



1. CPS Data	
Country: Panama	
CPS Year: FY11	CPS Period: FY11 – FY14
CLR Review Period: FY11- FY14	Date of this review: March 26, 2015

2. Executive Summary

- i. This review examines the implementation of the FY11-FY14 Panama Country Partnership Strategy (CPS) of FY11 and the CPS Progress Report (CPSPR) of FY13, and assesses the Completion and Learning Review (CLR). The CPS was designed and implemented by IBRD and IFC. MIGA was not part of the CPS design although it did have operations during the CPS period.
- ii. The overall objective of the CPS was to support Panama’s Government Strategic Five Year Plan (2010-2014). The CPS focused on supporting economic growth (Pillar I), providing greater opportunities for all (Pillar II), and enhancing public sector transparency, effectiveness and efficiency (Pillar III). The CPS period was marked by strong economic growth driven by private consumption and massive public investment and, significant poverty reduction, although income inequality remained high. Although the CPS was aligned with the political cycle and implemented in a stable and non-contentious political environment, the strategy had mixed ownership as the government scaled down the sector involvement of the WBG program at the CPSPR stage. This was due to government reliance on its own funds or funding from other development partners to finance interventions in roads, health and social protection.
- iii. IEG rates the overall outcome of the CPS program as Moderately Satisfactory. Under Pillar I, revenue mobilization increased, the government’s capacity to respond to natural disasters improved, and good progress was made towards increasing rural productivity and ensuring the effective conservation of forests and natural ecosystems of global biodiversity significance. The WBG also delivered important infrastructure investments (Panama Canal, hydropower and Metro Line One) and knowledge and advisory services (Bank AAA program on competitiveness) that contributed to growth, and that will support Panama’s competitiveness in the future. Under Pillar II, access of women and children to critical health services increased, the Beca Universal Program covered all eligible children in public schools, and good progress was made towards increasing access to water and sanitation services in rural and indigenous communities. In contrast, little progress was made towards recertifying beneficiaries of the non-contributory pension program or improving access to reliable water and sanitation services in lower income peri-urban areas. Pillar III was the least successful. While achieving few objectives, such as increasing the share of domestic debt in gross financing and delivering analytical blocks for public utility subsidy reform, progress was limited in improving Panama’s financial management, as the system for ensuring correct budget execution is not yet in place, ex ante controls were not reduced, and performance reports and evaluations to inform budget management have not been produced yet. Finally, little progress was made towards improving the institutional capacity to handle improved procurement processes and no evidence exists to demonstrate increased savings in publicly procured goods and services.
- iv. IEG rates the WBG performance as Fair; lower than the CLR rating of Good. Overall, the CPS design addressed key development challenges facing the country and was aligned with both the country’s development priorities and WBG corporate goals. However, several design shortcomings affected the program adversely. First, strategic selectivity was not adequately applied

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at program inception, as reflected in road interventions that were dropped when the Government decided to use IDB funds. This suggests that the Bank did not have a comparative advantage in this sector and indicates poor coordination with other development partners during the CPS design. Second, the CPS objectives under Pillar III were overly ambitious and underestimated the time frame required for achieving results. In addition, Bank interventions to achieve objectives had extremely complex implementation arrangements that assumed a high public sector implementation capacity as well as inter-governmental coordination that proved inadequate. Finally, the CPS results framework suffered from poorly structured results chains, with several objectives formulated as outputs rather than outcomes, and the absence of objectives and measurable outcome indicators for IFC and MIGA activities as well as for the Bank's AAA program.

- v. WBG implementation of the program was uneven. The Bank appropriately reflected the scale down of the CPS program in the results framework at the CPSPR stage; however, it missed the opportunity to include objectives and measurable outcome indicators for those IFC and MIGA activities approved in the early years of the CPS. Throughout the CPS period, the Bank delivered a larger AAA program, but the impact of these AAA is not clear, particularly in the case of AAA not accompanied by investment. While the Panama portfolio was less risky than the LCR region and Bank-wide portfolios, IBRD committed resources were disbursed at a lower rate than for the LCR region and Bank-wide portfolios, caused by delays in reaching loan effectiveness, limited knowledge of Bank procurement processes, high staff turnover in some project implementation units and lower allocations in the national budget for Bank projects. Some of these factors had been identified as an operational risk in the CPS and the Bank proposed to mitigate them via enhanced supervision and the delivery of technical assistance, with mixed success.
- vi. IEG broadly concurs with the CLR lessons learned and highlights the following: (i) flexibility in the implementation of the program is critical for ensuring prompt and effective delivery, although IEG would add that changes in the program need to be reflected in the results framework; (ii) delivering as a WBG is critical in a country like Panama with its unique development challenges and sophistication of its economy; although IEG would add that, going forward, strengthened coordination at the CPF design between IBRD, IFC and MIGA will be required to deliver a program as one WBG; (iii) maximizing the impact of knowledge and advisory services requires a strategic framework for selecting and monitoring engagement; (iv) cross-fertilization of activities improves synergies; (v) successful evaluation requires well-structured results frameworks that link WBG interventions to objectives with measurable outcome indicators; (vi) understanding Panama's public sector inefficiencies is critical for improving implementation.
- vii. IEG highlights two additional points. First, some CPS objectives, particularly under Pillar 3, were overly ambitious in light of the limited institutional capacity and CPS time frame, thus suggesting the need for more realism and attention to institutional constraints in the formulation of the next CPF objectives. Second, the dropped operations in the roads sector suggests that strategic selectivity would be enhanced through better coordination with development partners at program design stage.

3. *WBG Strategy Summary*

Overview of CPS Relevance:

Country Context:

1. The CPS was prepared in the midst of the global economic crisis (FY10). However, the direct effects of the crisis on Panama were modest--the financial system remained stable, and the country continued to see growth, albeit lower, throughout 2008 and 2009. By 2010, growth had picked up to its pre-crisis level and remained strong throughout the remainder of the CPS period, mainly driven by



private consumption and massive public investment (Panama Canal expansion). The macroeconomic environment remained stable and fiscal policy was prudent during the CPS. In addition, debt sustainability improved as reflected in continuous upgrades of sovereign ratings by major credit agencies, and inflation remained in the 3.5-6 per cent range. Strong economic growth before and during the first years of the CPS, coupled with significant public transfers, translated into significant poverty reduction, from 48.5% in 2002 to 27% in 2011. Yet income inequality remained high, and poverty was concentrated in rural and indigenous areas. The political context remained stable and non-contentious during the CPS period. President Martinelli came into office for a five-year term in July 2009 with strong popular support (60% election victory) and with a majority in the National Assembly (42 of 72 seats). This non-divided legislature allowed the Martinelli administration to quickly pass a package of policy reforms that were critical for the implementation of its ambitious development plan. The speed of reforms raised concerns among civil society groups about a lack of broad consultation, particularly on labor rights and environmental regulations. These concerns were addressed by providing civil society groups the opportunity to amend the new legislation through the opening of a broad national dialogue.

2. Submitted by the government to the National Assembly in December 2009, Panama's Strategic Five Year Plan (2010-2014) set forth an ambitious agenda for confronting Panama's development challenges based on: (i) an economic growth strategy; (ii) a social strategy; and (iii) a cross-cutting axis for improving governance and transparency. The economic growth strategy aimed to develop tourism, logistics, and the agri-business industry. The social strategy aimed at reducing inequalities by investing in human capital and strengthening the social protection of vulnerable groups. Finally, the cross cutting axis aimed at improving the efficiency, distribution and targeting of social spending and at strengthening institutional capacities to improve planning and management, including strengthening the financial management system and continuing public procurement reform.

Objectives of the WBG Strategy:

3. The overall objective of the CPS was to support the Panama Government's Strategic Five Year Plan (2010-2014). The WBG support under the CPS was organized under three pillars: (i) economic growth based on Panama's competitive advantage; (ii) providing greater opportunities for all; and (iii) enhancing public sector transparency, effectiveness, and efficiency. To support the implementation of these three pillars, the CPS proposed 16 objectives (Annex Table 1). The CPSPR kept the three pillars, introduced 5 new objectives, modified 4 and dropped 5 objectives. The total number of objectives in the CPSPR was 16. This validation exercise uses the CPS results framework as updated in the CPSPR as the benchmark for assessing the outcome of the CPS program.

Relevance of the WBG Strategy:

4. Congruence with Country Context and Country Program. The CPS program addressed key development challenges facing the country and was aligned with the country's development priorities as identified in Panama's Strategic Five Year Plan (2010-2014). At the CPS stage, the Bank proposed an indicative lending plan featuring a mix of DPLs and investments for FY11-F12 and purposively left the program FY13-14 flexible to retain the demand-driven aspect of its engagement in Panama. However, the Bank overestimated the Government's demand for investment lending, and as a result, the sectoral composition of the CPS program was scaled down at the CPSPR stage. Two planned operations in the roads sector were not delivered as the Government relied on IDB lending, which already had operations in this sector. Likewise, three planned operations in the social protection and health sectors did not materialize, as the government used its own financing and funds from other development partners. This scaling down of the CPS program suggests that ownership of the program was uneven. The Bank appropriately reflected the scaling down of the CPS program in the results frameworks at the CPSPR stage by dropping the roads related objectives. Health and social protection



objectives were kept as the Bank had ongoing operations in these sectors. The Bank could have used the CPSPR stage for including objectives for the IFC and MIGA activities approved in the early years of the CPS but missed the opportunity. At the CPSPR stage and beyond, the Government increased its demand for knowledge and advisory services. The Bank responded by delivering 39 Analytical and Advisory Activities (AAAs) (including convening services and regional activities), as compared to the 10 AAAs envisaged in the CPS.

5. Alignment with WBG Corporate Goals. The CPS was well aligned with the WBG corporate goal of reducing poverty and boosting shared prosperity, as reflected in investment lending (five out of seven) targeted to the rural and indigenous poor. The disadvantaged status of these populations is the main factor explaining poverty and income inequality in Panama. The CPS delivered interventions to improve their human capital and increase their access to basic services. Additionally, the CPS also delivered interventions to increase rural productivity while ensuring the sustainable use of natural resources and the conservation of globally important biodiversity.

6. Relevance of Design. Overall, Bank interventions were capable of achieving the CPS objectives and contributing towards achieving country development goals. However, under Pillar III, the CPS objectives were overly ambitious and underestimated the time required for achieving results. In addition, Bank interventions under this pillar had extremely complex implementation arrangements and required a high level of inter-governmental coordination, both beyond available capacities. Risk mitigation measures were insufficient, thus leading to unsatisfactory results under this pillar. Strategic selectivity was inadequate, as reflected in the program attempt to cover the road sector where the Bank did not have previous operations in the country and where other donors, such as the IDB, were already involved. The related operations were later dropped at CPSPR stage. This also suggests inadequate coordination with other development partners in the design of the CPS. WBG internal cooperation in CPS design was partial as evidenced by the lack of defined objectives and measurable outcome indicators for IFC activities.

7. Strength of the Results Framework. Although the results framework clearly mapped the CPS objectives to country development goals, it suffered from three shortcomings that reduced its effectiveness. First, the operational results chain was poorly structured as, in some cases, it was hard to establish a link between some activities and the CPS objectives they were supposed to influence (e.g. the implementation of a Maritime and Logistics Strategy were listed as supporting the CPS objective of mobilizing additional tax revenue). Second, many CPS objectives were output oriented (for example, building the technical building blocks for implementation of public utility subsidies reform or covering eligible children with Beca Universal Program) and, thus not useful for tracking the actual outcomes or impacts of Bank activities. Third, as noted in the CLR, the results framework lacked properly defined objectives and measurable outcome indicators for all of IFC and MIGA activities. Moreover, objectives and measurable outcome indicators to capture the AAA program were not available,

8. Risk Identification and Mitigation. The CPS identified four risks that would need to be managed: (i) insufficient funds allocated in the budget for the execution of Bank projects owing to slower than expected growth and / or less than anticipated results from tax reforms; (ii) weak Government implementation capacity; (iii) opposition to Government's development agenda, and thus to Bank projects, owing to the speed of Government reforms and environmental concerns; and (iv) vulnerability to natural disasters. Although the first risk did not materialize, the risk was mitigated by the CPS program itself and its support to tax reforms aimed at creating fiscal room. With respect to the second risk, the Bank proposed to strengthen supervision of projects and deliver technical assistance support to the government on financial management and procurement processes. This risk materialized and led to bottlenecks that delayed implementation across all pillars. Bank mitigation measures were to remove bottlenecks under Pillars I and II, where results were finally achieved. However, they were less effective under Pillar III where bottlenecks were not fully removed, leading to unsatisfactory results. The Bank mitigated the third risk via close engagement with relevant stakeholders on the reforms supported by the CPS. In addition, to mitigate the risk of environmental



concerns delaying implementation, the design of Bank projects included environmental evaluations and mitigation strategies. These risks did not materialize. Finally, the fourth risk was mitigated by the CPS program itself which had a combination of lending and AAA to mitigate the potential adverse consequences of natural disasters.

Overview of CPS Implementation:

Lending and Investments:

9. At the start of the CPS period, IBRD had 5 ongoing investment operations totaling \$175.4 million and a GEF grant for \$6 million. The ongoing portfolio included operations in water, health, social protection and rural development. During the CPS period IBRD made commitments totaling \$521 million, above the \$450 million envisaged in the CPS. The CLR reports 8 trust funded activities (out of which 3 were regional)¹. Although resources committed were higher than what had originally been planned, the CPS program was scaled down. Two originally planned operations in the roads sector were not delivered as the government decided to rely primarily on other sources. Similarly, three originally CPS planned operations in the social protection and health sectors did not materialize as the government used own financing and other development partner funding. On average, for the period FY11-132, IBRD committed resources were disbursed at a lower rate than for the LCR region and Bank-wide. The average disbursement ratio for Panama's investment operations during the CPS period was 17%, as compared to 25% and 21% respectively for the LCR region and Bank-wide. The low disbursement ratios are explained by: (i) delays in reaching loan effectiveness in several projects (Enhanced Public Sector Efficiency Technical Assistance and Metro Water and Sanitation Improvement projects); (ii) high turnover in some project implementation units; and (iii) lengthy approval processes on the government side for project restructuring. Notwithstanding the low disbursement ratios, the Panama portfolio was less risky than the LCR region and Bank-wide portfolios. During FY11-14, the Panama portfolio had 13.5% of the projects at risk, as compared to 20% and 19% for the LCR Region and overall Bank averages, respectively. On a commitment basis, the Panama portfolio also performed better, with 8% of the commitments at risk as compared to 16% for the LCR region and 18% for the Bank wide. IEG did not rate any projects as no ICRs were prepared during the CPS period. According to management assessments, the majority of projects in the portfolio were making moderately satisfactory or better progress towards achieving their development objectives (9 out of 10).

10. Eight IFC investment projects were in operation at the inception of the CPS period, for \$784.5 million in net commitment. The largest investment was in the Panama Canal expansion for \$300 million. During the CPS, IFC committed \$177.4 million through 12 projects, all of which were in financial intermediaries, except for one project that involved the construction of a new urban campus for an educational institution. The CLR made no comments on the portfolio, although equity investments in two financial intermediaries have been IFC self-rated as "sub-standard". IEG did not review any of the IFC investments. MIGA contributed to urban mobility through two guarantees totaling \$623 million issued to commercial banks in 2012 and 2013 for the construction of Metro Line 1 (a \$1.88 billion project) in Panama City.

Analytic and Advisory Activities and Services

11. The CLR reports that 393 Analytical and Advisory Activities (AAA) (including convening services and regional activities) were delivered during the review period, as compared to the 10

¹ Bank systems (as of 09/30/2014) did not report any trust funded activities approved during the CPS period.

² Business Warehouse did not have FY14 data available for Panama.

³ Bank systems only report 4 Technical Assistances (TAs) and 1 Economic and Sector Work (ESW) for the FY11-14 period.



envisaged in the CPS. Under Pillar I, the Bank delivered AAA program on competitiveness. In addition, the Bank also delivered AAA to complement its lending operations. For instance, the Bank delivered a TA to strengthen Panama's agriculture extension system that complemented the efforts of the Rural Productivity Project. Activities supported under the DPL series and the Enhanced Public Sector Efficiency Technical Assistance Loan were complemented by a TA to support fiduciary Capacity Building in Panama. This TA also supported efforts to increase efficiency in implementation of Bank-financed projects. Bank lending operations in the water sector were complemented by a TA that supported efforts to benchmark progress in the sector. In the social protection sector, Bank DPL efforts to improve the targeting of social programs were complemented by a TA that delivered the building blocks for a reform of utility subsidies. Finally, the Bank also delivered AAA to complement its lending efforts in the area of disaster risk reduction. The Bank did not actively monitor the results from these AAA and for this reason, their impact is unknown, especially for the AAA that were not directly linked to any Bank operations.

12. For Advisory Services projects, IFC's project on Corporate Governance was completed before the beginning of the review period in FY10. IEG assigned a Mostly Successful rating to this corporate governance project, noting that there is no evidence on whether improvements in corporate governance practices have been taking place.

Partnerships and Development Partner Coordination

13. The CPS did not explicitly discuss the division of labor or the WBG's role vis-à-vis other development partners. Despite this lack of overall strategic discussion in the CPS, the Bank coordination of its lending and knowledge services with other development partners was good, especially in those areas where overlap with these other partners existed. For instance, in terms of knowledge services, the Bank and the IDB jointly conducted a Public Expenditure and Financial Accountability (PEFA) exercise to benchmark Panama's public financial management system. Close coordination with the IMF also existed as reflected in the joint preparation of a Financial Sector Assessment Program. In terms of lending, the Bank successfully coordinated its two operations in the water sector with the IDB and the CAF (Corporation Adina de Fomento) to cover different geographical areas. In contrast to these positive experiences, the CLR mentions that the co-financing of the Social Protection Project with the IDB led to some implementation delays due to differences between the two institutions in the prioritization of activities alongside differing timelines. In addition, the CLR also reports that activities from the Public Sector Efficiency TAL had some overlaps with the activities of a similar IDB project. The CLR mentions that there is room for improving coordination and that there is willingness on all sides to resolve any overlap and provide synergetic support. Neither the CPSPR nor the CLR indicate any areas of IFC coordination with other development partners.

Safeguards and Fiduciary Issues

14. The World Bank support for land administration triggered an inspection panel case. Specifically, as a consequence of disputes over historical land claims that were a source of dissent between rival indigenous factions, in March 2009 two separate Requests for Inspection were made to the World Bank Inspection Panel by members of the Naso and Ngobe communities, leading to full investigation by the Panel. The full Investigation Report was completed on September 16, 2010. By the time the IEG review was completed in 2012, this report had not yet been discussed by the Bank's Board. In the education sector, however, the Bank's Indigenous Peoples policy was complied with. The Bank's Basic Education II project financed activities that benefited several indigenous groups of Panama, and these groups were duly consulted on the design and implementation of the project's activities. Environmental safeguards were triggered, including natural habitats, and were satisfactorily complied with in the land sector. However, in the education sector, there were some issues associated with the mis-categorization of projects that were supporting civil works, where an environmental impact



assessment should have been carried out. CLR does not report on any fiduciary issues throughout the CPS period. The Integrity Vice-Presidency (INT) reports no referrals and investigations.

Overview of Achievement by Objective:

Pillar I: Economic Growth That Supports Competitive Advantages

15. Under this pillar, the CPS set out to: (i) increase mobilization of revenues to help bolster macroeconomic stability; (ii) increase agricultural productivity of small scale producers; (iii) ensure the effective conservation of forest and natural ecosystem of global biodiversity significance in the buffer zones of protected areas and biological corridors; and (iv) improve Government's capacity to respond to disasters and climate change.

16. CPS Objective 1: Increase mobilization of revenues to help bolster macroeconomic stability. The Bank, through the DPL Series, supported the Government to: i) widen the tax base and reduce exemptions (DPL I); (ii) improve tax administration through the establishment of an Administrative Tax Tribunal (DPL I); (iii) monitor and audit large taxpayers (DPLs II and III); and (iv) increase tax transparency (DPL III). The outcome indicator of achieving 3.1% of GDP in ITBMS (sales tax) revenues was met as of December 2013 (ISR Sequence 1). The objective is rated as achieved.

17. CPS Objective 2: Increase agricultural productivity of small scale producers. The Bank contributed to make progress towards the achievement of this objective via the Rural Productivity Project (P064918) (FY07) and a technical assistance to support the strengthening of Panama's Agricultural Extension System (P149141). The CPS outcome indicator proposed for measuring achievement of the objective was a 25% increase in the sales receipts of the small scale producers targeted by the Rural Productivity Project. As of April 2014, receipts of the targeted small-scale producers had increased by 22.1% according to management assessments (ISR Sequence 15). These assessments also noted that the project was making satisfactory progress towards achieving its development outcome. Given this satisfactory progress, it is highly likely that the proposed CPS outcome indicator will be met in the next CPF period. The CLR also mentions that some IFC investments (Banco Delta and BAC International) provided financing for increasing the operational capacity of small and medium enterprises (SMEs) in the agribusiness sector. However, the CLR does not indicate whether increased productivity followed these investments nor discuss IFC's contribution in addition to its financing. The objective is rated as mostly achieved.

18. CPS Objective 3: Ensure the effective conservation of forests and natural ecosystems of global biodiversity significance in the buffer zones of protected areas and biological corridors. The Bank supported the Government to achieve the effective conservation of 43,109 hectares (83% of a 50,000 target) of forests and other natural ecosystems of global biodiversity significance in the buffer zones of protected areas and biological corridors. The Bank delivered its support through a GEF Grant (P083045) built into an IBRD operation (Rural Productivity Project). Although the CPS target was not fully achieved within the CPS period, latest management assessments noted that the project was making satisfactory progress towards meeting the 50,000 hectares target. In addition, the GEF grant also supported the Government to: improve local and national institutional capacity to manage 14 protected areas; update a vegetation and ecosystem map to monitor deforestation progress; and to incorporate biodiversity aspects into sector policies and plans at the district level. The objective is rated as mostly achieved.

19. CPS Objective 4: Improve Government's capacity to respond to disasters and climate change. The Bank delivered its support through a Disaster Risk Management DPL with a Catastrophe Deferred Drawdown Option approved in September 2011 (FY12). The CPS proposed to use the implementation of disaster risk reduction priority actions by at least three ministries as the outcome indicator for gauging the achievement of this CPS objective. As of August 2014, this target had been met. The proposed outcome indicator was an output measure and did not capture other important Bank supported Government achievements such as: (i) the enactment of a Comprehensive Disaster Risk



Management National Policy and a Disaster Risk Management National Plan; and (ii) the development of a Disaster Risk Financing and Insurance Strategic Framework. The Bank also delivered advisory services and a regional trust funded operation that led to important achievements. First, the World Bank Treasury provided advisory services to the Government on the creation of a sovereign wealth fund for natural disasters and other emergencies. Second, the Central America Probabilistic Risk Assessment provided assessments of seismic risk to housing, education, and health infrastructure for the City of David in 2012, and a preliminary flood risk assessment for the municipality of Boquete for housing, education, and health infrastructure. Overall, there is evidence that the Bank contributed to improving the Government capacity to responds to disasters. The objective is rated as achieved.

20. Although not captured under objectives with measurable outcome indicators in the results framework, IFC and MIGA financed infrastructure investments that contributed to economic growth during the CPS period and that are likely to support Panama's competitiveness in the future. IFC contribution came through the support for the expansion of the Panama Canal, hydropower investments and various financial sector investments. MIGA, in turn, supported urban mobility through two guarantees totaling \$623 million issued to commercial banks in 2012 and 2013 for the construction of Metro Line One (a \$1.88 billion project) in Panama City. The Bank also delivered a combination of trust funded operations and AAA to enhance Panama's competitiveness. Three critical Bank contributions can be highlighted. First, through the Maritime and Logistic Improvement TA, the Bank supported the Government in developing maritime and air cargo strategies. Second, the Bank delivered reimbursable advisory services (RAS) to support the Government in analyzing different development options for the reverted lands in the Canal Zone. Third, the Bank delivered important analytical work⁴ to maintain the dialogue with the Government in the area of higher education which has been identified as a critical bottleneck for Panama's competitiveness and growth.

21. IEG rates the outcome of the WBG assistance under Pillar 1 as satisfactory. Revenue mobilization increased, the Government's capacity to respond to natural disasters improved, and good progress was made towards increasing rural productivity and ensuring the effective conservation of forests and natural ecosystems of global biodiversity significance. The WBG also delivered important infrastructure investments (Panama Canal, hydropower and Metro Line 1) and knowledge and advisory services (Bank AAA program on competitiveness) that contributed to growth and that will support Panama's competitiveness in the future.

Pillar II: Greater Opportunities for All

22. Under this pillar, the CPS set out to: (i) increase access to water and sanitation services in rural and indigenous areas; (ii) improve access to reliable water and sanitation services in targeted lower income peri-urban areas; (iii) improve access of women and children to critical health services; (iv) improve the effectiveness and targeting of the non-contributory pension program; and (v) cover all eligible children in grades 1-12 in public schools with the Beca Universal Scholarship Program.

23. CPS Objective 5: Increase access to water and sanitation services in rural and indigenous areas. The objective is rated as mostly achieved. The Bank, via the Water Supply and Sanitation in Low-Income Communities, supported the Government in increasing access to water and sanitation services in rural and indigenous areas. The CPS proposed outcome indicator (66,000 additional people in rural an indigenous areas with access to water and sanitation services) was achieved at 81%. The CLR does not present evidence on the quality of these services nor on the use and impact of them in the lives of the rural and indigenous populations.

24. CPS Objective 6: Improve access to reliable water and sanitation services in targeted lower income peri-urban areas. The objective is rated as not achieved. The CPS outcome indicator of

⁴ Good Jobs: The Role of Human Capital – Delivered FY12 (P117460) Report No.72912



increasing by 100,000 the number of people in targeted lower income peri-urban areas with access to reliable water and sanitation services was not met due to significant delays in the implementation of the Metro Water and Sanitation Improvement Project. The project was approved in May 2010 but only became effective more than one year later (September 2011). According to the latest ISR available within the CPS period (April 2014), the lack of implementation progress was caused by delays in the elaboration of the bidding documents for works and by the lengthy process of preparing a performance-based contract to improve quality and sustainability of water services in the city of Colon. These problems, the relevant ISR reports, had been resolved by April 2014. The CLR reports that project will continue to be implemented, and direct, measurable benefits will be delivered in the next CPF period.

25. Although not captured in the results framework, the Bank delivered technical assistance and analytic work that supported Government efforts to strengthen institutions in the water sector. For instance, the Bank delivered the “Monitoring Country Progress in Water Supply and Sanitation (MAPAS) in Central America” that was used for assessing Panama’s progress towards its water and sanitation goals. The MAPAS also provided a roadmap to guide policy and investments in Panama’s water and sanitation sector.

26. CPS Objective 7: Improve access of women and children to critical health services. The objective is rated as achieved. The Bank, via the Health Equity & Performance Improvement Project, supported the Government in achieving the two CPS outcome indicators proposed: (i) the percentage of children under one year with full vaccination scheme reached 89%, exceeding the 85% target; and (ii) the percentage of pregnant women from the total estimated target population with at least 3 prenatal controls reached 75%, exceeding the 70% target. The project focused on rural poor communities which had a high density of indigenous peoples. In addition, the project was also instrumental in the development of an Indigenous Health Plan for Panama. The Bank also delivered a Policy Note on Non-Communicable Diseases that was critical for fostering policy dialogue on the topic.

27. CPS Objective 8: Improve the effectiveness and targeting of the non-contributory pension program. Panama’s non-contributory pension program was designed to address poverty among the elderly. Given the lack of instruments to assess social vulnerability, initial coverage led to the inclusion of non-eligible elderly in the program. The Bank, through the DPL Series, supported the Government to improve the targeting of the program. As a prior action to DPL I, the Government passed a law (Law 86) to include social vulnerability as an additional eligibility condition for the program. In turn, as a prior action to DPL II, the Government passed a Ministerial Resolution approving a socioeconomic evaluation proxy means test for distinguishing poor elderly from non-poor elderly. Finally, as a prior action to DPL III, the Government passed an Executive Decree (February 2013) establishing the operational processes for program implementation and recertification. In addition, the Ministry of Social Development (MIDES) approved a recertification strategy that will be implemented going forward. Notwithstanding this overall progress, the Government made no progress towards achieving the proposed CPS outcome indicator (i.e. recertifying 20% of the beneficiaries from the non-contributory pension program). The proposed outcome indicator is likely to be achieved in the next CPF period. The objective is rated as not achieved.

28. CPS Objective 9: Cover all eligible children in grades 1-12 in public schools with the Beca Universal Scholarship Program. The Bank, through the DPL Series, supported the government to establish the Beca Universal Program. As a prior action to DPL I, the Government passed a law (Law 40) establishing the program and started implementing the program in public secondary schools (grades 7-12) during 2010. As of August 2012, the CPS outcome indicator of covering all eligible public school children in grades 1-12 with the Beca Universal program had been met (as a prior action to DPL II). In addition, the Government had also adopted technical and legal actions to start covering eligible children in private schools of low socioeconomic level. The CLR does not present evidence on the impact of the program on learning outcomes, enrollment rates, drop-out rates and repetition rates.



However, as a prior action to DPL III, the Government has taken steps to establish a monitoring and evaluation system to assess the impact of the program. The objective is rated as achieved.

29. IEG rates the outcome of the WBG assistance under Pillar 2 as moderately satisfactory. Access of women and children to critical health services increased, the Beca Universal Program covered all eligible children in public schools, and good progress was made towards increasing access to water and sanitation services in rural and indigenous communities. Little progress was made towards recertifying beneficiaries of the non-contributory pension program and improving access to reliable water and sanitation services in lower income peri-urban areas.

Pillar III: Enhanced Public Sector Transparency, Effectiveness and Efficiency

30. Under this pillar, the CPS set out to: (i) ensure correct budget execution; (ii) build the technical building blocks for implementing a reform in liquefied propane gas subsidies; (iii) increase bonds placed in the domestic market as share of financing needs; (iv) establish an M&E unit in the MEF that produces / coordinates a number of performance reports and evaluate at least 2 different social programs; (v) improve the efficiency of budget execution processes by reducing unnecessary ex ante control mechanisms; (vi) increase institutional capacity to handle improved public procurement processes; and (vii) increase savings in public procured goods and services

31. CPS Objective 10: Ensure correct budget execution. To support this objective, the Bank and the IDB jointly conducted a PEFA review (FY14) that will be useful as a baseline from which to measure progress in Panama's public financial management system going forward. In turn, the Enhanced Public Sector Efficiency Technical Assistance Loan delivered activities aimed at developing a system (ISTMO system) that will integrate all core public financial management process within the Panama's Central Government. The ISTMO system is deemed critical for ensuring correct budget execution and the CPS proposed its establishment as the outcome indicator for measuring the achievement of the objective. Although the ITSMO system had been designed and tested, the system was yet not fully operational as of the end of the CPS period owing to delays in the effectiveness of the project, lack of trained staff capable of supporting the transition to the ITSMO system and very low levels of cooperation received by the different government agencies who are key stakeholders in the implementation of the system. Latest management assessments of the project report that progress towards achieving the PDO and implementation progress were moderately unsatisfactory. Overall, the objective is rated as partially achieved.

32. CPS Objective 11: Build the technical building blocks for implementing a reform in liquefied propane gas subsidies. The Social Protection NLTA delivered two important technical building blocks for implementing reform. First, the NLTA assessed the magnitude and distribution of public utility subsidies (water, electricity and gas), and the relative incidence of these resources across different socioeconomic groups. Second, the NLTA developed policy alternatives for better targeting of these subsidies and compensatory measures to mitigate the welfare losses due to policy changes. The CLR does not discuss the extent to which these building blocks were actually used or on the status of the subsidy reform. The objective is rated as achieved.

33. CPS Objective 12: Increase bonds placed in the domestic market as share of financing needs. The DPL Series supported Government efforts to increase domestic debt issuance. DPL I and DPL III supported the Government in developing a domestic debt market. DPL II (P127332) supported the alignment of the debt management office organizational structure (Dirección de Crédito Público) with international best practices to enable the formulation of a debt management strategy. In turn, the World Bank Treasury provided advisory services for the development of a debt management strategy. By the end of the CPS period, these efforts had contributed to an increase in domestic debt as a share of gross financing needs from 0% in 2009 to 27% in 2014. No target was proposed at the CPSPR stage when the objective was introduced. The progress was above the outcome target envisaged in the DPL series (10% of domestic debt as a share of gross financing needs) and in line with the



government's medium term debt management strategy for 2014-2018 (18% to 30% percent). Using these alternative benchmarks to assess progress, the CPS objective is rated as achieved.

34. CPS Objective 13: Establish an M&E unit in the MEF that produces / coordinates a number of performance reports and at least 2 different social programs are under evaluation. The proposed CPS objective was an output measure and it was not achieved owing to delays in the implementation of the Enhanced Public Sector Efficiency Technical Assistance Loan (FY11) and capacity weaknesses in implementing entities such as the Budget Office (Dirección de Presupuesto de la Nación) and National Public Investment Office (Dirección de Programación de Inversiones). As of June 2014, management reported that no evaluation of the central government budget had yet taken place. The objective is rated as not achieved.

35. CPS Objective 14: Improve the efficiency of budget execution processes by reducing unnecessary ex ante control mechanisms. The Enhanced Public Sector Efficiency Technical Assistance Loan failed to make progress towards reducing ex-ante controls and these controls continue to delay the financial management process. The move towards an ex-post risk based approach that incorporates modern audit techniques will likely happen in the next CPF period provided satisfactory progress in the Enhanced Public Sector Efficiency Technical Assistance Loan. The objective is rated as not achieved.

36. CPS Objective 15: Increase institutional capacity to handle improved public procurement processes. The Bank, through the Enhanced Public Sector Efficiency Technical Assistance Loan (FY11), aimed at strengthening the capacity of the General Directorate of Public Procurement (DGCP) as well as building the capacity of public procurement officials. The outcome indicator proposed for measuring the achievement of this objective (i.e. existence of a human resource policy or an ongoing training program for procurement officials) was not met as a result of : (i) delays in project implementation; (ii) a fire that burned down the DGCP offices in 2012; and (iii) high turnover rate of area directors in DGCP. Despite these setbacks, the DGCP has expressed to the Bank their intention of implementing a training and certification program for procurement officials. The objective is rated as not achieved.

37. CPS Objective 16: Increase savings in public procured goods and services. The DPL Series supported progress under this objective. The number of items covered by framework agreements increased from a baseline of 2,452 items in 2009 to 7,300 items by the end of the CPS period. The CPSPR did not propose a target for this outcome indicator; however, the increase is in line with the target set in the DPL series. Although the use of framework agreements is likely to lead to reductions in operational costs, these cost savings cannot be demonstrated as the tools for measuring average unit and / or operational costs of key items tracked by the DGCP were not developed. The objective is rated as not achieved.

38. IEG rates the outcome of the WBG assistance under Pillar 3 as unsatisfactory. Domestic debt as a share of gross financing needs increased and the analytical blocks for implementing a reform in public utility subsidies were delivered. However, limited progress was made towards improving Panama's financial management as the system for ensuring correct budget execution is not yet in place, ex ante controls were not reduced, and performance reports and evaluations to inform budget management are yet not produced. Finally, little progress was made towards improving the institutional capacity to handle improved procurement processes and no evidence exists to demonstrate increased savings in publicly procured goods and services.



4. Overall IEG Assessment		
	CPSCR Rating	IEG Rating
Overall Outcome:	<i>Moderately Satisfactory</i>	<i>Moderately Satisfactory</i>
WBG Performance:	<i>Good</i>	<i>Fair</i>
<p>Overall outcome:</p> <p>39. IEG rates the overall outcome of the CPS program as <u>Moderately Satisfactory</u>. Under Pillar I revenue mobilization increased, the government’s capacity to respond to natural disasters improved, and good progress was made towards increasing rural productivity and ensuring the effective conservation of forests and natural ecosystems of global biodiversity significance. The WBG also delivered important infrastructure investments (Panama Canal, hydropower and Metro Line One) and knowledge and advisory services (Bank AAA program on competitiveness) that contributed to growth and that will support Panama’s future competitiveness. Under Pillar II, access of women and children to critical health services increased, the Beca Universal Program covered all eligible children in public schools, and good progress was made towards increasing access to water and sanitation services in rural and indigenous communities. In contrast, little progress was made towards recertifying beneficiaries of the non-contributory pension program and improving access to reliable water and sanitation services in lower income peri-urban areas. Pillar III was the least successful. Domestic debt as a share of gross financing needs increased and the analytical blocks for implementing a reform in public utility subsidies were delivered. But limited progress was made towards improving Panama’s financial management as the system for ensuring correct budget execution is not yet in place, ex ante controls were not reduced, and performance reports and evaluations to inform budget management are yet not produced. Finally, little progress was made towards improving the institutional capacity to handle improved procurement processes and no evidence exists to demonstrate increased savings in public procured goods and services.</p> <p>WBG Performance:</p> <p>40. IEG rates the WBG performance as Fair; lower than the CLR rating of Good. WBG design of the CPS was of mixed quality. Overall, the CPS design addressed the key development challenges facing the country and it was aligned with both the country’s development priorities and WBG corporate goals. However, several design shortcomings can be noted. First, strategic selectivity was not adequately applied as reflected by the dropped operations in the roads sector, where the government decided to use IDB funds, suggesting that the Bank did not have a comparative advantage in this sector and indicating poor coordination with development partners in the CPS design. Second, the CPS objectives under Pillar III were overly ambitious and underestimated the time required for achieving results. In addition, Bank interventions to achieve these objectives had extremely complex implementation arrangements that assumed high public sector capacity and high levels of intergovernmental coordination that proved to be missing. Finally, the CPS results framework suffered from poorly structured results chains, several objectives formulated as outputs, and the absence of objectives and measurable outcome indicators for IFC and MIGA activities as well as for Bank’s AAA program. These weaknesses reduced the effectiveness of the results framework.</p> <p>41. WBG Implementation of the CPS program was uneven. The Bank appropriately reflected the scale down of the CPS program in the results frameworks at the CPSPR stage; however, it missed the opportunity to include objectives and measurable outcome indicators for those IFC and MIGA activities approved in the early years of the CPS. Throughout the CPS period, Government demand for AAA increased and the Bank responded by delivering 39 AAA (including convening services and regional activities), as compared to the 10 AAAs envisaged in the CPS. However, the Bank did not measure the results from these AAA and for this reason their impact is unknown, particularly for AAA that were not</p>		



directly linked to any Bank operations. The Panama portfolio was less risky than the LCR region and Bank-wide portfolios. However, IBRD committed resources were disbursed at a lower rate than for the LCR region and Bank-wide, owing to delays in reaching loan effectiveness, low knowledge of Bank procurement processes, high staff turnover in some project implementation units and lower allocations in the national budget for Bank projects. Some of these factors had been identified as an operational risk in the CPS and the Bank proposed to mitigate them via enhanced supervision and the delivery of technical assistance. These mitigation measures had mixed results. Under Pillars I and II, Bank supervision efforts and activities worked to resolve bottlenecks and restructure several projects to accelerate implementation and ensure achievement of development objectives. In contrast, under Pillar III, Bank mitigation measures were insufficient for moving implementation forward. As for IFC and MIGA, the results achieved with the Panama Canal expansion and the Panama Metro Line One suggest successful implementation. There are no available ratings for IFC as IEG has not reviewed their investments yet.

5. Assessment of CLR

42. The CLR provides a candid assessment of the CPS achievements based on the objectives proposed in the CPS / CPSPR results framework. However, given that some CPS objectives were formulated as outputs, the CLR would have benefited from a discussion on the extent to which these outputs led to outcomes. For instance, the CLR reports that all eligible children in public schools were covered with the Beca Universal Program. However, there is no discussion on the outcomes of the program (for example, learning outcomes and drop-out rates). Likewise, the CLR lacks a discussion of additionally and attribution in IFC investment activities. The assessment of the WBG performance is candid but does not contain a reflection on the effectiveness of the Bank mitigation measures put in place to address Panama's weak implementation capacity. The risk materialized across all pillars and Bank mitigation measures had mixed results, as they appear to have been effective under Pillar I and II but not under Pillar III. More information on the effectiveness of mitigation measures would have been useful for drawing lessons for the next CPF. Finally, planned operations in the roads, health and social protection sectors did not materialize as the government used own financing and funds that were secured from other development partners. The CLR would have benefited from a reflection about why the government decided to use its own funds or other development partners' funds instead of Bank support.

6. Findings and Lessons

43. IEG broadly concurs with the CLR lessons and highlights the following: (i) flexibility in the implementation of the program is critical for ensuring prompt and effective delivery, although IEG would add that changes in the program need to be reflected in the results framework; (ii) delivering as a WBG is critical in a country like Panama with its unique development challenges and sophistication of its economy; although IEG would add that, going forward, strengthened coordination at the CPF design between IBRD, IFC and MIGA will be required to deliver as one WBG; (iii) maximizing the impact of knowledge and advisory services requires a strategic framework for selecting and monitoring engagement; (iv) cross-fertilization of activities improves synergies; (v) successful evaluation requires well-structured results frameworks that link WBG interventions to objectives with measurable outcome indicators; (vi) understanding Panama's public sector inefficiencies is critical for improving implementation. IEG highlights two additional points. First, some CPS objectives, particularly under Pillar 3, were overly ambitious in light of the low institutional capacity and the CPS time frame, thus suggesting the need for more realism and attention to institutional constraints in the formulation of the next CPF objectives. Second, the dropped operations in the roads sector where the government decided to use IDB funds suggest that strategic selectivity was not adequately exercised and that in future more coordination with other donors would be appropriate at CPF design stage.

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Annex Table 1: Summary of Achievements of CPS Objectives

	CPS FY11-FY14: Pillar I Economic Growth That Supports Competitive Advantage	Actual Results (as of current month/year)	Comments
<u>Major Outcome Measures</u>	Country Development Goal 1: Maintain macroeconomic stability and enhance Panama's productive capacity to expand opportunities for growth outside the traditional urban centers		
	1. CPS Objective: Government mobilizes additional tax revenue / Mobilize additional tax revenue		
	Indicator: ITBMS (Impuesto a las Transferencias de Bienes Corporales Muebles y la Prestacion de Servicios) revenues as a percentage of GDP Baseline: 2.1% (2009) Target: 3.1% (2014)	2013: 3.0% (estimate) 2014: Under measurement	Source: CPSCR The objective and the indicator were introduced at the CPSPR stage in lieu of the following CPS Objective: "Government maintains fiscal sustainability by maintaining fiscal deficit within the limits of the Fiscal Sustainability Law"
	2. CPS Objective: Increased agricultural productivity of small scale producers targeted by the program / Increase agricultural productivity of small scale producers		
	Indicator: Sales receipts of small scale producers via PRORURAL financed productive alliances. Baseline: US\$ 0 (2009) Target: 25% increase	Current increase (as of August 2014): 22.3%	Source: CPSCR The baseline was originally US\$15,933 (2009) in the CPS. The CPSPR changed the baseline to 0.
	Country Development Goal 2: To create a sustainable environment for building tourism and conserving globally important biodiversity, forests, and marine-coastal ecosystems		
3. CPS Objective: The Government ensures effective conservation of forest and natural ecosystems of global biodiversity significance in the buffer zones of Protected Areas and biological corridors / Ensure effective conservation of forest and natural ecosystems of global biodiversity significance in the buffer zones of Protected Areas and biological corridors			
Indicator: Number of hectares effectively conserved in forest and natural ecosystems of global biodiversity significance in the buffer zones of Protected Areas and biological corridors. Baseline: 28,400 (2010) Target: ≥ 50,000	As of August 2014, there were 43,109 hectares effectively conserved (86.2% of the target).	Source: CPSCR	
Country Development Goal 3: Manage the risk of natural disasters and adaptation to climate change			



CPS FY11-FY14: Pillar I Economic Growth That Supports Competitive Advantage	Actual Results (as of current month/year)	Comments
4. CPS Objective: Government improves the capacity to respond to disasters and climate change / Improve Government's capacity to respond to disasters and climate change		
<p>Indicator: Disaster Risk Management (DRM) plans implemented by key ministries.</p> <p>Baseline: 0</p> <p>Target: 3</p>	<p>As of August 2014, 3 Ministries had prepared DRMs (Ministry of Economy and Finance, Autoridad Nacional de Ambiente and Ministry of Housing). Plans for implementation in 2-3 other key ministries are under development.</p>	<p>Source: CPSCR</p> <p>The indicator was changed as the CPSPR. The original indicator was: Adoption of a comprehensive disaster / climate change mitigation plan. The CPSPR changed the indicator to: Disaster Risk Management plan implemented by key ministries.</p>



	CPS FY11-FY14: Pillar II Providing Greater Opportunities for All	Actual Results (as of current month/year)	Comments
<u>Major Outcome Measures</u>	Country Development Goal 4: Improve access to quality water and sanitation facilities		
	5. CPS Objective: Increase access to water and sanitation services in rural and indigenous areas		
	Indicator: Additional people in targeted areas with access to water and sanitation services Baseline: 0 (2008) Target: 66,000	As of September 2014, 53,569 additional people had access to water and sanitation services (81% of the target). Out of the 53,569 additional people, 32,082 had improved access to water supplies and 21,487 people had improved sanitation services. Some of the 53,569 additional people may benefit from both improved access to water supplies and sanitation services. Of these 53,569 beneficiaries, 46% live in indigenous Comarcas.	Source: CPSCR The target was reduced at the CPSPR stage from 77,000 to 66,000.
	6. CPS Objective: Improve access to reliable water and sanitation services in targeted lower income peri-urban areas		
	Indicator: Additional people in targeted areas with access to reliable water and sanitation services Baseline: 0 (2010) Target: 100,000 (water); 60,000 (sanitation)	The CPSCR reports that no data is available on this indicator. The CPSCR reports that works are underway in the Metro Water and Sanitation Project; however, service improvement at the user level cannot yet be measured. By project closing, the project still expects to reach the target of 100,000 people with water access and 60,000 additional people with sanitation services.	Source: CPSCR The original CPS objective did not include sanitation services. The CPSPR introduced sanitation services as part of the objective. An indicator to measure the achievement of the added dimension of the objective was also provided.
	Country Development Goal 5: Improve poor households' access to quality basic health and nutrition services		
	7. CPS Objective: Improved access of women and children to critical health services		
	Indicator: Percentage of children younger than 1 year with complete vaccination scheme Baseline: 26% (2009) Target: 85%	Percentage of Children <1 year with full vaccination scheme. Current (as of April 2014): 89%	Source: CPSCR The baseline and target provided were introduced at the CPSPR. The original CPS baseline and target were 70% and 95% respectively.
Indicator: Percentage of pregnant women with at least 3 prenatal controls Baseline: 20% (2009) Target: 70%	Percentage of pregnant women from the total estimated target population with at least 3 prenatal controls (one in each trimester). Current (as of April 2014): 75%	Source: CPSCR The baseline and target provided were introduced at the CPSPR. The original CPS baseline and target were 70% and 95% respectively.	
Country Development Goal 6: Strengthen social protection of the vulnerable			



CPS FY11-FY14: Pillar II Providing Greater Opportunities for All	Actual Results (as of current month/year)	Comments
8. CPS Objective: Improve the effectiveness and targeting of the non-contributory pension program		
<p>Indicator: Percentage of "100 a los 70" program beneficiaries recertified</p> <p>Baseline: 0 percent of beneficiaries (2010)</p> <p>Target: 20 percent beneficiaries</p>	<p>With the support of the DPL a new operational rule for the non-contributory pensions program is in place, which was formalized through Ministerial resolution No. 255 approved in October 2012 establishing the Social Vulnerability Survey. However, recertification has not yet been implemented.</p>	<p>Source: CPSCR</p> <p>The indicator target was introduced at the CPSPR stage.</p>
9. CPS Objective: Cover all eligible children in grades 1-12 in public schools with the Beca Universal scholarship program		
<p>Indicator: Number of eligible children covered by the Beca Universal Program</p> <p>Baseline: 291,000 (2010)</p> <p>Target: Universal coverage</p>	<p>As of December 2013, there were 478,574 students receiving the Beca Universal with. Payments made to students represented a total of \$83,486,580.00. Eligibility was determined by enrollment in public school and "passing grades". In 2013, 574,955 students were enrolled in the public system (Matricula MEDUCA 2013. Passing grades are difficult to assess as grades change quarterly. Using enrollment in public school, 82.3% students were receiving Beca universal.</p>	<p>Source: CPSCR</p> <p>The objective and the indicator were introduced at the CPSPR stage.</p>



CPS FY11-FY14: Pillar III <u>Enhanced Public Sector Transparency, Effectiveness, and Efficiency</u>	Actual Results (as of current month/year)	Comments
Country Development Goal 7: Improve efficiency of public expenditure		
10. CPS Objective: Improved mechanism in place in sector ministries to ensure correct budget execution / Ensure correct budget execution		
<p>Indicator: Public sector budgeting, investment and procurement systems linked</p> <p>Baseline: No</p> <p>Target: Yes</p>	<p>The new integrated financial management information system (ISTMO) has been designed and is in its testing phase. Expected to be fully operational in 2015 integrating the budget planning, execution and financial reporting process. The linking of ISTMO with the procurement system <i>PanamaCompra</i> is planned over the next few years.</p>	<p>Source: CPSCR</p> <p>The original CPS objective was: "Improved mechanism in place in sector ministries to ensure correct budget execution and evaluation of success based on outputs and outcomes". At the CPSPR, the objective was revised to: Improved mechanism in place in sector ministries to ensure correct budget execution a measured by linking the public sector budgeting, investment and procurement systems.</p>
<p>Major Outcome Measures</p> <p>11. CPS Objective: Government builds the technical building blocks for implementation of reform in liquefied propane gas subsidies / Build technical building blocks for implementing a reform in liquefied propane gas subsidies</p>		
<p>Indicator: Technical building blocks built</p> <p>Baseline: No</p> <p>Target: Yes</p>	<p>The CPSCR reports that groundwork was laid for reform as the government obtained support from international technical experts, including the Bank assistance for a NLTA on utility subsidies, to deepen knowledge and increase capacity for an innovative approach and solution towards a reform in liquefied propane gas subsidies. More specifically, the Bank NTLA built technical building blocks for the implementation of reform. For example, the NLTA developed an Action plan to build a roster of beneficiaries and targeting tool.</p>	<p>Source: CPSCR</p> <p>This objective was introduced at the CPSPR stage.</p>
Country Development Goal 8: Modernize financial management and procurement systems and introduce performance focus in the public sector		
12. CPS Objective: Bonds placed in the domestic market increase as share of financing needs / Increase bonds placed in the domestic market as share of financing needs		
<p>Indicator: Bonds in domestic market as a share of financing needs</p> <p>Baseline: 0% (2009)</p>	<p>Bonds placed in the domestic market increased as a share of financing needs from 0% in 2009 to 27.5% as of September 30 2014.</p>	<p>Source: CPSCR</p> <p>This objective and its indicator were introduced at the CPSPR stage. No</p>



CPS FY11-FY14: Pillar III <u>Enhanced Public Sector Transparency, Effectiveness, and Efficiency</u>	Actual Results (as of current month/year)	Comments
Target: N/A		target was provided for the indicator.
13. CPS Objective: Ministry of Finance established an M&E unit that produces / coordinates a number of performance reports and at least 2 different social programs are under evaluation / Establish an M&E unit that produces / coordinates a number of performance reports and at least 2 different social programs are under evaluation		
<p>Indicator: M&E Unit produces / coordinates a number of performance reports and at least 2 different social programs are under evaluation</p> <p>Baseline: No</p> <p>Target: Yes</p>	<p>The CPSCR Reports that during the CPS period Government priorities shifted, and now seeks to establish an M&E system (rather than unit) within MEF. As such MEF has not established a unit. The M&E system is in the initial stages of development, with results expected in the course of 2015.</p> <p>Under the TAL training has been done with mid and upper-management to develop skills in results based planning, linking to the budget, but impact has not materialized.</p>	<p>Source: CPSCR</p> <p>This objective and its indicator were introduced at the CPSPR stage.</p>
14. CPS Objective: Improved efficiency of budget execution processes by reducing unnecessary ex ante control mechanisms / Improve the efficiency of budget execution processes by reducing unnecessary ex ante control mechanisms		
<p>Indicator: Existence of 3 ex and ex post control mechanism over public expenditures</p> <p>Baseline: Yes</p> <p>Target: No</p>	<p>As of the end of the CPS period, no ex-ante controls had been removed.</p>	<p>Source: CPSCR</p>
15. CPS Objective: Government has increased institutional capacity to handle improved public procurement processes / Increase institutional capacity to handle improved public procurement processes		
<p>Indicator: Existence of a human resource policy or an ongoing training program</p> <p>Baseline: No</p> <p>Target: Yes</p>	<p>The CPSCR reports that the Dirección General de Contrataciones Publicas (DGCP) was going to align with Universidad de Panama to create the Academia de PanamaCompra and provide training to all civil servants on the national procurement processes. However, this did not occur due to several factors: 1) a fire burned down the DGCP offices in 2012; 2) the political transition put things on hold; and 3) there has been a high rate of turnover of area directors in DGCP. Despite these negative developments, the DGCP</p>	<p>Source: CPSCR</p>



CPS FY11-FY14: Pillar III <u>Enhanced Public Sector Transparency, Effectiveness, and Efficiency</u>	Actual Results (as of current month/year)	Comments
	expressed to the Bank their intention of implementing training and certification programs for procurement officials, the TOR for which is under finalization by the DGCP.	
16. CPS Objective: Increase savings in public procured goods and services / Increase savings in public procured goods and services		
<p>Indicator: Average unit and / or operational costs of key items tracked by the Public Procurement Directorate</p> <p>Baseline: Development of tools to measure procurement savings and operational costs savings not available</p> <p>Target: Not available as no target was proposed in the CPS / CPSPR</p>	<p>Technical problems in the handling of the databases containing the information needed prevented the evaluation of savings. The study is intended to be completed using a different consultant.</p>	<p>Source: CPSCR</p> <p>The CPS proposed a baseline in reality was not a baseline. Instead, the baseline proposed was actually a necessary condition for measuring the baseline. No target was proposed.</p>
<p>Indicator: Number of items (of goods commonly purchased by government agencies) covered by framework agreements</p> <p>Baseline: 2,452 (2009)</p> <p>Target: Not provided</p>	<p>As of 2014, the number of items covered by framework agreements was 7,300. This value of 7,300 was the goal under the DPL and it was fulfilled. The value represents a 297.7% increase.</p>	<p>Source: CPSCR</p> <p>This indicator was introduced at the CPSPR stage. No target was provided.</p>

Annex Table 2: Planned and Actual Lending for Panama, FY11-14

Project ID	Project name	Proposed FY	Approval FY	Closing FY	Proposed Amount	Approved Amount	Outcome Rating
Projects Planned Under CPS / CPSPR 2011-14							
P113260	Strengthening Panama's Social Protection System TA	2011	Dropped		50.0		N/A
P121492	Enhanced Public Sector Efficiency TA	2011	2011	2017	75.0	55.0	LIR: MU
	Social Protection Additional Financing	2011	Dropped		15.0		N/A
	Roads Asset Preservation	2011	Dropped		110.0		N/A
P123255	Programmatic Broad-Based Growth and Efficiency DPL I	2011	2011	2012	50.0	100.0	LIR: MS
P122738	Catastrophic Risk Deferred Draw-Down Operation (CAT-DDO)	2012	2012	2018	50.0	66.0	LIR: S
P127332	Programmatic Broad-Based Growth and Efficiency DPL II	2013	2013	2014	100.0	100.0	LIR: S
P146942	Programmatic Broad-Based growth and efficiency DPL III	2014	2014	2015	50.0	200.0	LIR: S
	Strengthening the Network of Basic Health and Nutrition Services	2013	Dropped		..		
	Secondary Roads Development	2013	Dropped		..		
	Total Planned				500.0	521.0	
Unplanned Projects during the CPS and CPSPR Period							
	Total Unplanned					0.0	
On-going Projects during the CPS and CPSPR Period							
			Approval FY	Closing FY		Approved Amount	
P119694	PA Metro Water and Sanitation Improvemen		2010	2016		40.0	LIR: MS
P106445	PA Health Equity & Performance Improvement		2009	2015		40.0	LIR: MS
P082419	PA Water&Sanitation in Low-Income Comm.		2008	2015		32.0	LIR: MS
P098328	PA Social Protection Project		2008	2015		24.0	LIR: MS
P064918	PA Rural Productivity		2007	2015		39.4	LIR: S
	Total On-going					175.4	

Source: Panama CPS, CPSPR and WB Business Warehouse Table 2a.1, 2a.4 and 2a.7 as of 9/25/14

*LIR: Latest internal rating. MU: Moderately Unsatisfactory. MS: Moderately Satisfactory. S: Satisfactory. HS: Highly Satisfactory.

Annex Table 3: Analytical and Advisory Work for Panama, FY11 - FY14

Proj ID	Economic and Sector Work	Fiscal year	Output Type
P113807	Panama Poverty Assessment *	2011	Poverty Assessment
P127018	Financial Sector Assessment Program (FSAP)	2012	Report
P117460	Good Jobs: The Role of Human Capital (REGIONAL) *	2012	Policy Note
P122790	Central America Infrastructure Strategy for Growth and Infrastructure (REGIONAL) *	2012	Policy Note
N/A	Promotion of Healthy Lifestyles in Central America: Multisectoral Approaches to Prevent Noncommunicable Diseases (REGIONAL) *	2012	Policy Note
N/A	Distributional Effects of the Panama Canal Extension *	2012	Working Paper
N/A	Disaster Risk Management in Central America: GFDRR Country Notes: Panama *	2012	N/A
P148094	Panama Public Expenditure and Financial Accountability *	2013	Public Expenditure Financial Accountability Report
P123309	Central America Poverty Study (REGIONAL) *	2013	Poverty Study
P119004	Central America Integration and Competitiveness (REGIONAL) *	2013	Sector or Thematic Study/Note
Proj ID	Technical Assistance	Fiscal year	Output Type
P110049	Fiduciary Capacity Building NLTA	2011	"How-To" Guidance
P120378	Central America Poverty Measurement and Statistical Capacity (REGIONAL) *	2011	Model/Survey
P129365	Social Protection NLTA	2013	TA/IAR
P125238	RAS Strategy for Development of Areas Revertidas	2014	TA/IAR
P149141	Strengthening Panama's Ag. Ext. System	2014	TA/IAR
P132281	Monitoring Country Progress in Water Supply and Sanitation (MAPAS) in Central America (REGIONAL) *	2014	Advisory Services Document
P147634	Panama Skills and Productive Inclusion *	2014	N/A
P144467	ICT Sector Policy Note for Panama *	2014	Advisory Services Document
P120272	Trade Facilitation for Regional Integration in Central America (REGIONAL) *	2014	Advisory Services Document

Source: WB Business Warehouse Table ESW/TA 8.1.4 as of 9/25/14

*Source: CLR (Not listed in WB Business Warehouse as of 9/25/14)



Annex Table 4: Grants and Trust Funds Active in FY10-13 (in US\$ million)

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount
P083045	Rural Productivity Project (GEF)	TF 56628	2006	2015	6.00
P144982	Probabilistic Risk Assessment to Improve Resilience to Natural Hazards in Central America (REGIONAL) *	TF 144982	2013	2016	N/A
P125860	Maritime and Logistics Strategy Implementation - Phase I Maritime *	TF 99440	2011	2012	0.35
N/A	Water Sector Information System *	TF 98787	N/A	2012	N/A
N/A	Improved LAC Country Responses to Protect the Nutritional Status of the Poorest and Most Vulnerable in Times of Crisis and Emergencies (REGIONAL) *	TF 10076	N/A	2013	N/A
N/A	TA Social Protection and Rights's Based Policies in LAC: Institutional and Operations Experiences (REGIONAL) *	TF 13463	N/A	N/A	N/A
P082419	Political Economy Study in Water Supply and Sanitation *	TF 96729	N/A	2013	N/A
P125860	Maritime and Logistics Strategy Implementation - Phase II Air Cargo *	TF015368	N/A	2014	N/A
N/A	Preparation of a Performance-Based Efficiency Improvement Contract for IDAAN Colon Business Unit *	TF 011135	N/A	2014	N/A
Total					6.35

Source: Client Connection as of 09/30/2014

*Source: CLR (not listed in Client Connection as of 09/30/2014)

Annex Table 5: IEG Project Ratings for Panama, FY11-Present

Exit FY	Proj ID	Project name	Total Evaluated (\$M)	IEG Outcome
		No projects have exited the project cycle between FY11 and FY14		
Total			0.0	

Source: BW Key IEG Ratings as of 09/28/14

Annex Table 6: IEG Project Ratings for Panama and Comparators, FY11- 14

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Panama						
LCR	14,281.8	129	89.9	72.8	73.8	63.0
World	61,018.5	735	81.2	70.9	62.5	51.7

Source: WB Business Warehouse as of 09/29/14

* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

Annex Table 7: Portfolio Status for Panama and Comparators, FY11-14

Fiscal year	2011	2012	2013	2014	Total
Panama					
# Proj	9	9	10	9	37
# Proj At Risk	1	3	1	-	5
% Proj At Risk	11.1	33.3	10.0	-	13.5
Net Comm Amt	336.8	302.8	402.8	496.8	1,539.0
Comm At Risk	24.0	62.0	40.0	-	126.0
% Commit at Risk	7.1	20.5	9.9	-	8.2
LAC					
# Proj	353	346	332	315	1,346
# Proj At Risk	61	68	72	70	271
% Proj At Risk	17.3	19.7	21.7	22.2	20.1
Net Comm Amt	32,557.8	33,341.8	30,843.3	29,271.0	126,014.0
Comm At Risk	3,195.2	4,503.5	6,097.4	6,355.6	20,151.7
% Commit at Risk	9.8	13.5	19.8	21.7	16.0
World					
# Proj	2,059	2,029	1,965	2,049	8,102
# Proj At Risk	382	387	414	412	1,595
% Proj At Risk	18.6	19.1	21.1	20.1	19.7
Net Comm Amt	171,755.3	173,706.1	176,206.6	192,614.1	714,282.1
Comm At Risk	23,850.0	24,465.0	40,805.6	40,933.5	130,054.1
% Commit at Risk	13.9	14.1	23.2	21.3	18.2

Source: WB Business Warehouse as of 09/29/14

Annex Table 8: Disbursement Ratio for Panama, FY11-13

Fiscal Year	2011	2012	2013	Overall Result
Panama				
Disbursement Ratio (%)	16.17	15.28	20.15	17.09
Inv Disb in FY	24.78	28.03	31.31	84.12
Inv Tot Undisb Begin FY	153.24	183.46	155.43	492.12
LCR				
Disbursement Ratio (%)	30.88	21.96	23.95	25.55
Inv Disb in FY	4,513.46	3,338.43	3,523.98	11,375.86
Inv Tot Undisb Begin FY	14,614.23	15,201.65	14,712.30	44,528.18
World				
Disbursement Ratio (%)	22.38	20.79	20.60	21.23
Inv Disb in FY	20,933.51	21,048.75	20,509.01	62,491.27
Inv Tot Undisb Begin FY	93,516.54	101,239.14	99,582.39	294,338.07

* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.
FY14 data not available.

BW disbursement ratio table as of 9/29/14

Annex Table 9A: List of IFC Investments Committed in FY11-FY14

Project ID	Institution Number	Commit FY	Project Status	Primary Sector Name	Greenfield Code	Project Size	Original Loan	Original Equity	Original CMT	Loan Cancel	Equity Cancel	Net Loan	Net Equity	Net Commit
32395	734444	2014	Active	Finance & Insurance	E	6,000	6,000	-	6,000	-	-	6,000	-	6,000
33467	631404	2014	Active	Finance & Insurance	G	40,000	40,000	-	40,000	-	-	40,000	-	40,000
33837	732805	2014	Active	Finance & Insurance	E	25,000	5,022	-	5,022	-	-	5,022	-	5,022
34052	619675	2014	Active	Finance & Insurance	G	4,500	-	4,337	4,337	-	-	4,337	4,337	4,337
34398	748267	2014	Active	Finance & Insurance	E	10,000	134	-	134	-	-	134	-	134
34850	790064	2014	Active	Finance & Insurance	E	7,500	340	-	340	-	-	340	-	340
32120	726747	2013	Active	Construction and Real Estate	E	25,000	25,000	-	25,000	-	-	25,000	-	25,000
32282	640363	2013	Active	Finance & Insurance	E	-	-	-	-	-	-	-	-	-
33234	750044	2013	Active	Finance & Insurance	E	2,500	5,351	-	5,351	-	-	5,351	-	5,351
29842	656475	2012	Active	Finance & Insurance	E	12,500	16,195	-	16,195	-	-	16,195	-	16,195
30462	50356	2012	Active	Finance & Insurance	G	50,000	50,000	-	50,000	-	-	50,000	-	50,000
31061	656475	2012	Active	Finance & Insurance	G	25,000	25,000	-	25,000	-	-	25,000	-	25,000
				Sub-Total		208,000	173,041	4,337	177,379	-	-	177,379	4,337	177,379

Annex Table 9B: Investments Committed pre-FY11 but active during FY11-14

Project ID	Institution Number	Commit FY	Project Status Name	Primary Sector Name	Greenfield Code	Project Size	Original Loan	Original Equity	Original CMT	Loan Cancel	Equity Cancel	Net Loan	Net Equity	Net Commit
26880	619675	2010	Active	Finance & Insurance	E	19,000	-	19,000	19,000	-	461	19,000	18,539	18,539
27975	630106	2010	Active	Electric Power	G	348,000	40,000	-	45,000	-	-	45,000	-	45,000
26665	618722	2009	Active	Transportation and Warehousing	G	6,014,000	300,000	-	300,000	-	-	300,000	-	300,000
27015	575038	2009	Closed	Finance & Insurance	E	20,000	-	14,000	14,000	-	-	14,000	14,000	14,000
27557	625106	2009	Active	Information	G	334,000	50,000	-	50,000	-	-	50,000	-	50,000
28121	631404	2009	Active	Finance & Insurance	E	37,500	346,604	-	346,604	-	-	346,604	-	346,604
23672	513568	2004	Active	Finance & Insurance	E	334	-	334	334	-	-	334	334	334
20060	513568	2003	Active	Finance & Insurance	E	-	-	10,000	10,000	-	-	10,000	10,000	10,000
				Sub-Total		6,772,834	736,604	43,334	784,938	-	461	784,938	42,873	784,477
				TOTAL		6,980,834	909,646	47,671	962,317	-	461	962,317	47,210	961,856

Annex Table 10A: List of IFC Advisory Services Approved in FY11-14

Project ID	Project Name	Impl Start FY	Impl End FY	Project Status	Primary Business Line	Total Funds, US\$
599641	CLA-G&A-Panama	2014	2018	ACTIVE	SBA	6,485
	Sub-Total					6,485

Source: IFC AS Data as of June 30, 2014

Annex Table 10B: Advisory Services Approved pre-FY11 but active during FY11-14

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
11056	Howard Air Force Base Reconversion	2001	2009	CLOSED	PPP	-
550592	Panama CG Forum Project	2008	2011	CLOSED	SBA	226,017
550605	Banco Delta	2007	1900	CLOSED	A2F	-
600129	EDGE LAC in Panama	1900	1900	ACTIVE	SBA	-
	Sub-Total					226,017
	TOTAL					232,502

Source: IFC AS Data as of June 30, 2014

Annex Table 11: Net Disbursement and Charges for Panama, FY11-14

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY11	23.08	42.23	(19.14)	16.17	0.08	(35.39)
FY12	126.10	37.16	88.94	15.19	0.88	72.88
FY13	29.92	38.30	(8.39)	15.18	0.04	(23.60)
FY14	332.44	41.79	290.64	14.30	0.77	275.58
Report Total	511.54	159.48	352.06	60.83	1.76	289.46

Source: World Bank Client Connection 9/29/14

Annex Table 12: Total Net Disbursements of Official Development Assistance and Official Aid for Panama

Development Partners	2011	2012	2013
Australia	0.01	0.07	..
Austria	0.02	0.01	..
Belgium	0.01	..	..
Canada	1.74	0.94	..
Czech Republic	0.03	0.01	0.01
Denmark	-0.57	-0.25	..
Finland	0.03	0.03	..
France	0.52	0.07	..
Germany	1.47	5.75	..
Greece	0.05	0.04	..
Italy	0.01	0.01	..
Japan	62.9	14.01	..
Korea	-0.08	-0.53	..
Luxembourg	..	0	0.02
Netherlands	0.13	0.24	..
Norway	6.93	1.62	..
Spain	2.54	0.86	..
Sweden	-0.01	..	..
Switzerland	..	0.09	..
United Kingdom	0.2	0.69	..
United States	14.65	16.31	..
DAC Countries, Total	90.58	39.97	0.03
EU Institutions	13.63	1.52	..
GEF	2.46	1.33	..
Global Fund	..	1.5	1.86
IAEA	0.16	0.34	0.29
IBRD	..	..	..
IDA	..	..	..
IDB Sp.Fund	-0.77	0.89	-0.16
UNAIDS	0.34	0.4	..
UNDP	0.33	0.35	0.54
UNECE	..	..	..
UNFPA	0.72	0.69	..
UNHCR	2.51	2.92	3.39
UNICEF	0.92	0.57	1.15
WFP	0.23	0.12	0.18
Multilateral, Total	20.53	10.63	7.25
Hungary	0.02	..	..
Israel	0.18	0.1	0.16
Russia	..	0.02	..
Thailand	0.02	0.01	..
Turkey	0.05	..	..
United Arab Emirates	..	0.01	..
Non-DAC Countries, Total	0.27	0.14	0.16
Development Partners Total	111.38	50.74	7.44

Source: OECD Stat, [DAC2a] as of Nov 12, 2014



Annex Table 13: Economic and Social Indicators for Panama, 2010 – 2013

Series Name					PAN	LAC	World
	2010	2011	2012	2013	Average 2010-2013		
Growth and Inflation							
GDP growth (annual %)	5.9	10.8	10.2	8.4	8.8	3.8	2.9
GDP per capita growth (annual %)	4.1	8.9	8.4	6.6	7.0	2.6	1.7
GNI per capita, PPP (current international \$)	15,350.0	15,290.0	16,620.0	19,290.0	16,637.5	13,545.2	13,432.8
GNI per capita, Atlas method (current US\$) (Millions)	29,593.3	30,332.0	34,344.3	41,328.3	33,899.5	5,366,310.0	69,618,925.0
Inflation, consumer prices (annual %)	3.5	5.9	5.7	4.0	4.8	3.9	3.7
Compositon of GDP (%)							
Agriculture, value added (% of GDP)	3.8	3.4	3.5	..	3.5	5.1	3.1
Industry, value added (% of GDP)	20.9	21.5	22.1	..	21.5	33.6	26.7
Services, etc., value added (% of GDP)	75.3	75.2	74.4	..	75.0	61.3	70.2
Gross fixed capital formation (% of GDP)	23.0	24.6	26.5	23.6	24.4	20.1	21.1
Gross domestic savings (% of GDP)	25.4	25.8	32.3	28.8	28.1	20.3	21.8
External Accounts							
Exports of goods and services (% of GDP)	70.6	79.3	79.8	71.0	75.2	25.0	29.9
Imports of goods and services (% of GDP)	69.1	79.1	75.0	66.7	72.5	25.4	29.9
Current account balance (% of GDP)	-10.7	-15.0	-10.1	..	-11.9	N/A	N/A
External debt stocks (% of GNI)	39.4	37.9	31.6	..	36.3	N/A	N/A
Total debt service (% of GNI)	3.5	3.0	7.4	..	4.6	3.0	N/A
Total reserves in months of imports	1.4	0.9	0.9	..	1.0	8.8	13.5
Fiscal Accounts ¹							
General government revenue (% of GDP)	25.2	24.8	25.1	24.6	24.9	N/A	N/A
General government total expenditure (% of GDP)	27.1	26.9	26.6	27.6	27.0	N/A	N/A
General government net lending/borrowing (% of GDP)	-1.9	-2.1	-1.5	-3.0	-2.1	N/A	N/A
General government gross debt (% of GDP)	44.1	43.8	42.6	41.3	42.9	N/A	N/A
Social Indicators							
Health							
Life expectancy at birth, total (years)	76.9	77.2	77.4	..	77.2	74.4	
Immunization, DPT (% of children ages 12-23 months)	94.0	87.0	85.0	80.0	86.5	92.2	
Improved sanitation facilities (% of population with access)	72.3	72.7	73.2	..	72.7	81.2	70.6
Improved water source (% of population with access)	84.8	85.7	86.6	..	85.7	81.7	83.4
Mortality rate, infant (per 1,000 live births)	16.8	16.3	15.9	15.4	16.1	16.3	63.3
Education							
School enrollment, preprimary (% gross)	63.2	62.2	65.4	..	63.6	72.4	51.7
School enrollment, primary (% gross)	102.2	101.4	100.3	..	101.3	109.7	108.4
School enrollment, secondary (% gross)	70.3	69.7	84.0	..	74.7	88.4	72.1
Population							
Population, total (Millions)	3.7	3.7	3.8	3.9	3.8	605.2	7,003.9
Population growth (annual %)	1.7	1.7	1.6	1.6	1.7	1.1	1.2
Urban population (% of total)	65.1	65.4	65.7	66.0	65.6	78.8	52.3

Source: WDI as of September 26, 2014

¹International Monetary Fund, World Economic Outlook Database, April 2014