 (DPO1): The Government has approved a policy for managing fiscal risks related to natural disasters which includes the identification and evaluation of fiscal risk from disasters; the integration of disaster risk analysis into public investment planning; and the design of risk retention and risk transfer tools.	**PA19** (DPO2): The Borrower, through MEF, has adopted a medium-term disaster risk management operational plan to strengthen the Borrower's disaster risk management framework.	
PA20 (DPO2: The Borrower, through MEF, has signed an agreement with the Comptroller General to define tasks and responsibilities for public debt servicing, including to allow for the use of the integrated SIGADE-ISTMO platform.		
PA21 (DPO2): The Borrower has amended the Decentralization Law which, inter-alia: (i) establishes a mechanism to distribute property taxes to municipalities, (ii) establishes		

a municipal public investment program, and (iii) creates the National Secretariat for Decentralization to supervise and coordinate the decentralization process		
Pillar 6: Financial integrity and international tax transparency		
PA22 (**DPO3**): The Borrower, through its Superintendence of Banks, has adopted internal supervision procedures on bearer shares and beneficial owners on banks and fiduciaries, and started implementation of the internal supervision procedures.		
PA23 (**DPO3**): The Borrower, through MEF, has submitted to the National Assembly a draft bill to establish tax evasion as a predicate offense for money laundering.		
PA24 (DPO2): The Borrower, through the Ministry of Foreign Affairs, has taken initial actions aimed at conforming with the Common Reporting Standards for Automatic Exchange of Financial Account Information in Tax Matters (CRS) through its commitment to adhere to the CRS by 2018.		**PA25** (DPO3): The Borrower has established the legal framework for the implementation of the Common Reporting Standards for the Automatic Exchange of Information in Tax Matters **PA26** (DPO3): The Borrower has: (i) approved the Convention on Mutual Administrative Assistance in Tax Matters; and (ii) signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information
Prior Actions (primary)	**Follow-up Prior Actions**	
DPO1: 11 actions/subactions DPO2 : 6 new actions/subactions DPO3: 4 new actions/subactions **TOTAL** 14 distinct primary PAs/PA clusters with 20 actions/subactions	DPO2: 9 follow-up actions/subactions DPO3: 10 follow-up actions/subactions 12 follow-up or supplementary PAs with 19 actions/subactions	

c. Comments on Program Cost, Financing and Dates

The total cost of the series was US$700 million. An IBRD loan of US$300 million for DPL1 was approved by the World Bank Board of Executive Directors on April 7, 2015 and disbursed on July 31, 2015. A loan of US$300 million for DPL2 was approved on September 8, 2016 and disbursed on December 15, 2016. A third loan of US$100 million was approved on June 15, 2018 and disbursed on August 20, 2018. A planned fourth DPL was not undertaken, due in part to the complexity and time required for implementation, with some actions deferred to a subsequent DPO series and collaboration with the International Finance Corporation (IFC).

3. Relevance of Design

a. Relevance of Objectives

The Shared Prosperity DPO series was designed in a time of exceptionally high economic growth, which enabled measures to address inequality and poverty (through cash transfers, educational reforms, and improving delivery or water and electricity services) while tackling issues of fiscal management (including international tax transparency and financial integrity concerns). By the time the series began in 2015, however, GDP growth had slowed to 5.7 percent, and continued to decline to 3.7 percent in 2018, from an average of 7.2 percent over 2003-13 (ICR, pp. 6-7).

The objective to strengthen social programs was highly relevant to the government's desire to translate the strong growth in GDP into greater inclusion of and opportunities for the broader population. Although poverty had fallen along with growth (from 39.9 percent to 26.2 percent over 2007-12), the government that came to power in 2014 was committed to implementing the Indigenous Peoples' National Development Plan to address key challenges: (a) prosperity had not reached everyone, in particular the indigenous and youth; and (b) limited coverage and quality of basic services, notably electricity, water, and sanitation (PD1, p. 1). The Development Plan had been developed through a lengthy consultative process, and proposed "a multi-sectoral, proactive strategy for engagement and investments for and with Indigenous Peoples" (PD1, p. 12).

The lack of basic services was directly addressed by the objective to strengthen public service delivery in water and energy. From the 2010 census, only 28 percent of indigenous populations had access to potable water, compared to 93 percent nationally (78 percent in rural areas; PD1, p. 16). The failure of electricity supply to keep up with demand was resulting in increased emergency rationing measures (especially in the dry season) and excessive budgetary subsidies (PD1, p. 18). The government was undertaking to adjust and better target subsidies and diversify energy sources (PD1, p. 19).

The relevance of the objective to modernize fiscal management (PD1, p. iv) increased substantially with the leaking of documents (the "Panama papers") related to offshore companies and money laundering, which heightened concerns related to "graylisting" of Panama by the intergovernmental Financial Action Task Force (FATF) (PD2, p. 2). This led to specification of international tax transparency and financial integrity as part of the fiscal management objective and elevation of this pillar to primary position, with indirect relevance to effective implementation of the other objectives and to restoring Panama's international financial reputation as a basis for continued foreign investment and economic growth.

The objectives were directly aligned with those stated in the World Bank's Country Partnership Framework (CPF) for FY15-FY21:

Pillar 1: Supporting Continued High Growth

Objective 1: Support enhanced logistics and connectivity

Objective 2: Increase reliability of energy supply

Objective 3: Improve budget management transparency.

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

Objective 4: Complement social assistance with productive inclusion.

Objective 5: Improve access to water and sanitation services

Pillar 3: Bolstering Resilience and Sustainability

Objective 6: Strengthen resilience to natural disasters

Objective 7: Support integrated water resources management in priority areas

DPO Objective 1 to strengthen social programs was relevant to CPF Objective 4; DPO Objective 2 to strengthen public service delivery was relevant to CPF Objectives 2, 5 and 7; and DPO Objective 3 to strengthen fiscal management was relevant to CPF Objectives 3 and 6. The design for implementation of the latter objective was driven by dialogue and lessons learned from a previous DPL series for Programmatic Fiscal Management and Efficiency of Expenditures, 2012-2014 (ICR, p. 27).

b. Relevance of Prior Actions

Rationale

The ICR clearly sets out the theory of change underlying the PAs (ICR, Table 2) and their analytical underpinnings (Annex 7), and the program documents generally provided evidence supporting the need for and design of the actions. The PAs referred to below are presented in Table 1 (above).

Pillar 1 included two clusters with five actions to support education through cash incentives and vocational training. PA1 was highly and directly relevant to reducing dropout rates (averaging over 40 percent in 2011 for secondary school; PD1, p. 14) by increasing the *Beca Universal* program (targeted scholarships across different tiers of education), based on evidence that such cash transfers can significantly reduce school dropout rates (PD1, p. 14). PA2 was intended to improve monitoring and evaluation of performance. (Relevance of PA1 = HS and PA2 = S)

PA3 supported relevant groundwork to promoting on-the-job training of technical graduates. The relatively high youth unemployment rate (three times the national average) was attributed in part to their lack of skills necessary to access higher quality employment (PD1, p. 1). A pilot program for on-the-job training demonstrated positive impact on labor market prospects of participants; ICR, p. 24). PA4 and PA5 were indirectly relevant through programs to support roll-out and bilingual teachers. (Relevance of PA3, PA4, and PA5 = S)

Pillar 2 promoted social protection through two clusters of five actions relating to cash transfers and their payment mechanisms. PA6 was highly satisfactory in directly addressing the objective by expanding benefits to the elderly who lacked pensions. PAs 7-9 represented administrative measures relevant to expanding, overseeing, and targeting cash transfer programs and to improving access to health and education services (especially for the rural and indigenous poor). Health indicators showed rates of malnutrition, child mortality, and teenage pregnancy in indigenous areas several times the national averages (PD1, p. 12). Lack of quality education was identified as one cause of relatively poor employment prospects (PD1, p. 2). (Relevance of PA6 = HS; PA7, PA8, and PA9 = S)

PA10 complemented the cash transfer programs by promoting payment through the social card (*Clave Social*) for greater security and transparency in handling a growing volume of transactions. (Relevance of PA10 = S)

Pillar 3 was intended to support improvement of water and sanitation in rural areas. PA11 supported establishment of management and monitoring systems as a basis for expansion of rural water and sanitation. While PA11 was very relevant to implementation of action plans to expand water and sanitation, in light of significant challenges in the sector, subsequent triggers were not translated into any further PAs for water after DPO1; the rationale and implications of this lack of follow-up were not explicitly addressed in either the ICR or PD2. (Relevance of PA11 = S)

Pillar 4 addressed electricity subsidies, sustainability, and regulation. It had two clusters of three PAs (two of which had two distinct sub-actions). PA12 addressed the underlying policy and legal framework. PA13 was highly relevant to the key objective of reducing budgetary costs of electricity subsidies through a specific measure to improve targeting. PA14 was intended to lay the groundwork to dampen the growth of demand through enhanced energy efficiency standards for buildings. (Relevance of PA13 = HS; PA12 and PA 14 =S)

Pillar 5 was intended to modernize fiscal management, including management of funds and debt, disaster risk management, financial integrity, and decentralization. It had four clusters of seven PAs (of which three were follow-ups). PAs 15-17 represented a highly relevant sequence of actions to improve fiscal management by integrating all central government budgetary accounts into a Single Treasury Account (PA15) linked to a financial information management system (PA16) and bringing all central government accounts under this system (PA17). The lack of a single treasury account for government revenues and expenses had been identified (PD1, p. 19) as a "major challenge [for] better management of public resources and an adequate evaluation of how resources are transferred." (Relevance of PA15, PA16, and PA 17 = HS)

PAs18-21 addressed additional aspects of fiscal management that had been identified in the analytical work underpinning the series. PAs 18-19 established policy and planning for managing fiscal risks of natural disasters. PA20 represented an agreement to bring public debt servicing under the Single Treasury Account platform. PA21 related to decentralization and coordination of government revenues and expenditures. (Relevance of PA 18, PA19, PA20, and PA 21 = S)

Pillar 6 was intended to address international concerns about Panama's financial integrity and tax transparency that had arisen from the disclosure of documents. PA22 strengthened bank supervision, and PA23 strengthened the legal basis for prosecuting money laundering, both essential steps toward addressing allegations concerning a Panamanian conglomerate (PD2, p. 7). (Relevance of PA22 and PA23 = S)

PAs 24-26 addressed international tax transparency and compliance through a sequence of actions to conform with Common Reporting Standards for Automatic Exchange of Financial Account Information on Tax Matters, to address the problems emanating from the leaking of documents and graylisting of Panama by FATF. The PAs were oriented toward the 2003 standards by which Panama had been graylisted; they proved insufficient to prevent subsequent graylisting by the 2012 standards, which were expected to be addressed through subsequent operations. (Relevance of PA24, PA25, and PA26 = S)

Rationale

The number of policy areas addressed in each operation was reasonable, though at the upper limit of what might be considered manageable in such a series (the number of specific actions exceeded ten in each DPO, if sub-actions within a PA are counted). DPO1 had seven PAs (four of them with two sub-actions); DPO2 introduced four new primary PAs and six follow-ups (with a total of 15 individual actions/sub-actions). DPO3 introduced three new primary PAs and six follow-ups. All but one (for water) of the actions initiated in DPO1 had appropriate follow-up actions in DPO2 and/or DPO3, taking advantage of the series to ensure implementation as well as initiation of a process of reform. The planned but cancelled DPO4 was expected to follow up on the three new PAs introduced in DPO3; the new DPO series for “Pandemic Response and Growth Recovery” does include a pillar and some actions related to financial transparency and reducing tax evasion.

All of the Pillars are rated as Satisfactory. Overall, 6 out of the 26 PAs are rated HS, based on their strong direct relevance to achievement of the intended outcomes. Many of them represented satisfactory steps to establish the legal and institutional framework necessary to achieve the stated objectives. The PAs were generally relevant to the government’s stated objectives and development plan and to the Bank’s CPF, as well as based on strong analytical underpinnings to actions embedded in clear results chains.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2 presents the original RIs and targets along with the 13 that were finally adapted or adopted to measure results as of the end of the series, along with their associated PAs. The ICR explains adjustments that were made in the 13 RIs that were retained. Although it does not explain the reasons for dropping/replacing nine of the original RIs, the project team clarified that this was primarily due to the refocusing on financial and tax issues starting in DPO2.

Table 2: RIs by Pillar and PA

RI (number and description)	Associated PA	Baseline/target	Status
Objective 1: Strengthen social programs			
Pillar 1: Strengthen institutional arrangements to support education			

RI 1: Semiannual monitoring and evaluation reports are produced on the performance of Beca Universal.	PA1	Baseline 2014: 0 Target 2017: 2	Dropped
RI 2: Number of policy reports led and disseminated by MEDUCA informed by the use of student assessments data at the subnational level [originally: Number of reports prepared by MEDUCA based on the results of international student assessments]	PA2	Baseline 2014: 0 Target 2017/2019: 2	Actual (2018): 1 (50 percent)
RI 3: Percent of students of technical secondary education that have graduated from ProJoven	PA3	Baseline 2014:0 Target 2017: 20	Dropped
RI 4: Number of teachers participating in the International Teacher Training of Panama Bilingüe	PA4 & PA5	Baseline 2014: 0 Target 2017: 1,500; 2019: 3,500	Actual (2019) 6260
Pillar 2: Strengthen institutional arrangements to support social assistance			
RI 5::Percent of elderly aged 65 or older without other pension who receive benefits from the *120 a los 65* program	PA6	Baseline 2014: 27 percent Target 2017: 42 percent	Dropped
RI 6: The Government provides *Red de Oportunidades* transfers through the banking system.	PA7 & PA8	Baseline 2014: 0 Target 2017: 60 percent of funds	Dropped
RI 7: Percentage of the extreme poor benefiting from at least one social assistance program	PA6 – PA9	Baseline 2014: 37 percent Target 2017/2019: 60 percent	Actual (2018): 81 percent
RI 8: Percentage of total funds from social assistance programs transferred through the social card (*Clave Social*)	PA10	Baseline 2014: 0 percent Target 2017: 30 percent; 2019: 35 percent	Actual (2019) 80 percent
Objective 2: Strengthen public service delivery in water and energy			
Pillar 3: Improve water and sanitation management			
RI 9: The basic sanitation plan has at least 30,000 households as beneficiaries	PA11 (a)	Baseline 2014: 0, Target 2017: 30,000	Dropped

RI 10: Number of rural water boards connected to the Rural Water and Sanitation Information System (SIASAR)	PA 11 (b)	Baseline 2014: 400 Target 2017:1400; 2019: 1700 [original target: 50%=5000]	Actual (2020) 684 = increase of 284
Pillar 4: Enhance the regulatory and sustainability framework of service delivery in the energy sector			
RI 11: Average hours of electricity outages/year are reduced	PA12	Baseline 2014: 53 Target 2017: 36.7, annual average	Dropped
RI 12: Public expenditures on electricity subsidies are reduced by at least 80 [originally 50] percent in nominal terms relative to their level in 2014	PA 12 & PA13	Baseline 2014: US$320 million Target 2017-19 average: US$50 million [originally: 2017: US$160 million]	Actual (2017-19): US$142.7 million (decline of 55.4% = 69% of targeted 80% decline))
Objective 3: Strengthen fiscal management			
Pillar 5: Strengthen the framework for fiscal management			
RI 13: Share of central government and decentralized entities funds channeled through a Single Treasury Account is increased	PA15 - PA17	Baseline 2014: 0 Target 2017: 90 percent [originally: 100% for Central Government funds and 85% for decentralized Government entities]	Actual (2019): 91 percent
RI 14: Financial statements for budget execution are automatically generated for Central Government entities.	PA17	Baseline 2014: no Target 2017: automatic generation	Dropped
RI 15: Availability of contingent financing instruments is increased	PA18 & PA19	Baseline 2014: 5 instruments and mechanisms Target 2017: 2 additional instruments	Dropped
RI 16: Number of available disaster financial protection instruments of Panama's disaster risk	PA18 & PA19	Baseline 2014: 0 Target 2017/2019: 2	Actual (2019): 3

management Strategic Framework that underwent a cost-benefit analysis			
RI 17: Share of central government debt that is paid electronically	PA20	Baseline: 2014: 0 percent Target 2019: 90 percent [was 2017: 100 percent]	Actual (2019): 100 percent
RI 18: Share of investments by local governments that follow SINIP (Sistema Nacional de Inversiones Públicas) norms and procedures	PA 21	Baseline 2014: 0 percent Target 2017/2019: 70 percent	Actual (2019): 70 percent
Pillar 6: Strengthen the framework for financial integrity and international tax transparency			
RI 19: Number of banks supervised on-site on anti-money laundering/control of the financing of terrorism (AML/CFT) matters	PA22	Baseline 2014: 0 Target 2017: 50; 2019: 55	Actual (2019): 75
RI 20: Number of money laundering investigations where tax evasion is a predicate criminal offence	PA23	Baseline 2014: 0 Target 2019: >1	Actual (2019): 2
RI 21: Panama complies with CRS requirements related to the availability of tax information, ensuring that: (i) ownership and identity information is available for all relevant entities; and (ii) reliable accounting records are kept for all relevant entities	PA24 – PA26	Baseline 2014: No Target 2017: Yes	Replaced
RI 22: Panama has started sending and receiving confidential financial information for tax purposes on automatic basis	PA24 – PA26	Baseline 2014: No Target 2019: Yes	Actual (2019): Yes

Pillar 1 had two indicators to measure progress in strengthening institutional arrangements to support education.

RI 2 aimed to increase the number of policy reports informed by the use of student assessment data from 0 to 2. Although this focus on improving the monitoring and evaluation of student performance was an appropriate step toward improving educational outcomes, this was only an indirect measure. However, it would not have been feasible to obtain regular direct evidence on the impact of cash payment incentives on school attendance (apart from periodic studies), and DPO2 reasonably opted to focus on improving the use of student assessment data in reporting. (Relevance of RI 2 = S)

RI 4 relates to the quality of education by monitoring the number of teachers participating in the International Teacher Training of Panama Bilingue. While reasonable as a necessary step toward improving the quality of education, this indicator is not as directly related to outcome as the original indicator of the share of students graduating from the ProJoven training program (neither the PDs nor the ICR explain why this more direct indicator was dropped, even though “the Government wants to use the ProJoven program to increase employment opportunities of vulnerable youth from households living in extreme poverty”; PD2, p. 25). (Relevance of RI 4 = S)

Pillar 2 had two indicators of strengthening institutional arrangements to support social assistance.

RI 7 measures the percentage of the extreme poor benefiting from at least one social assistance program, and is highly relevant as a direct indicator of the outcome of expanded coverage of social protection programs. (Relevance of RI 7 = HS)

RI 8 monitors the percentage of total funds from social assistance programs that are transferred through the social card (Clave Social), and is highly relevant to the objectives of increasing the security and transparency of transfers along with their volume, as well as the additional result of promoting financial inclusion among those with no previous use of formal financial mechanisms. (Relevance of RI 8 = HS)

Pillar 3 had one indicator intended to measure progress toward strengthening public service delivery in water and sanitation. RI 10 monitors the number of rural water boards connected to the Rural Water and Sanitation Information System (SIASAR). Although only indirectly related to the fundamental objective of expanding access to drinking water and latrines (included in PA11 and RI 9 in DPO1, but subsequently dropped [without explanation] to focus on the management and regulatory framework), the project team noted that poor water management (due to too many agencies with poor information-sharing) is more of a constraint on access to water than availability per se. (Relevance of RI 10 = MS)

Pillar 4 had one indicator of progress in enhancing the regulatory and sustainability framework of service delivery in the energy sector. RI 12 measures the extent to which public expenditures on electricity subsidies have been reduced and is highly and directly relevant to the stated objective of enhancing the financial sustainability of electricity by reducing the fiscal burden (through better targeting). While this is only an interim result toward the longer-term intended outcome of expanded and more reliable supply of electricity, the time frame for the results chain from improved financial sustainability to investment to improved electricity supply lies outside the period of the DPO series, and it was reasonable to drop the original indicator (RI 7) of reduced outages. (Relevance of RI 12 = HS)

Pillar 5 had four RIs related to various aspects of fiscal management.

RI 13, which monitors the share of public funds channeled through the Single Treasury Account, and RI 17, concerning the share of central government debt paid electronically, are both highly and directly relevant to the objective of enhancing the transparency and efficiency of management of public funds. (Relevance of RI 13 and RI 17 = HS)

RI 16 indicates steps toward identifying and analyzing financial protection instruments to cope with the fiscal consequences of disasters. RI18 represents an important step toward decentralizing improvements in fiscal management norms and procedures to local governments. (Relevance of RI 16 and RI 18 = S)

Pillar 6 had three RIs related to financial integrity and international tax transparency.

RI 19 (the number of banks supervised on-site on AML/CFT matters) and RI 20 (the number of money laundering investigations with tax evasion as a predicate criminal offense) are intended to indicate improvement in financial integrity in Panama’s financial system. Addressing deficiencies in Panama’s framework for anti-money laundering and combating the financing of terrorism (AML/CFT) was essential for restoring Panama's international standing and hence access to financing and investment; indeed, Panama was removed from the FATF greylist in 2016 (PD3, p. 11). The number of investigations for money laundering using tax evasion as a charge are a reasonable first step, but only indirectly indicates the extent to which money laundering is being discouraged, in the absence of direct evidence of follow-through in the form of prosecutions (and convictions). (Relevance of RI 19 = HS and RI 20 = MS)

RI 22 is highly and directly relevant to Panama addressing issues of international tax transparency by participating actively and automatically in the international exchange of financial account and tax information (and is an improvement on RI 21, which it replaced). (Relevance of RI 22 = HS)

Table 3: Relevance and Efficacy Ratings of RIs by Pillar

Results Indicator	**Relevance rating**	**Efficacy rating** (from RI or complementary evidence)	**Pillar Efficacy Rating**	**Overall Efficacy Rating**
Objective 1: Strengthen social programs				
Pillar 1: Strengthen institutional arrangements to support education			**MS**	
RI 2	S	M		
RI 4	S	H		
Pillar 2: Strengthen institutional arrangements to support social assistance			**HS**	
RI 7	HS	H		
RI 8	HS	H		
Objective 2: Strengthen public service delivery in water and energy				
Pillar 3: Improve water and sanitation management			**MU**	
RI 10	MS	M		
Pillar 4: Enhance the regulatory and sustainability framework of service delivery in the energy sector			**S**	
RI 12	HS	S		
Objective 3: Strengthen fiscal management				
Pillar 5: Strengthen the framework for fiscal management			**HS**	
RI 13	HS	H		
RI 16	S	H		
RI 17	HS	H		
RI 18	S	H		
Pillar 6: Strengthen the framework for financial integrity and international tax transparency			**S**	**S**
RI 19	HS	H		
RI 20	MS	S		
RI 22	HS	H		

This review agrees with the assessment in the ICR that the RIs were "were largely appropriate for assessing whether the program objectives were reached and could be clearly attributed to the individual prior actions" (ICR, p. 29). The ICR discusses the RIs and achievement of results in detail. It clearly explains modifications made to the RIs and targets in response to implementation of PAs and introduction of new ones (though it does not explain why some were dropped) (ICR, pp.13-14). These adjustments appear well-considered and appropriate. In the end, each PA cluster had a unique and appropriate RI associated with it (except that financial integrity had two RIs, associated with each of the two PAs introduced in DPO3). Seven of the 13 RIs were considered highly satisfactory as measures of achievement of the objective of the associated PAs; only in the cases of water and tax evasion was the RI found to be less than satisfactory. The ICR properly noted that "some results indicators focused more on outputs than outcomes," but this was warranted to make them attributable to PAs whose ultimate impact would not be realized within the time frame of the series (ICR, p. 29).

The majority of individual RIs were rated HS, with most of them concentrated under Objective 3 (Pillars 5 and 6). Pillars 2 (with two RIs) and 4 (with one RI) are also rated HS. Pillar 2 (with two indicators) is rated S, while Pillar 3 (with one indicator) is rated MS. Overall rating is S.

Rating

Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen social programs

Rationale

Pillar 1: Institutional arrangements to support education

Rationale

PAs 1-5 supported cash incentives and job training programs that had proven effective. However, given the lack of good "evidence regarding the efficiency and effectiveness of student support programs," the RIs focused more on measures to improve and systematize performance assessments to better support an evidence-based approach to improving educational policy and programs (ICR, pp. 40-41)

Main Outputs

The Ministry of Education (MEDUCA) took actions to participate in the 2018 Program for International Student Assessment (PISA); established "mechanisms for monitoring, certification and recertification for English language teachers and to conduct an evaluation of its outcome"; and implemented a "census-based national learning assessment" (ICR, pp. 40-41).

Outcomes

One education report (against a target of two and a baseline of none) was published using data from test results (RI 2 = Modest). The number of teachers who participated in the International Teacher Training as part of *Panama Bilingüe* reached 6,260 in 2019, well above the target of 3,500 (against a baseline of 0 in 2014) (ICR, p. 41) (RI 4 = High). These results can be attributed to PAs 4-5.

Rating

Moderately Satisfactory [At least half of pillar targets S or better]

Pillar 2: Institutional arrangements to support social assistance

Rationale

Conditional cash transfers (CCT) were a key policy instrument to translate strong economic growth performance into poverty reduction. PAs 6-10 under Pillar 1 supporting Objective 1 were aimed at addressing challenges "related to weak targeting mechanisms, gaps in coverage, [and] leakage of benefits" (ICR, p. 39). Improving school drop-out rates and the quality of education was considered critical to enhance employment opportunities, for youth in particular.

Main Outputs

The Government expanded access of the elderly to cash transfers, and conducted "an audit of beneficiaries of the *Red de Oportunidades* [Opportunities Network] program that led to the identification and exclusion of nearly 10,000 households (out of about 70,000 households) that did not qualify for the program" (ICR, p. 39). It "created a Social Development Directorate to strengthen the management and coordination of all CCT programs"; instituted "the regular update of the registry of beneficiaries; and prioritized poor and vulnerable households" (ICR, p. 39).

Outcomes

The percentage of the extreme poor benefiting from at least one social assistance program reached 81 percent in 2018, as against a baseline of 37 percent in 2014, exceeding the target of 60 percent for 2019 (ICR, p. 40) (RI 7 = High). This result can be attributed to PA6 to expand coverage. Use of the social card for payments through the National Bank of Panama increased to 80 percent by 2019, as against a baseline of 0 in 2014, exceeding the target of 35 percent for 2019, and attributable to PA10 (RI 8 = High).

Hence both targets were exceeded [High].

Rating

Highly Satisfactory [All pillar targets are rated High]

Rating

Satisfactory

OBJECTIVE 2

Objective

Strengthen public service delivery in water and energy

Rationale

Pillar 3: Improve water and sanitation management

Rationale

Although Panama had achieved near universal access to drinkable water in urban areas, rural areas lagged behind, especially for indigenous populations. However, "the Government lacks accurate and up-to-date information to make appropriate use of its water resources" (ICR, p. 43). Because of poor water management due to the multiplicity of authorities and lack of information-sharing for more efficient utilization of available supply (which depends heavily on draw-downs for operation of the Canal), it was considered that the "first institutional step to create a reliable, timely, good quality, and publicly available water resources information system" would be to link rural water boards to the Rural Water and Sanitation Information System (SIASAR).

Main Outputs

"Institutional reforms of the water management were expected to strengthen the management of water resources" (ICR, p. 43).

Outcomes

The number of rural water boards connected to SIASAR rose from the 2014 baseline of 400 to 684 as of November 2020, representing an increase of 284 or 22 percent of the targeted increase of 1300 (ICR, pp. 43-44), attributable to PA11 (though not directly measuring the intended result of increased access to water and sanitation in rural areas; the ICR did not provide any additional evidence on this aspect, and the project team did not think it likely that substantially more progress has been made). (RI 10 = Modest)

[Note: The RI was rated in the ICR as "Not Achieved," i.e., "Negligible." However, it appears to have actually been 22 percent achieved, permitting a rating of Modest. The ultimate outcome of access to water was achieved inasmuch as the share of the rural population using at least basic drinking water services rose from 87.4 percent during 2010-14 before the series, to 97.1 percent for 2015-17 during the series (World Development Indicators), albeit continuing the trend over the last two decades, and not necessarily attributable to the series.]

Rating

Moderately Unsatisfactory [most RI targets are rated Modest]

Pillar 4: Enhance the regulatory and sustainability framework of service delivery in the energy sector

Rationale

The gap between growing demand for electricity and supply, due to "delays in investments related to the transmission system and power generation capacity, and slow progress on diversification of power generation… have exposed the energy sector to the volatility of international oil prices, making the system vulnerable to energy outages" (ICR, p. 42). Putting the energy sector on a more sustainable financial footing, as well as regulating energy usage in new buildings and promoting diversified energy sources, were considered essential both to close the supply-demand gap and to realize Panama's global commitments on climate change (ICR, p. 41). In preparation for DPO1, the government had raised electricity tariffs, but needed to reduce the budgetary drain of subsidies, in particular by more effective targeting.

Main Outputs

The "Government improved the targeting of electricity tariff subsidies" by replacing the country-wide approach with a geographically-targeted fund, and "the Ministry of Commerce published the energy efficiency technical standards for air conditioners, making them binding (ICR, pp. 41-42).

Outcomes

Electricity subsidies were reduced by nearly 80 percent (the target for 2017-19) in 2017 to US$65.7 million, aided by a temporary drop in international oil prices, but then rose to an average of US$142.7 million for 2017-19 as a result of a rise in oil prices, "losses derived from the delay in the construction of the third electric transmission line," and customer demonstrations against increased electricity tariffs in 2018 (ICR, p. 42). This represented a 55 percent reduction in subsidies, or 69 percent of the targeted rate of reduction, attributable to PAs 12-13 (RI 12 = Substantial). [Note: the targeted average for 2017-19 is stated in the ICR (p.41) as US$50 million, but should be US$62 million for consistency with the targeted drop of at least 80 percent from the baseline of US$320 million. The original target of a 50 percent reduction was 89 percent achieved.]

Rating

Satisfactory [RI target is rated Substantial]

Rating

Moderately Satisfactory

OBJECTIVE 3

Objective

Strengthen fiscal management

Rationale

Pillar 5: Strengthen the framework for fiscal management

Rationale

A major challenge to effective fiscal management in Panama was identified as the "lack of a centralized treasury account for Government revenues and expenses which would allow better management of public resources and an adequate evaluation of how resources are transferred" (PD1, p. 19). Effective debt monitoring and management likewise depended on moving to electronic payment and integration with a comprehensive financial information management system (ISTMO). At the same time, the budgetary process was considered to be over-centralized, with "the bulk of public investment and service provision responsibilities and resources to address the needs of the population concentrated in Central Government and exercised by line ministries" (ICR, pp. 34-35). The importance of "safeguarding public finances from the financial implications of natural hazards" had also been identified as a major fiscal management concern, in view of Panama's risk of incurring natural disasters (ranging from forest fires to earthquakes and tsunamis), which could seriously impact GDP and government finances. Actions in these areas were designed to build on previous DPO series. (PD1, pp. 35-36)

Main Outputs

As indicated in the PAs, the Government created the Single Treasury Account and developed an integrated system for government resource planning (ISTMO), and brought "over 5,800 bank accounts of the Central Government and public sector entities" under this system, "with the support of a World Bank investment loan" (ICR, pp. 37-38). "Under DPL2, the Government took an important step to promote fiscal decentralization with the enactment of an amendment to the Law on Decentralization which aimed to gradually reduce municipal governments' financial dependence on Central Government" (ICR, p. 35).

Outcomes

By the end of 2019, the target of "90 percent of payments of Central Government institutions and decentralized entities channeled through the TSA" was met (from a baseline of 0) (RI 13 = High); "the share of Central Government debt that is paid electronically increased from 0 percent in 2014 to 100 percent," exceeding the target of 90 percent, from a baseline of 0 (ICR, p.38) (RI 17 = High); and the target of "70 percent of all local investment projects rigorously evaluated by SINIP procedures" was achieved (as against a baseline of 0) (RI 18 = High). A total of three disaster risk management (DRM) instruments were analyzed, exceeding the target of two (from a benchmark of 0), and putting "Panama at the global frontier in the area of DRM" (ICR, p. 37) (RI 16 = High).

Rating

Highly Satisfactory [all Pillar RI targets are rated High]

Pillar 6: Strengthen the framework for financial integrity and international tax transparency

Rationale

The need to address international tax transparency and financial integrity became dramatically apparent as the series got underway, with the leak of papers regarding offshore shell companies and other allegations, as well as “graylisting” of Panama by FATF (ICR, p. 27; DP2, pp. 6-7). Hence appropriate actions were added under the overall objective of strengthening fiscal management.

Main Outputs

Regarding financial integrity, Panama “successfully addressed AML/CFT deficiencies, [and] was removed from the FATF "Gray List" in February 2016.” Furthermore, “Panama passed a law that criminalizes tax evasion and establishes tax crimes as a predicate offence to money laundering, translating into the legal framework one of the key elements of the revised FATF recommendations” (ICR, p. 34).

With respect to international tax transparency, Panama incorporated the requirements of CRS into domestic legislation, and engaged in exchange of information with 32 countries in 2018, rising to 58 in 2019. It also signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and the MCAA on Automatic Exchange of Financial Account Information (ICR, p. 30).

[Note: Although “Panama was removed from the FATF ‘Gray List’ in February 2016 based on compliance under the 2003 FATF standards,” subsequent revisions in standards led to Panama being included “in the new list of 23 countries with strategic deficiencies in their AML/CFT frameworks adopted by the European Union (EU) in February 2019, and Panama’s re-inclusion into the FATF graylist around the same time.” Thus, “Panama has not yet succeeded in irrevocably removing itself from the EU or FATF graylists” (ICR, pp. 32-33). Although removal from graylisting was not specified as a results indicator, Panama’s re-inclusion after completion of the series represents a caveat on the S rating. Nonetheless, the new DPO series for “Panama Pandemic Response and Growth Recovery Development Policy” does include a pillar, triggers, PAs and RI to continue progress in financial integrity, transparency and tax evasion.]

Outcomes

Regarding financial integrity, the number of banks supervised according to new AML/CFT standards rose from the 2014 baseline of 0 to 75 by end-2019, exceeding the target of 55 (RI 19 = High). Although “the number of money laundering investigations where tax evasion is a predicate criminal offence increased from zero to 2 at the end of 2019,” as targeted (ICR, p. 34), RI 20 is rated Substantial rather than High for lack of evidence that this small number of investigations is likely to lead to actual prosecutions for tax evasion, let alone convictions.

With respect to international tax transparency, Panama was both sending and receiving financial information for tax purposes with other countries on an automatic basis, as targeted (RI 22 = High).

Rating

Satisfactory [most pillar targets are Substantial or better, none Negligible]

Rating

Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The program exceeded over half of its 13 targets and fell below two-thirds achievement in only two cases. Cash assistance programs for the extreme poor have been both expanded and better targeted, especially to indigenous populations. Steps have been taken to improve educational quality in terms of both English and vocational skills. The fiscal sustainability of electricity subsidies has been partially improved. Participation of rural water boards in information systems for better water management has been enhanced (though the impact on access to water remains to be seen and may be adversely affected by decreasing availability). Significant improvements have been made in fiscal management, in particular with respect to centralizing budgetary and debt management for greater transparency and efficiency, disaster risk management, international tax transparency, and bank supervision for compliance with international AML/CFT standards.

Efficacy was rated as follows by Pillar:

1. MS
2. HS
3. MU
4. S
5. HS
6. S

Almost all of the RIs were closely related to the PAs, which themselves were highly relevant to the objectives. Hence the positive outcomes can reasonably be attributed to the actions.

Note: The ICR rated Efficacy as Moderately Satisfactory. This was based on averaging across 11 Policy Areas, including water as a separate area with an Unsatisfactory rating based on non-achievement of the RI, which turns out to have been partially achieved. None of the policy areas was rated Highly Satisfactory in the ICR. Under the revised ICRR rating procedures, the result of averaging across six Pillars/Policy Areas is an overall efficacy rating of 4.8 (on a 6-point scale) = Satisfactory.

Overall Efficacy Rating

Satisfactory

6. Outcome

Rationale

Relevance of PAs to program objectives is rated Satisfactory. Efficacy is rated as Satisfactory.

[Note: The ICR rated Overall Outcome as Moderately Satisfactory, corresponding to its rating of Efficacy. In this review, the higher Efficacy rating of S, together with S for relevance of PAs, enables a Satisfactory rating for Outcome.]

a. Rating

Satisfactory

7. Risk to Development Outcome

Although still above average for the Latin American and Caribbean region, declining GDP growth in recent years raises the risk that continued expansion of benefits to the lower-income, rural, and indigenous populations may be increasingly difficult to sustain. The Covid-19 pandemic has heightened this risk, as the fiscal and employment effects of a 10 percent drop in Panama Canal traffic in 2020 and a lockdown to cope with high infection rates caused output to drop by an estimated 9 percent in 2020 (IMF, January 20, 2021, "Precautionary Credit Line Provides Panama with Crisis Insurance").

The risk to sustainability of fiscal management reforms is evidenced in the re-graylisting of Panama by FATF. While this was attributable to updating of standards rather than backsliding on reforms, it signals that compliance with fiscal management standards requires ongoing measures to continue upgrading beyond the series. Furthermore, initial success in reducing the cost of electricity tariff subsidies was partially reversed by oil price volatility and political resistance to rising tariffs, risks that may continue to threaten sustainability.

The ICR discussed four key areas of risk to the sustainability of development outcomes, as well as mitigation measures:

Political: PD1 (p. 28) noted the risks that the National Assembly might not pass the laws needed to undertake many of the reforms, and that lack of political will or changing priorities could undermine achievement of objectives related to indigenous peoples and reducing inequality. Nonetheless, the ICR (pp. 47-48) noted that these risks were mitigated by "consensus among the major political parties as well as the private sector on the need to improve tax transparency and financial integrity," and that the "government elected in July 2019 has maintained the priorities" and has "the political capital to continue addressing challenges such as the growth slowdown, a deteriorating fiscal position, the return to the FATF grey list, and the still-high rates of poverty and inequality."

Institutional capacity: The reforms regarding tax transparency and AML/CFT introduced in DPO2 posed particular challenges regarding building capacity in regulatory agencies (some new), as well as in those being supervised. The authorities have so far addressed these risks through high-level leadership of reforms and by "seeking technical assistance from international institutions [including] advisory activities and technical assistance from the WB, International Monetary Fund (IMF), IDB, OECD, and other development partners" (ICR, p. 48).

Macroeconomics: While Panama's macroeconomic framework was considered "sustainable and adequate" throughout the series (DPO3, p. 10), as "a small, open and well-integrated economy, Panama is vulnerable to external shocks," especially fluctuations in usage of Panama Canal services and foreign direct investment (ICR, p. 48), as well as a wide range of potential natural disasters. Both the current account deficit (fully funded by foreign direct investment) and the fiscal deficit declined, although the latter rose in 2019 and 2020 due largely to a construction strike and the effects of the Covid-19 pandemic. To mitigate fiscal risks and boost investor confidence, Panama has obtained a US$2.7 billion “Precautionary and Liquidity Line” from the IMF (IMF, January 20, 2021, “Precautionary Credit Line Provides Panama with Crisis Insurance”).

Stakeholders: Reforms related to social inclusion and cash transfers, including modifications to targeting and re-certification of beneficiaries, “led to redistribution of resources within the program, which could be opposed by some beneficiaries” (ICR, p. 49). This risk was addressed through a communication strategy and up-front consultations with stakeholders, leading the risk assessment for stakeholders to be lowered from Substantial in DP1 to Moderate in DP2 and DP3.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Program design built on lessons learned from prior operations in Panama and other middle-income countries, especially the importance of “supporting Government-led initiatives to obtain ownership of reform” (PD1, p. 11). In particular, “the legal and regulatory framework underpinning the reform program was initiated and developed by the administration, with technical input from the World Bank,” and inclusion and social protection objectives “were strategically aligned with the Government strategy” (PD1, p. 11).

The other main lesson cited was “ensuring strong analytical underpinnings.” This was done effectively, with PAs drawing not only on WBG country diagnostic and expenditure reviews and technical assistance reports, as well as IMF reports, but also on OECD reviews and independent evaluations of evidence from cash transfer, technical training, and other social and education programs (ICR, Annex 7).

Risks and mitigation measures were fully addressed in the PDs and ICR. The risk assessment was raised from Moderate in PD1 to Substantial in PD2 and PD3, largely due to the fallout from leakage of documents relating to offshore companies and money laundering, which heightened concern for the political and institutional risks for implementation. The assessment was raised from Low to Moderate for technical design, fiduciary, and environmental and social risks; and from Moderate to Substantial for institutional capacity. The latter especially concerned implementation of new tax transparency and AML/CFT reforms (which had not been in PD1), although these were in fact implemented successfully, thanks in part to complementary technical assistance (an important risk mitigation measure from the WBG perspective). Political risk was mitigated mainly by focusing on reforms with strong Government ownership and commitment. Coping with the fiscal risks of natural disasters was addressed in two PAs and an associated RI. The weakest areas with respect to risk mitigation were rural water and sanitation and reducing electricity subsidies.

The focus of consultations was with the Government, to ensure strong ownership, and to some extent with domestic stakeholders. In preparation for the first DPO, as well as the CPF, round table sessions with “the Government, private sector, academia, think thanks, Indigenous Peoples, Afro Panamanian groups, civil society and non-governmental organizations discussed the country’s development priorities and challenges for World Bank Group future engagement” (PD1, p. 24).

However, apart from participation of several IMF staff members in the initial preparation team (though not in the design of DPO2 or DPO3), there is no indication of coordination or consultation with other development partners, apart from the provision of "advisory activities and technical assistance from the WB, International Monetary Fund (IMF), IDB, OECD, and other development partners" to address specific international tax and fiscal integrity issues (ICR, p. 53). The ICR (Annex 3) does not include any comments from development partners and stakeholders.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

The series was adapted appropriately to changes in the situation (such as the need to address tax transparency and AML/CFT in the wake of document leaks) and progress (or lack of it) in implementation. For example, "under DPL2 some prior actions differed from the set of indicative triggers identified at the time of DPL1, reflecting the varying speed of the reform implementation" (ICR, p. 47). Similarly, PD3 (p. 15) has a detailed discussion of changes to triggers and dropping or revising PAs, as well as introduction of new triggers.

The ICR (p. 47) states that several supervision missions were undertaken, including shortly before the closing of DPO3. The project team noted that formal supervision missions were not essential for monitoring and supervision, which was done on a continuous basis through frequent missions to oversee the portfolio (which was managed from Washington), resulting in on-going consultations with counterparts to complement almost daily contact with the Ministry of Finance. The substantial adjustments to indicators and targets in DPO2 and DPO3 reflect this oversight as well as the reorientation to focus more on financial and tax issues.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Both design and implementation are rated Satisfactory.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

The cash transfer programs supported by the DPO series are extremely important for social inclusion and poverty reduction, and the series "substantively expanded the coverage of extreme poor beneficiaries under *Red de Oportunidades*, the poor elderly under the *120 at 65 Program,* and extreme poor individuals with disabilities under *Ángel Guardián* program" (ICR, p. 45). The result was a reduction in the poverty rate "from 23 percent in 2015 to an estimated 13.4 percent in 2018…. with the income of the bottom 40 percent of the population growing faster than that of the national average [and a] Gini coefficient in 2018 (0.46) three percentage point lower than in 2015 (0.49)." However, these gains may be substantially reversed by the impact of the Covid-19 pandemic on the economy and employment, unless cash transfers continue to expand.

Although the improvements in the quality of educational and training services supported by the series have no immediate impact on poverty, they are expected to "facilitate the school-to-labor market transition of youth over the medium- and long-term" and improve the "equality of opportunities between private and public school students that will lead to better prospects for these students in the labor markets and further education" (ICR, p. 45).

b. Environmental

Measures supported by the series to improve energy efficiency standards for new construction and incentivize renewable energy are anticipated to lower emissions of air pollutants and help implement Panama's commitment to mitigate climate change (though it is not clear if these modifications will be sufficient to offset the expected increase in electricity generation and usage).

c. Gender

"The DPL series did not identify or address gender aspects" (ICR, p. 45). The ICR notes that improvement in the availability of good quality water in rural areas would especially benefit women, but it is not clear that such improvement has taken place or can be attributed to the DPO series.

d. Other

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10. Quality of ICR

Rationale

The ICR is thorough and well written. The country context and rationale for the operations are appropriately described. Modifications to the objectives and pillars throughout the series are discussed in paras. 13 and 17-23 and Table 1, with particular attention to the reasons for significant modification in DPO2 (paras. 14-16 and 57). Table 2 relates the PAs to the underlying theory of change, and the evolution of RIs is presented in paras. 24-25 and Annex 1, providing a good understanding of the anticipated chain from actions to results. The achievement of results by indicator is thoroughly discussed (paras. 48-88).

Regarding outcomes, some data are provided on poverty and inequality (para. 93); it would have been useful to have some additional data on access to water and electricity and whether the fiscal reforms affected Panama's ratings by Transparency International and Doing Business.

Although aspects of program design are thoroughly covered, not much information is provided on consultations with other development partners (presumably because these were minimal) or on the specifics of how the series was monitored and supervised (some missions are mentioned, but not the extent of support from the field office).

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Satisfactory	Efficacy is rated Satisfactory vs. MS in ICR because of different averaging (by pillar rather than individual policy areas); one indicator rated M due to partial achievement (vs. not achieved at ICR); and HS rating given to some results that were exceeded (vs. S in ICR).
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICRR concurs with key lessons that are articulated in the ICR.

Strong government ownership of the reform agenda is essential to ensure the implementation and sustainability of a DPO series. Selecting program objectives and reforms that had wide public support as well as political backing helped to ensure that the necessary legislation would be passed and implemented. It was important that the "legal and regulatory framework underpinning the reform program was initiated and developed by the Government, with technical inputs from the WB and other development partners" (ICR, p. 49). "The

Government continued to support the PDO beyond the closing of the DPL series," in particular through a new DPO series to carry forward actions that were originally intended for a fourth Shared Prosperity DPO but were considered too complex to be implemented within the time frame.

Simple design based on strong analytical underpinnings and technical support are important for effective design and implementation of appropriate interventions. The series focused on three main objectives that were closely aligned with the Government's Strategic Plan and priorities (as well as the Bank's CPF) and had strong analytical underpinnings, rather than trying to "cover an extensive array of measures" (ICR, p. 50).

Readiness to adapt to changing circumstances is important to ensure that the program remains relevant and addresses emerging challenges. The most obvious example was the inclusion of new actions (within an existing objective) to address the challenges to Panama's international financial standing as a result of leaked documents. Targets had to be adjusted periodically in response to monitoring the progress of implementation, sometimes to be more realistic and sometimes more ambitious.

Continuing engagement beyond the series is important to sustain results by following through on implementation and mitigating risks. In this case, a planned fourth DPO was instead rolled into a new DPO series, enabling continued dialogue and actions focused on complex issues in order to deepen the reforms initiated under this DPO series (which in turn was carrying forward some reforms initiated in previous operations).

A further lesson is the **importance of technical assistance** that is timely and well-targeted to addressing technical issues that arise or may impede implementation. Reforms to address tax transparency and fiscal integrity – introduced after the series had begun – likely would not have been implemented so effectively without bringing in expertise from the WBG and other development partners in these areas.

13. Project Performance Assessment Report (PPAR) Recommended?

No