Office of Evaluation and Oversight

Approach Paper

Panama
2010-2014

Country Program Evaluation

Inter-American Development Bank

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Office of Evaluation and Oversight
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ACRONYMS AND ABBREVIATIONS

ACP	Panama Canal Authority (Spanish acronym)
Bank	Inter-American Development Bank
CAF	Development Bank of Latin America
CFZ	Colón Free Zone
CPN	Country Office of Panama
CPE	Country Program Evaluation
CPD	Country Programming Document
CS	Country Strategy
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
IBC	International Banking Center
IDB	Inter-American Development Bank
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IFS	International Financial Statistics
LAC	Latin America & the Caribbean
MIF	Multilateral Investment Fund
NSG	Non Sovereign-Guaranteed
OVE	Office of Evaluation and Oversight
PBL	Policy-Based Loan
PPP	Purchasing Power Parity
SCF	Structured Corporate Finance
SFRL	Social and Fiscal Responsibility Law
SG	Sovereign-Guaranteed
TC	Technical Cooperation
UNDP	United Nations Development Program
WB	World Bank

I. INTRODUCTION

1.1 As part of its annual work plan, the Office of Evaluation and Oversight (OVE) will evaluate the Bank's country program with Panama for the period 2010-2014. This paper defines the approach and methodology for the planned Country Program Evaluation (CPE).

1.2 According to the Bank's Protocol for Country Program Evaluations (CPE) (RE-348-3), the main goal of a CPE is *"to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance."* Like other CPEs, this evaluation seeks to examine the Bank's relationship with the country from an independent perspective. In doing so, it will serve the dual purpose of strengthening accountability and facilitating learning in order to serve as an input to the new country strategy under preparation for the period 2015-2019.

1.3 This is the third independent evaluation of the Bank's Country Program with Panama. Past evaluations covered the periods 1991-2003 (RE-305), and 2005-2009 (RE-359).

II. CONTEXT OF THE COUNTRY PROGRAM 2010-2014

A. Overview

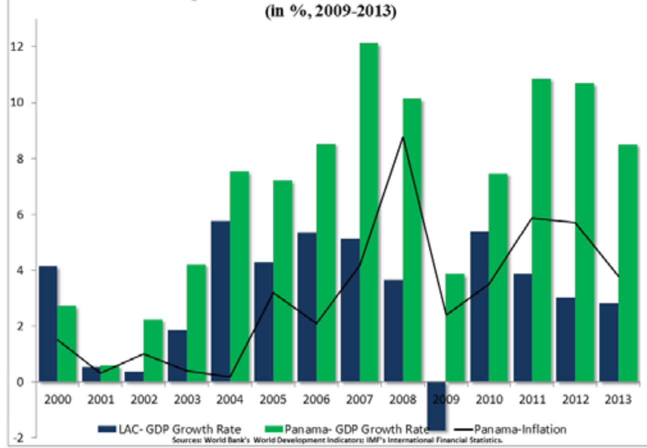
2.1 **Panama is a small, high-middle income country with a highly open economy on track to become a regional logistics hub due to its strategic location and strong economic growth.** The country has an estimated population of 3.8 million people, of which 75% is urban, and it is the fastest growing economy in Central America, with US$9,534 GDP per capita in 2012[1] and an average GDP growth rate of 8.3% between 2008 and 2013 (Annex 1). The Panama Canal and the development over time of a diversified service sector related to trade and finance activities explain the successful performance of the economy. The country also experienced a fast-paced integration into the global economy, through a number of Free Trade Agreements and the establishment of the Colon Free Zone.[2]

2.2 **Despite this progress, Panama's economy is characterized by a dual economic structure whereby the dynamic sectors that drive growth have left behind the rest of the economy.** The combination of strong growth and direct government programs has helped reduce poverty, although it remains quite high. Income inequality has generated large disparities on the basis of wealth, geography, and ethnicity. Gaps between the living standards in the Panama City-Colon corridor and those in the rest of the country are significant, particularly the gap with indigenous peoples.[3] Unequal access to economic and social infrastructure within the metro region is also a pressing issue.

B. Economic and social development

2.3 **Panama's economy showed high resilience facing the global economic crisis.** After growing nearly 8% a year during 2003-07, the financial crisis of 2008 slowed real GDP growth to less than 4%. But the economy bounced back relatively quickly as a result of the implementation of counter-cyclical fiscal measures, an ambitious public investment program including the Canal expansion, and strong private consumption. Growth rose to 7.5% of GDP in 2010 and to nearly 11% of GDP a year in 2011-2012 (Figure 1), based on massive infrastructure investment and expanding activity in transportation and communication, the housing boom, commerce, and tourism. Foreign Direct Investment (FDI) played an important role in Panama's economic growth throughout the years, including by covering the growing external current account deficits. Recently, FDI has been equivalent to 10% of GDP annually.

Figure 1. GDP Growth and Inflation Rates (in %, 2009-2013)



Sources: World Bank's World Development Indicators; IMF's International Financial Statistics.

2.4 **Macroeconomic stability is anchored by full dollarization, a solid banking system, and the implementation of sound fiscal policies; however, there are still serious weaknesses in tax administration and the management of tax compliance and tax avoidance**. Public debt declined from 71.2% of GDP in 2001 to about 45.4% in 2008 and as indicated in Annex 2, it declined further to an estimated 38% of GDP in 2013. This decline reflected strong growth, tax policy and tax reforms implemented in the 2000s,[4] and tighter current spending offset by considerable increases in public investment.[5] Larger transfers from the Panama Canal Authority also played a role. According to the International Monetary Fund (IMF), while the earlier tax reforms did succeed in raising the country's tax-to-GDP ratio, they "*fell short of objectives and Panama still lags its income peer group with respect to tax pressure and effort*".[6] Panama scored 48% in tax effort (the difference between actual tax revenue and estimated tax capacity) compared with a median of 78% for upper-middle-income countries. Such a low effectiveness has likely hampered the government's ability to address more fully the social and infrastructure gaps facing the country.

2.5 **To formalize government's commitment to sound fiscal policies, Panama enacted the Social and Fiscal Responsibility Law (SFRL) and created a Sovereign Wealth Fund.** The 2008 SFRL established a limit on the overall deficit of the non-financial public sector of 1% of GDP, combined with a limit on public debt of 40% of GDP.[7] The need for counter-cyclical measures, followed by extraordinary spending to address the damages of severe rains and mudslides, and higher energy subsidies led to successive modifications of the deficit limit. That performance was generally better than the revised limits attests to cautious fiscal policy. In 2010, the country earned its first investment grade rating with S&P. As of 2014, both Fitch and Standard & Poor's rate Panama in the BBB investment grade.[8] Finally, the establishment of Panama's Sovereign Wealth Fund in mid-2012 was a major step towards sound management of public resources in the future, and toward limiting the "Dutch Disease" effect that could be triggered by spending the expected larger revenue inflow from the Canal expansion.

Box 1. The Panama Canal

Linking the Atlantic and Pacific oceans, the Canal is a strategic waterway for merchandise shipments across the globe. It is administered by the autonomous "Autoridad del Canal de Panama" (ACP). In recent years, the Canal has contributed 5-6% to GDP and the equivalent of 3% of GDP to government revenue. As the Canal reached full capacity, and to allow post-PANAMAX size ships to use the Canal, the country—through a popular referendum—decided in 2006 to expand the Canal, doubling its capacity, at a cost of US$5.3 billion (about 20% of 2007 GDP). Accumulated and ongoing savings of the ACP, amounting to US$3 billion, and loans from multilateral and development banks,[9] totaling US$2.3 billion, finance the project. The expansion is expected to be completed by end-2015.

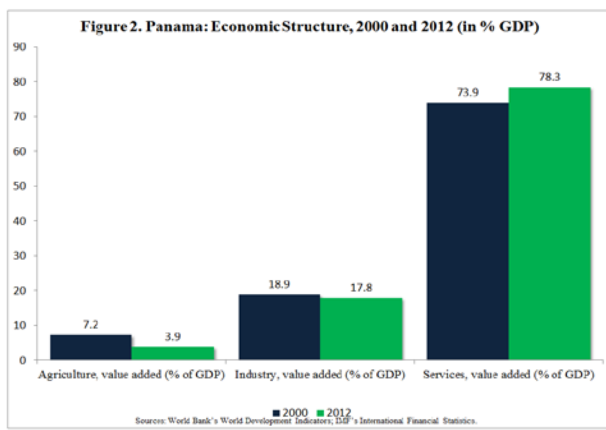
2.6 **Panama has established itself as an important regional hub for banking services, but transparency and oversight need to be strengthened in line with Financial Action Task Force standards and international best practices.** The strong performance of the economy is sustained by the presence of a stable and well-regulated financial sector. The sector is also an important offshore center for the Region. Stress tests conducted by the Financial Sector Assessment Program (IMF) indicate that the sector is well prepared to withstand a wide range of shocks (it weathered well the global financial crisis of 2009). Nonetheless, some risk elements are present. Unlike other countries, Panama has no lender of last resort and the government is considering a facility to address liquidity risks. There are concerns about poor supervision of non-bank financial institutions, particularly cooperatives. The IMF has recently noted weaknesses in the areas of Anti-Money Laundering and Combatting the Financing of Terrorism. International evidence shows that these weaknesses can lead to serious reputational risks.

2.7 **Although Panama's competitiveness has strengthened in recent years, there is still room for improvement.** Government has implemented significant measures to reinforce Panama's competitiveness, including further facilitating business startups, reducing the time required for administrative procedures, tackling logistics bottlenecks, modernizing procedures at customs, expanding ports, roads, and airports, and upgrading the law on Free Trade Zones. Nevertheless, there are areas where improvement is greatly needed. The 2014 World Economic Forum report notes that the country still faces important challenges relating to governance and transparency including: strengthening the functioning of institutions (66th); fighting corruption (80th) and crime (115th);

improving trust in politicians (94th); and the independence of the judiciary (118th). The 2012 Worldwide Governance Indicators of the World Bank further reaffirm that Panama lags behind in the area of control of corruption and more recently in the area of political stability and absence of violence. Other areas in need of improvement include inefficient government bureaucracy and restrictive labor regulations.

2.8 **Complementarity between public and private investment is a cornerstone of Panama's economic model, but additional challenges remain, particularly in infrastructure.** The Canal expansion has fostered the development of private ports, the building of roads has improved connectivity between logistics centers, and the expansion of airports has fostered private investment in tourism and higher value-added agricultural exports. Public investment is also helping the development of new industries (light manufacturing and warehousing) around the logistics hub. However, Panama presents bottlenecks in the generation and transmission of electricity that have resulted in a current rationing of electricity throughout the country and additional costs for the economy.[10] Furthermore, the cost of transportation logistics inside Panama is one of the highest in the Region. According to a recent World Bank report, it costs twice as much per kilometer to transport goods in Panama as the average in the Central American Region (US$0.33 per ton/km vs. US$0.17, respectively).[11]

2.9 **Panama's economy has taken on a dual structure whereby a modern, dynamic, and competitive services sector that is fully engaged in the international economy operates alongside smaller, less advanced and less competitive sectors that basically target the home market.** Over the last decade, the share of services (including the Canal, banking, tourism, and construction) has risen, to the detriment of the more traditional industrial and particularly agricultural sectors (Figure 2). Poor infrastructure and competition from U.S. products played a role. Overall, the service sector accounts for 78% of GDP, while industry and agriculture only participate with 18% and 4%, respectively.



2.10 **The country's export-oriented services and financial sectors are quite efficient, but they require more high-skilled workers.** Panama's education system ranks below what one would expect from its relatively high level of GPD per capita. A large part of the population works for the public sector or in traditional activities such as agriculture and other services, which are generally uncompetitive and have little capacity to create quality jobs. To alleviate these shortages, Panama is attracting foreign skilled workers and professionals through new types of immigration visas and permanent residency programs leading to citizenship.[12] These efforts are appropriate to address the immediate shortages of skilled workers, but as the economy grows, the shortages of human capital will reemerge. A comprehensive reform agenda to enhance human capital is needed to ensure medium- to long-term sustainability and support inclusive growth.

2.11 **Panama has reached its lowest unemployment rate in four decades, yet informality still remains an important challenge.** Strong economic activity led to a very sharp decline in unemployment rates, from some 12% (2005) to around 4.1% (2013).[13] This remarkable decline and the rigid regulations of the labor market have led to high labor costs (including high non-wage costs) and to the development of a large informal sector (about 40% of the labor force). Such a large informal sector hampers growth potential as this sector has limited or no access to credit for working capital and for the adoption of new technologies. The presence of "incentives" to be or become informal, as well as limited access to credit, hinder the country's productivity and competitiveness.

2.12 **Inter-regional and intra-regional gaps in social and economic infrastructure are significant.** Economic activity is heavily concentrated around the Canal Zone, where most infrastructure and services are located, where significantly more than half the population lives, and where about 80% of GDP is produced. Transportation infrastructure and the quality of water and sanitation services are better in the central parts of the country than in the other provinces. Moreover, the installation of new power generation and transmission capacity has favored the Panama City–Colon corridor. While Panama City has experienced an amazing real estate boom, rapid overdevelopment, a collapsing sewage system, congestion, and rapidly increasing housing costs have generated growing disparities in the living standards of different income groups within the metro region. As in the case of human capital, gaps in social and economic infrastructure limit progress at reducing inequality.

2.13 **In terms of income inequality, Panama's GINI coefficient (51.9 in 2012) is among the highest in LAC.** With a per capita GDP of US$ 16,946 (ppp)[14] in 2012, Panama's Human Development Index (HDI) ranked 59 out of 187 countries, placing it in the high human development category.[15] However, adjusting the HDI and its components for inequality across the population, the country's challenges become evident. The difference between Panama's HDI (0.78) and the adjusted HDI for inequality (0.588), i.e., the "loss" in potential human development, is 24.6%.

2.14 **Sound economic performance combined with a strong social safety net and conditional cash transfers have effectively led to a decline in poverty, but faster progress is needed.** The rates of poverty in Panama are higher than in other countries with similar income levels in Latin America. Between 2001 and 2011, poverty fell from 36.9% to about 25%, and extreme poverty fell from

19.4% to 12.4% (Annex 3). Had economic growth had a similar effect on poverty in Panama as it did for the average country in the region, total poverty would have fallen to 10%, and extreme poverty in urban areas would have practically been eliminated. The gap between urban and rural poverty in Panama is also larger than the regional average. The incidence of poverty and extreme poverty in rural Panama is 2.8 and 5.7 times higher than that of urban areas, respectively. Among indigenous peoples, it is the highest in the Region (Annex 4) – 4 of every 5 indigenous people live in poverty and more than half live in extreme poverty. Migration to the urban areas has been the main vehicle for the non-indigenous rural poor to rise out of poverty.

2.15 **Social indexes reflect large disparities in access to basic services, particularly among indigenous peoples.** Many remote communities still do not have regular access to basic health services, electricity, potable drinking water, or sanitation services despite the extraordinary growth of the economy. Inadequate access to sanitation contributes to a high incidence of diarrhea in children. On average, 1 in 5 children suffers from chronic malnutrition; however the rate among indigenous children was 61% in 2008.

2.16 **Panama's education system ranks below what one would expect given its relatively high level of GPD per capita.** Panama is on track to achieve the Millennium Development Goal of universal primary education, and the increase in secondary schooling, led by female enrollment, is spreading to rural and indigenous areas, which may help to further alleviate poverty. Despite this progress, the quality of secondary and tertiary education lags behind the needs of a fast-growing and competitive economy. The 2009 Program for International Student Assessment (PISA) ranked Panama 62 out of 65 participating countries and economies in reading and science proficiency, and 64 of 65 in mathematics performance.[16,17] International evidence shows that students who do not attain PISA baseline proficiency lack the essential skills needed to participate effectively and productively in society and contribute to inclusive growth. To ensure medium- to long-term sustainability and support inclusive growth, Panama will need to boost human capital, including through substantive education reform.

2.17 **Finally, Panama is particularly vulnerable to the threats posed by climate change.** This includes increased frequency or probability of being hit by hurricanes due to changes in the patterns of dry and wet seasons. For the Panamanian economy, it is estimated that an unmitigated high vulnerability scenario could lead to a loss in excess of 14% of GDP by 2100.[18] According to the World Bank's Natural Disaster Hotspot Study,[19] Panama ranks 14th among countries most exposed to multiple hazards based on land area.

III. COUNTRY STRATEGIC PLANNING AND IDB PROGRAMMING IN PANAMA, 2010-2014

A. The country's strategic planning instruments

3.1 **The "Strategic Government Plan 2010-2014" approved by Cabinet Council on December 29, 2009, is the primary instrument for medium-term strategic planning.** Mandated by the Social and Fiscal Responsibility Law, the Plan is comprised of the electoral commitments of President Martinelli's Administration and the goals agreed with civil society during the Dialogue for National Consensus. It consists of a five-year economic and social strategy aimed at positioning Panama as a world-class financial and logistics hub, while alleviating social exclusion. The Plan uses tools such as economic policy, public expenditure, and the five-year public investment plan to establish criteria for channeling public expenses towards priority sectors, programs, and projects nationwide.[20]

B. The Bank's Country Strategy with Panama, 2010-2013

3.2 **The 2010-2014 Country Strategy (CS) (GN-2596) was structured around three core development challenges:** (i) strengthening public finances, increasing revenue, and making expenditures more efficient; (ii) developing basic infrastructure, with a focus on the provinces outside of Panama City, thus expanding economic and social opportunities to reduce high levels of poverty; and (iii) facilitating access to quality services in education, health, and nutrition, particularly in the indigenous territories and in rural communities. The indicative program prioritized six sectors: public finances, transport, water and sanitation, energy, education, and health. The CS also committed the Bank to endeavor to strengthen country systems in the areas of financial management, government procurement, and the environment. According to the CS document, the sectors were identified in conjunction with the government, support Government's Strategic Plan for the same period, and were selected on the basis of the Bank's experience and diagnostic studies. The alignment of the Bank's strategic objectives with Panama's Strategic Plan follows in Table 1.

Table 1. Objectives of Panama Government's Strategic Plan and the IDB's Country Strategy

Panama Government's Strategic Plan Objectives	IDB Priority Sector	Country Strategy Objectives
Sustainable public finances	Public finances	Raise revenue levels and modernize tax administration
		Improve the management and efficiency of public expenditure
Expand coverage and improve the quality and competitiveness of road infrastructure and logistical support	Transport	Improve the quality of road infrastructure and strengthen its maintenance in the country's other provinces
Guarantee access to water and sanitation services in most of the country's urban and rural zones	Water and sanitation	Increase coverage and quality, an improve the management of water and sanitation services in the country's other provinces
Promote adoption of measures to ensure permanent energy supply, both in terms of hydrocarbons management and for electric energy generated from various sources	Energy	Reduce the marginal costs of generation per increment of transmission and electricity interconnection capacity
		Strengthen the institutional framework of the electricity market
		Increase in electric power generation through renewable energy
		Greater energy efficiency
Guarantee quality education with equal opportunities for men and women	Education	Improve quality and retention, and expand the coverage of education in indigenous territories
Guarantee access to quality basic health services, giving priority to primary care and to expansion of the hospital network	Health	Reduce maternal mortality
		Reduce infant mortality
		Reduce chronic undernourishment
Country systems		
Modernize financial administration, strengthening institutional capital to design and evaluate investments	Financial management and government procurement	Use the Panama Integrated Financial Administration System
		Strengthen institutional capacity and the functions of the country's government procurement system
Modernization of Environmental Management	Environmental systems	Consolidate the institutional, legal, and regulatory framework for environmental management

C. The Bank's Operational Portfolio 2010 – 2014[21]

3.3 **For the purpose of this evaluation, OVE will review all Sovereign Guaranteed (SG) and Non-Sovereign Guaranteed (NSG) loan and TC operations (excluding IIC and MIF) that were either active or approved between January 1, 2010 and December 31, 2014 (Annex 5).** This total includes 55 inherited operations (approved under prior Bank strategies) with an undisbursed balance of approximately US$963 million at the beginning of the evaluation period, and 65 new operations which were approved during the current CS for a total of US$1,865 million.

3.4 **The 2010-2014 CS estimated the Bank's financial framework for SG loan approvals at US$990 million, "*which together with the existing portfolio, would make it possible to disburse sufficient resources to keep the Bank's average share of Panama's external financing at 15%*".** Between January 2010 and April 2014, 16 SG loans were approved totaling US$1,754 million, an increase of US$764 million over the proposed lending envelope. This total includes five Programatic Policy-Based Loans (PBLs - US$900 million), one contingent loan for natural disaster emergencies (US$100 million), one guarantee to strengthen macro-financial and fiscal management (US$350 million), one Immediate Response Facility for Emergencies (ERF - US$20 million), and eight investment loans (US$384 million).

3.5 **Forty-three sovereign guaranteed loans account for about three-fourths of the original approved value of the total operational portfolio (Annex 6).** The 16 SG loans that were added during the active strategy period account for nearly two-thirds of the total value of this set of loans. These operations focus mainly on strengthening public finances[22] and implementing modern policy frameworks for disaster risk management and climate change.[23] The energy sector accounted for almost 20% of the approved volume of the inherited loans, and included the first phase of a programmatic PBL series to improve and consolidate institutional capacity in the sector.[24]

3.6 **Nineteen NSG loans[25] account for about 20% (US$616 million) of the total approved value of the portfolio (Annex 7).** While slightly more than half (11) of these operations were approved during the current CS, they represent just 11% (US$68.7 million) of the total NSG portfolio in terms of volume. The remaining eight loans were approved between 2007 and 2009, and include US$400 million in financing to expand the Panama Canal. Trade Finance Facilitation Programs (12) comprise nearly two-thirds of the NSG portfolio in terms of number, but they represent less than 20% of the total volume.

3.7 **Fifty-eight non-reimbursable technical cooperation grants account for less than 2% (US$58.1 million) of the original approved value of the operational portfolio (Annex 8).** Of these, 38 (US$46.4 million) were approved during the evaluation period. Most TC resources were directed towards social investments (US$29.1 million), followed by the water and sanitation and environment and natural disaster sectors (US$10.5 million and US$5.5 million, respectively). In the case of social investment, a large grant (US$21.7 million) was financed with funds from the European Commission Framework Account for the Expansion of the Comprehensive Security Program in Panama. In Water and Sanitation, the Spanish Fund for Water and Sanitation financed a US$7.5 million grant to improve services for rural and indigenous communities, and a US$4 million grant from the Global Environmental Facility supported mainstream biodiversity conservation through low impact ecotourism in protected areas.

D. Other development partners

3.8 **There are 13 main development institutions present in Panama, of which the IDB, Development Bank of Latin America (CAF), European Investment Bank, World Bank (WB), IMF, and the International Finance Corporation are the primary multilateral lenders.** Panama also receives support from bi-lateral agencies, including the Spanish International Development Cooperation Agency and the United States Agency for International Development. The Bank has, on occasion, leveraged its reputation as a solid financial institution and strong collaborator to bring additional, partners into the fold.

IV. SCOPE AND FOCUS OF THE EVALUATION

4.1 **During the period of analysis, the Bank was engaged in a wide range of sectors (Annex 5).** Given the important lending support received through Policy-Based Loans, this evaluation will pay attention to these operations and to their associated TCs.

4.2 **Given OVE's mandate to provide timely lessons learned and recommendations for the next Country Strategy, the CPE will focus on SG and NSG (SCF) operations approved between January 2010 and June 2014, and on operations that were approved during previous strategy periods and which had an undisbursed balance of at least 20% at the beginning of the evaluation period.** With regard to non-reimbursable operations, and non-financial products, the evaluation will focus on those that were either directly linked to the lending portfolio. It will not evaluate the performance of Inter-American Investment Corporation projects or MIF operations.

V. EVALUATION QUESTIONS

5.1 **The CPE will analyze whether the program implemented by the Bank was consistent with Panama's development needs, with the objectives defined in the CS, and with the previous CPE's recommendations.** The CPE will also examine how the Bank's program has evolved and adapted to the country's changing macroeconomic priorities. Specific questions regarding the relevance, implementation, effectiveness, and sustainability of Bank support to Panama are detailed below.

A. Relevance

5.2 **Relevance refers to "the degree to which the design and objectives of the Bank strategy and program of assistance were consistent with the needs of the country and with the government's development plans and priorities" (RE-348-3).** Under this heading, the CPE will address the following questions:

i. To what extent were the Bank's strategic objectives, as defined in the CS, consistent with Panama's development challenges and government's priorities?

ii. To what extent was the Bank's operational program coherent with the objectives of the CS and responsive to the country's evolving development challenges in the areas of public finance, poverty reduction, and income inequality?

iii. How relevant was the Bank's business model to the needs of the country? How appropriate was the Bank's lending envelope and specific mix of instruments used, and to what extent did they support the achievement of Bank strategic objectives?

iv. In the context of Panama's public investment program, to what extent was the Bank able to maintain a relevant position vis a vis other financing sources? To what extent did the Bank take into account and coordinate with the programs of other development partners?

B. Implementation and effectiveness

5.3 **In assessing implementation of the Bank's program, effectiveness refers to "the extent to which the assistance instruments achieved the intentions and objectives set [in the Country Strategy and Program]" (RE-348-3).** The evaluation will inter- alia address the following questions:

i. To what extent has progress been made towards the strategic objectives of the Bank's Country Strategy; to what extent has the operational portfolio contributed to this progress?

ii. Were the reforms and institutional arrangements supported by the PBLs effective? How important were the related TCs for supporting the quality of the policy reforms? Did they add value?

iii. To what extent have the outcomes targeted by the Bank's SG and NSG operations been achieved? Is it possible to attribute these results to the Bank's interventions?

iv. Which factors explain the success or constraints in project implementation? Were implementation bottlenecks more acute in certain sectors? To what degree were the Bank's operations consistent with the capacity and limitations of the country and the Country Office?

v. What has the Bank done to strengthen country systems? Is the bank using these systems?

C. Sustainability

5.4 **Sustainability refers to "the likelihood that actual and anticipated results will be resilient to risks beyond the program period" (RE-348-3).** The evaluation will address the following questions:

i. What is the likelihood that the Bank's interventions will be sustainable? Is there supporting evidence? How did it address cases where reforms and/or their results have not been sustained?

ii. How did the Bank support the Government/local organizations to establish lasting institutional arrangements and respective financial allocations after the conclusion of the program?

iii. To what extent did the Bank consider the local context, particularly the implications of long standing practices in rural and indigenous communities, when assessing the financial and environmental sustainability of its local/community interventions?

VI. METHODOLOGY

6.1 **To answer the evaluation questions, the evaluation will use various sources of information, all of which are detailed in the attached Evaluation Matrix.** This combination of methods includes interviews with key stakeholders and informed observers: current and former government officials, project execution unit leadership and staff (technical and administrative), IDB managers and technical staff (notably team leaders of Bank projects and Bank sector specialists), relevant representatives of other international agencies (particularly the IMF, World Bank and CAF), and representatives of civil society, NGOs, and Panamanian think tanks who are familiar with the country's development challenges or the Bank's program. Site visits will be used to interview project beneficiaries and validate program outcomes and sustainability. Data and information from IDB and other sources, primarily Government of Panama, Central Bank, IMF, WB, and CAF, will be used to document and interpret the extent to which the targeted impact and outcomes of CS and Bank operations have or have not materialized, and the possible causal relationship with Bank-supported reforms.

6.2 **OVE will also analyze current and prior Country Strategies, Country Programming Documents, loan and grant proposals, monitoring and completion reports, project evaluations, and other relevant material**

produced by the Bank and executing agencies. OVE will complement the interviews and document review with a statistical analysis of the Bank's administrative databases, as warranted. Databases used in the past include the following: administrative budget (BUDGET), project preparation (OPUS), contractual conditions (OPMAS), procurement (PRISM), use of staff time (TRS), and financial transactions (LMS).

VII. TEAM AND TIMELINE

7.1 The evaluation team is comprised of Michelle Fryer (team leader), Cesar Bouillon, Jose Fajgenbaum, Alejandro Guerrero, Ana Maria Linares, Jose Claudio Pires, Santiago Ramirez, Miguel Soldano, Alejandro Soriano, and Yariela Ceballos.

7.2 The expected timeline for the evaluation follows**:**

Activity	Date
Evaluation missions	April & June 2014
OVE internal review	October 2014
Government and Management external review	November 2014
Submitted to SEC for final translation	December 2014
Discussion of CPE at the Board of Executive Directors	January 2015

EVALUATION MATRIX			
Evaluation Questions	**Source of Information**	**Data Collection Methodology**	**Type of Analysis**
Relevance			
To what extent were the Bank's strategic objectives, as defined in the CS, consistent with Panama's development challenges, and government's priorities?	CSs, CS Updates, CPDs, Country development document, diagnostic studies done by IDB, IMF, and WB, interviews with key stakeholders.	Portfolio review	Mapping and cross-referencing of strategic objectives with development challenges and government priorities.
To what extent was the Bank's operational program, coherent with the objectives of the CS and responsive to the country's evolving development challenges in the areas of public finance, poverty reduction, and income inequality?	CSs, CS Updates, CPDs, Country development document, IMAs, Macroeconomic Briefings, data warehouse (OPS, OVEDA, Finance Data Mart, FIN LMS), diagnostic studies done by IDB, IMF, and WB, interviews with key stakeholders.	Portfolio review, interviews with stakeholders.	Analysis of Country Strategy, cross-referencing strategic objectives with macroeconomic context.
How relevant was the Bank's business model to the needs of the country? How appropriate was the Bank's lending envelope and specific mix of instruments used; and to what extent did they support the achievement of Bank strategic objectives?	Data from Bank's warehouse (OPS, OVEDA, Finance Data Mart, FIN LMS), project documents, interviews with stakeholders, diagnostic studies done by IDB, IMF, and WB.	Portfolio review, interviews with stakeholders.	Assessment of programmatic mix based on its alignment with CS strategic objectives, key development challenges and government priorities.
In the context of Panama's public investment program, to what extent was the Bank able to maintain a relevant position vis a vis other financing sources? To what extent did the Bank take into account and coordinate with the programs of other development partners?	CSs, CS Updates, CPDs, Country development document, diagnostic studies done by IDB, IMF, and WB, interviews with key stakeholders, including IFIs and bilateral agencies.	Portfolio review, interviews with stakeholders in Bank and Government,	Comparative analysis of poverty affected sectors of the population including indigenous communities, based on the geographic focus of the portfolio, household survey information and case studies of indigenous communities.

EVALUATION MATRIX			
Evaluation Questions	**Source of Information**	**Data Collection Methodology**	**Type of Analysis**
To what extent did the operational program address the root causes of Panama's development challenges? To what extent did it target sectors of the population with higher demand for these opportunities?	CSs, CS Updates, CPDs, PMRs, PCRs, diagnostic studies done by IDB, IMF, and WB, interviews with key stakeholders, household surveys, field visits.	Portfolio review, interviews with stakeholders.	Assessment of work load, cancellations, delays, execution bottlenecks, country systems
Implementation and Effectiveness			
Which factors explain the success or constraints in project implementation? To what degree were the Bank's operations consistent with the capacity and limitations of the country and the Country Office? Were implementation bottlenecks more acute in certain sectors?	Loan documents, TCs profiles, PMRs, PCRs, portfolio reports, GoP, IDB, WB and IMF data, interviews with key stakeholders, surveys, field visits.	Portfolio review, interviews with stakeholders, site visits.	Analysis of evaluation formats and results of interviews.
What has the Bank done to strengthen country systems? Is the bank using these systems?	Loan documents, TCs profiles, PMRs, PCRs, portfolio reports, GoP, IDB, WB and IMF data, interviews with key stakeholders, surveys, field visits.	Portfolio review, interviews with stakeholders.	Analysis of loan documents, evaluation formats and results of interviews.
To what extent have the outcomes targeted by the Bank's SG and NSG operations been achieved? Is it possible to document the Bank's attribution?	Loan documents, TCs profiles, PMRs, PCRs, portfolio reports, GoP, IDB, WB and IMF data, interviews with key stakeholders, field visits.	Portfolio review, interviews with stakeholders, site visits.	Portfolio analysis; analysis of evaluation formats and results of interviews.
Were the reforms and institutional arrangements supported by the PBLs effective? How important were the related TCs for supporting the quality of the policy reforms? Did they add value?	Loan documents, TCs profiles, CPDs, Interviews with key stakeholders.	Portfolio review, interviews with stakeholders.	Analysis of loan documents, evaluation formats and results of interviews.
Sustainability			
What is the likelihood that the Bank's interventions will be sustainable? Is there supporting evidence? How did it address cases where reforms and/or their results have not been sustained?	PMRs, PCRs, portfolio reports, GoP, IDB, WB and IMF data, interviews with key stakeholders.	Portfolio review, interviews with stakeholders, site visits.	Analysis of evaluation formats and results of interviews with a focus on sustainability.

EVALUATION MATRIX			
Evaluation Questions	**Source of Information**	**Data Collection Methodology**	**Type of Analysis**
How did the Bank support the Government / local organizations to establish lasting institutional arrangements and respective financial allocations after the conclusion of the program?	Loan documents, TCs profiles, PMRs, PCRs, portfolio reports, GoP, IDB, WB and IMF data, interviews with key stakeholders, field visits.	Portfolio review, interviews with stakeholders.	Analysis of evaluation formats and results of interviews with a focus on sustainability.
To what extent did the Bank consider the local context, particularly the implications of long standing practices in rural and indigenous communities, when assessing the financial and environmental sustainability of its local/community interventions?	CSs, CS Updates, CPDs, Country development document, diagnostic studies done by IDB, IMF, and WB, interviews with key stakeholders, household surveys, field visits.	Portfolio review, interviews with stakeholders, site visits.	Portfolio analysis; analysis of evaluation formats and results of interviews.

ANNEX 1. PANAMA: SELECTED ECONOMIC INDICATORS (2008-2013)

	2008	2009	2010	2011	2012	2013
	(Percentage change)					
Production and prices						
Real GDP (1996 prices)	8.4	3.9	7.5	10.9	10.8	8.5
Consumer price index (end-of-year)	7.3	1.9	4.9	6.3	5.7	4.0
Financial sector						
Domestic credit	--	1.9	16.5	19.6	14.8	13.0
Broad money	22.2	10.3	11.1	8.4	11.2	21.7
	(In percentage of GDP)					
Saving-investment balance						
Gross fixed investment	27.6	24.6	24.5	26.1	30.0	28.6
Gross national saving	16.7	23.9	14.7	16.1	19.4	18.9
Public finances						
Revenue and grants	26.1	25.4	25.6	25.3	25.1	25.4
Expenditure	25.7	26.4	27.5	27.6	28.0	28.2
Current, including interest	18.7	19.1	19.1	18.8	19.3	18.4
Capital	7.0	7.3	8.4	8.8	8.7	9.8
Overall balance	2.5	-0.5	-3.4	-5.5	-5.1	-4.9
Overall balance, excluding ACP	0.4	-1	-1.9	-2.3	-2.9	-2.8
External sector						
Current account	-10.9	-0.7	-10.2	-12.2	-9.1	-8.9
Foreign direct investment	9.3	4.5	8.1	10.3	9.4	9.2
Total public debt 1/	45.4	45.4	44.9	44.9	41.3	38.3
External 1/	36.9	42	40.4	38.6	33.1	31.8
Domestic	8.5	3.4	4.5	6.2	8.1	6.5
Memorandum items:						
GDP (in millions of US$)	23,002	24,163	27,053	31,316	35.938	40,552

Sources: Comptroller General, Superintendent of Banks, IMF, Economist Intelligence Unit.
1/ Includes Panama Canal Authority (ACP).

ANNEX 2. PANAMA: NONFINANCIAL PUBLIC SECTOR ACCOUNTS, (% OF GDP, 2008-13P)

	2008	**2009**	**2010**	**2011**	**2012**	**2013p**
Revenue	26.1	25.4	25.6	25.3	25.1	25.4
Current revenue	24.7	24.9	25.1	25.2	25	25.3
Tax revenue	10.6	10.9	11.6	11.6	12.6	13.3
Nontax revenue of central government	6.7	6.4	6.0	6.0	5.5	5.3
Of which: Panama Canal fees and dividends	3.0	3.2	3.1	3.4	2.6	2.4
Social security agency	5.8	5.7	6.2	6.7	5.9	5.7
Public enterprises' operating balance	1.2	0.9	0.7	0.5	0.5	0.5
Other 2/	0.4	1	0.5	0.4	0.4	0.4
Capital revenue	1.1	0.3	0.5	0.1	0.1	0.1
Expenditure	25.7	26.4	27.5	27.6	28	28.2
Current primary expenditure	15.6	16.2	16.4	16.4	17	16.4
Central government	8.3	8.5	8.9	9.4	10.2	9.6
Rest of the general government	7.2	7.7	7.5	7.0	6.8	6.8
Social security agency	6.5	6.9	6.8	6.4	6.2	6.1
Decentralized agencies	0.7	0.8	0.7	0.6	0.6	0.6
Interests	3.1	2.9	2.7	2.4	2.3	2.0
Capital expenditure	7.0	7.3	8.4	8.8	8.7	9.8
Overall balance, excluding ACP	0.4	-1.0	-1.9	-2.3	-2.9	-2.8
Financing						
External	0.8	6.4	1.1	1.4	0.1	1.1
Domestic	-1.2	-5.4	0.8	0.9	2.8	1.6
Memorandum Items:						
Total Public Debt 1/	45.4	45.4	44.9	44.9	41.3	38.3
External 1/	36.9	42	40.4	38.6	33.1	31.8
Domestic	8.5	3.4	4.5	6.2	8.1	6.5
Overall Balance, including ACP 3/	2.5	-0.5	-3.4	-5.5	-5.1	-4.9

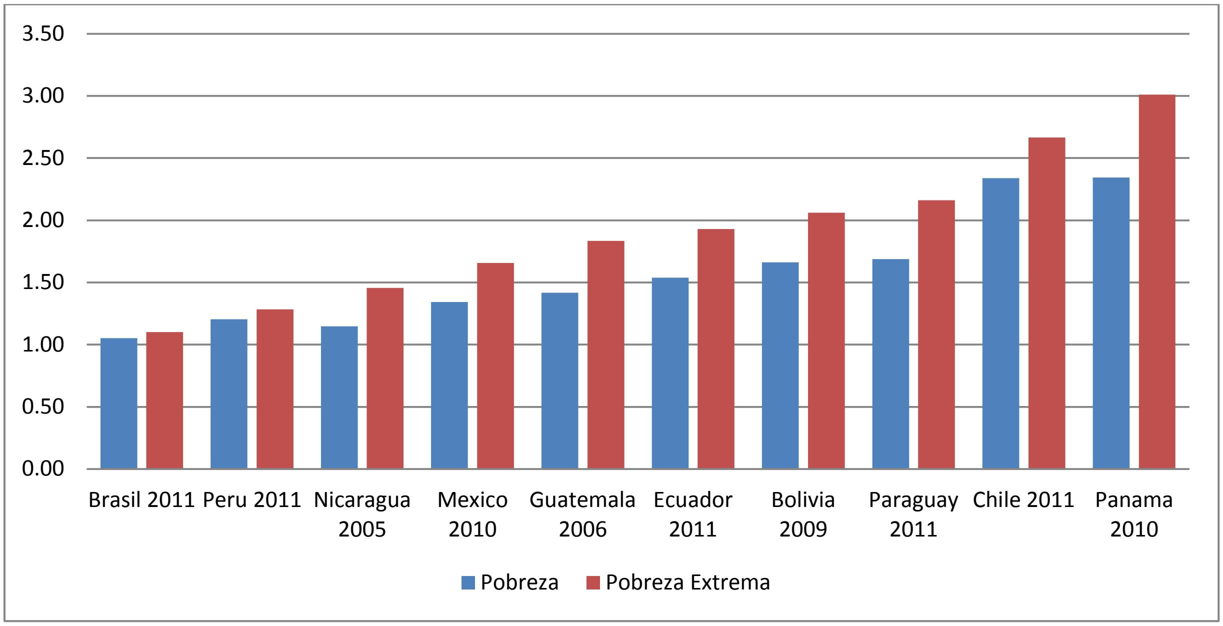
Source: Comptroller General, Ministry of Economy and Finance and IMF.
1/ Includes Panama Canal Authority (ACP)
2/ Includes the balances of the non-consolidated public sector and revenue from the decentralized agencies.
3/ The deficit of ACP is financed by its own resources.

ANNEX 3. INCIDENCE OF POVERTY IN PANAMÁ 2001 – 2011

	2001	**2011**
Poverty	36.9	25.3
Urban	25.6	15.5
Rural	55.2	43.6
Extreme Poverty	19.4	12.4
Urban	9.4	4.7
Rural	35.5	26.8

Fuente: CEPAL.

ANNEX 4. INCIDENCE OF POVERTY AND EXTREME POVERTY AMONG INDIGENOUS AND AFRODESCENDENTS AS A MULTIPLE OF THAT OF NON-INDIGENOUS POPULATIONS IN RURAL AREAS



Fuente: CEPAL

ANNEX 5. COMPLETE OPERATIONAL PORTFOLIO 2010-2014

Sector	Operation Type/ Instrument	Total Active Operations 2010-2014	Active Operations as of 6/2014	Current Approved All Operations (US$ million)	% Disbursed as of 6/2013
Agriculture and Rural Development	Loan	3	1	107.410	95%
	Grant	1	1	0.024	100%
Water and Sanitation	Loan	5	3	173.124	39%
	Grant	8	4	10.442	19%
Urban Development and Housing	Loan	1	0	11.231	100%
	Grant	1	0	0.020	100%
Education	Loan	3	2	158.126	54%
	Grant	2	1	0.557	43%
Energy	Loan	4	2	92.015	77%
	Grant	6	1	1.854	88%
Financial Markets	Loan	4	0	340.000	100%
	Guarantee	1	1	265.000	0%
Social Investment	Loan	4	0	87.837	106%
	Grant	10	3	25.176	12%
Environment and Natural Disasters	Loan	8	0	258.516	100%
	Contingent Loan	1	1	100.000	0%
	Grant	5	1	5.233	24%
Private Sector Development	Loan	4	3	65.580	58%
	Grant	2	1	0.609	71%
Reform and Modernization of the State	Loan	6	3	500.410	92%
	Grant	4	0	1.697	100%
Health	Loan	1	1	50.000	18%
	Grant	4	2	2.788	51%
Science and Technology	Loan	1	1	19.700	74%
	Grant	4	1	0.544	94%
Trade	Loan	13	6	112.455	14%
Transport	Loan	3	2	540.000	90%
	Grant	6	3	4.864	48%
Sustainable Tourism	Grant	1	0	0.204	100%
Other	Grant	4	1	0.670	82%
Total Loans		**60**	**24**	**2,516.403**	**72%**
Total Contingent Loans		**1**	**1**	**100.000**	**0%**
Total Guarantees		**1**	**1**	**265.000**	**0%**
Total Grants		**58**	**19**	**54.682**	**28%**
Total Active Loan and Grant Operations		**120**	**45**	**2,936.084**	**71%**

Note: For the purpose of the evaluation, the complete operational portfolio is comprised of all SG and NSG loans and TCs (excluding IIC and MIF) that were either active or approved between January 2010 and June 2014.

ANNEX 6. COMPLETE SOVEREIGN GUARANTEED LOAN PORTFOLIO 2010 - 2014

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Agriculture and Rural Development	PN-L1012	2008	Active	63.000	41%
	PN-L1018	2007	Completed	44.410	125%
	PN0148	2002	Cancelled	0.000	
	3			**107.410**	
Water and Sanitation	PN-L1053	2009	Active	30.000	1%
	PN-L1042	2010	Active	40.000	45%
	PN-L1093	2013	Active	54.000	0%
	PN0152	2006	Completed	4.124	100%
	PN0062	2006	Completed	45.000	100%
	5			**173.124**	
Urban Development and Housing	PN-L1002	2008	Completed	11.231	100%
	1			**11.231**	
Education	PN-L1064	2010	Active	30.000	65%
	PN-L1072	2012	Active	70.000	10%
	PN0069	1997	Completed	58.126	100%
	3			**158.126**	
Energy	PN-L1095	2014	Active	20.000	0%
	PN0150	2006	Completed	20.778	100%
	PN-L1031	2008	Completed	11.237	100%
	3			**52.015**	
Financial Markets	PN-L1086***	2012	Active	265.000	0%
	PN-L1100*	2014	Completed	300.000	100%
	2			**565.000**	
Social investment	PN0125	2002	Completed	4.165	100%
	PN0144	2003	Completed	7.502	100%
	PN-L1005	2006	Completed	56.000	110%
	PN-L1007	2007	Completed	20.170	100%
	4			**87.837**	
Environment and Natural Disasters	PN-X1007**	2012	Contingent	100.000	
	PN0139	2005	Completed	19.860	100%
	PN-L1017	2007	Completed	17.000	100%
	PN-L1013	2007	Completed	4.952	100%
	PN-L1071*	2011	Completed	16.704	100%
	PN-L1070*	2011	Completed	100.000	100%
	PN-L1074*	2012	Completed	100.000	100%
	PN-L1016	2007	Cancelled	0.000	
	PN-L1019	2008	Cancelled	0.000	
	9			**358.516**	

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Private Sector Development	PN-L1014	2007	Active	33.261	99%
	PN-L1009	2006	Completed	4.819	100%
	2			**38.080**	
Reform and Modernization of the State	PN-L1003	2006	Active	22.700	77%
	PN0157	2007	Active	21.600	86%
	PN-L1066	2011	Active	50.000	32%
	PN0143	2003	Completed	6.111	100%
	PN-L1067*	2010	Completed	200.000	100%
	PN-L1089*	2013	Completed	200.000	100%
	6			**500.411**	
Health	PN-L1068	2011	Active	50.000	18%
	1			**50.000**	
Science and Technology	PN0158	2008	Active	19.700	74%
	1			**19.700**	
Trade	PN-L1001	2005	Completed	4.284	100%
	1			**4.284**	
Transport	PN-L1047	2010	Active	70.000	22%
	PN-L1010	2006	Active	70.000	100%
	2			**140.000**	
Total	**41**			**1,700.733**	

*Programatic Policy Based Loans (PBL). **Contingency Loan for Natural Disaster Emergencies.***Guarantee.
Note: For the purpose of the evaluation, the complete operational portfolio is comprised of all SG and NSG loans and TCs (excluding IIC and MIF) that were either active or approved between January 2010 and June 2014.

ANNEX 7. COMPLETE PRIVATE SECTOR LOAN PORTFOLIO 2010 – 2014

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Energy	PN-L1054	2009	Active	40.000	97%
	1			**40.000**	
Financial Markets	PN-L1049	2009	Completed	15.000	100%
	PN-L1056	2009	Completed	20.000	100%
	PN-L1084	2012	Completed	5.000	100%
	3			**40.000**	
Private Sector Development	PN-L1099	2013	Active	20.000	0%
	PN-L1092	2013	Active	7.500	0%
	2			**27.500**	
Trade	PN-L1030	2007	Active	12.000	0%
	PN-L1038	2008	Active	10.000	0%
	PN-L1039	2008	Active	40.000	0%
	PN-L1027	2009	Active	10.000	0%
	PN-L1065	2010	Active	5.000	0%
	PN-L1060	2010	Active	20.000	0%
	PN-L1081	2011	Completed	2.000	100%
	PN-L1082	2011	Completed	4.170	100%
	PN-L1083	2011	Completed	1.000	100%
	PN-L1079	2011	Completed	1.000	100%
	PN-L1087	2012	Completed	2.000	100%
	PN-L1085	2012	Completed	1.000	100%
	12			**108.171**	
Transport	PN-L1032	2008	Completed	400.000	100%
	1			**400.000**	
Total	**19**			**615.671**	

Note: For the purpose of the evaluation, the complete private sector loan portfolio is comprised of all NSG loans (excluding IIC and MIF) that were either active or approved between January 1, 2010 and April 30, 2014.

ANNEX 8. GRANT PORTFOLIO 2010-2014

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Agriculture and Rural Development	PN-T1055	2009	Completed	0.024	100%
	1			**0.024**	
Water and Sanitation	PN-G1003	2012	Active	7.500	0%
	PN-T1101	2012	Active	0.300	18%
	PN-T1093	2012	Active	0.300	18%
	PN-T1107	2013	Active	0.250	23%
	PN-T1020	2006	Completed	0.343	100%
	PN-T1064	2009	Completed	0.750	100%
	PN-T1079	2010	Completed	0.249	100%
	PN-T1106	2013	Completed	0.750	20%
	8			**10.442**	
Urban Development and Housing	PN-T1116	2013	Completed	0.020	100%
	1			**0.020**	
Education	PN-T1083	2012	Active	0.450	30%
	PN-T1080	2010	Completed	0.107	100%
	2			**0.557**	
Energy	PN-T1118	2013	Active	0.280	21%
	PN-T1054	2008	Completed	0.080	100%
	PN-T1047	2008	Completed	0.347	100%
	PN-T1042	2008	Completed	0.747	100%
	PN-T1063	2009	Completed	0.400	100%
	PN-X1005	2010	Cancelled	0.000	
	6			**1.854**	
Social Investment	PN-T1082	2012	Active	0.300	33%
	PN-T1105	2013	Active	0.350	4%
	PN-X1011	2013	Active	21.700	0%
	PN-T1019	2006	Completed	0.309	100%
	PN-T1032	2007	Completed	1.347	100%
	PN-T1060	2008	Completed	0.093	100%
	PN-T1058	2008	Completed	0.389	100%
	PN-T1077	2011	Completed	0.195	100%
	PN-T1094	2012	Completed	0.487	100%
	PN-T1113	2013	Completed	0.006	100%
	10			**25.176**	

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Environment and Natural Disasters	PN-X1003	2011	Active	4.000	0%
	PN-T1059	2008	Completed	0.488	100%
	PN-T1089	2011	Completed	0.534	100%
	PN-T1109	2012	Completed	0.200	100%
	PN-T1102	2012	Completed	0.012	100%
	5			**5.233**	
Private Sector Development	PN-T1097	2012	Active	0.375	53%
	PN-T1092	2011	Completed	0.234	100%
	2			**0.609**	
Reform and Modernization of the State	PN-T1024	2008	Completed	1.500	100%
	PN-T1076	2009	Completed	0.005	100%
	PN-T1091	2011	Completed	0.178	100%
	PN-T1114	2013	Completed	0.015	100%
	4			**1.697**	
Health	PN-G1001	2011	Active	2.000	54%
	PN-T1104	2013	Active	0.500	10%
	PN-T1088	2011	Completed	0.200	100%
	PN-T1095	2012	Completed	0.088	100%
	4			**2.788**	
Science and Technology	PN-T1096	2012	Active	0.080	62%
	PN-T1043	2008	Completed	0.148	100%
	PN-T1053	2008	Completed	0.277	100%
	PN-T1065	2010	Completed	0.040	100%
	4			**0.544**	
Transport	PN-T1112	2013	Active	0.700	0%
	PN-T1108	2013	Active	0.450	27%
	PN-T1117	2013	Active	1.500	0%
	PN-T1045	2008	Completed	1.179	100%
	PN-T1075	2009	Completed	1.000	100%
	PN-T1068	2009	Completed	0.035	100%
	6			**4.864**	
Sustainable Tourism	PN-T1033	2007	Completed	0.204	100%
	1			**0.204**	

Sector	Operation Number	Approval Year	Operation Status	Current Approved (US$ million)	% Disbursed as of 6/2014
Other	PN-T1126	2014	Active	0.203	51%
	PN-T1099	2012	Completed	0.213	100%
	PN-W1001	2013	Completed	0.052	69%
	PN-T1110	2013	Completed	0.201	99%
	4			**0.670**	
Total	**58**			**54.682**	

Note: For the purpose of the evaluation, the complete grant portfolio is comprised of all SG Technical Cooperation grants that were either active or approved between January 1, 2010 and April 30, 2014.

ENDNOTES

[1] Followed by (2012 GDP per capita): Costa Rica (USD$9,386), Belize (USD$4,721, 2011), El Salvador (USD$3,790), Guatemala (USD$3,331), Honduras (USD$2,323) and Nicaragua (USD$1,754). Figures in constant 2005 USD . Source WDI 2013.

[2] The Colon Free Zone is the second largest free trade zone in the world after Hong Kong.

[3] According to the 2010 census, just over 12% of the population is indigenous.

[4] Reforms were implemented in 2002, 2005, 2009 and 2010.

[5] The strong adjustment effort of the mid-2000s created the fiscal space that allowed the implementation of counter-cyclical measures.

[6] IMF (2013). Panama Selected Issues. International Monetary Fund Publications Services. Washington, D.C. March 2013.

[7] The NFPS excludes the Panama Canal Authority.

[8] Moody’s affirmed Panama’s credit rating at Baa2 in 2014.

[9] These banks are the Inter-American Development Bank, the European Investment Bank, the International Finance Corporation, the Japan Bank for International Cooperation, and the Andean Development Corporation.

[10] APEDE CADE (2014). Democracia y Desarrollo: Retos pra un future sostenible. CADE Nacional. Abril 2014.

[11] World Bank Group. Osborne, T; Pachon, MC; Araya, GE. *What drives the high price of road freight transport in Central America?* (2013)

[12] One such program is the Friendly Nations Visa, whereby citizens of 47 countries can apply for residency and become Panama citizens. Other programs, with special visas, attempt to attract wealthy foreigners, who are willing to invest in Panama, and foreigners who wish to retire in the country; the latter program has attracted many U.S., Canadian, European and Latin American citizens and led in part to a boom in residential construction over the last decade. Some magazines directed to retirees, rank Panama among the best destinations for retirement.

[13] Youth unemployment is much higher, mainly because of poor skills. Latest available data (from Indexmundi.com) show that as much as 14.6 % of the young 15 to 24 years old were unemployed in 2012.

[14] World Bank

[15] United Nations Development Program, 2013 Human Development Report.

[16] The Program for International Student Assessment (PISA) is an international assessment that measures 15-year-old students' reading, mathematics, and science literacy. PISA also includes measures of general or cross-curricular competencies, such as problem solving. PISA emphasizes functional skills that students have acquired as they near the end of compulsory schooling. Panama opted out of participating in the 2012 PISA.

[17] The Second Regional Comparative and Explanatory Study (SERCE) is the region’s largest-scale learning achievement study. It assesses learning performance in the third and sixth grades in mathematics, reading, and writing, and includes natural sciences for the sixth grade. In 2006, Panama ranked 14th out of all 16 Latin American countries participating in SERCE. Results of the Third Regional Comparative and Explanatory Study (TERCE), conducted in 2013, are not yet available.

[18] ECLAC, 2010, “The Economics of Climate Change: Summary 2010”

[19] Dilley, M. Chen, R.S., Deichman, U., Lerner-Lam, A.L., and Arnold, M., 2005, “Natural Disaster Hotspots: A Global Risk Analysis”. Disaster Risk management Series. No.5

[20] Panama Government’s Strategic Plan 2010-2014 aims to sustain annual economic growth of 6%-9%, and to reduce poverty and income inequality. Value-added logistics services, tourism, agriculture, and financial services are identified as the motors of growth in which the country has

or could develop a sustainable competitive advantage, and where government actions could be used more efficiently to tap into the potential of these sectors. The plan envisages a 104% increase (US$13,596 billion total) in the public investment program for the 2010-2014 period compared to the US$6.676 billion in investments executed over the 2005-2009 period. Of this amount, approximately 70% would address long-term investments in infrastructure; and 30% would be destined to infrastructure of a social character, such as the construction of schools, hospitals, housing, the urban metro, sewage and drainage, and new penitentiary centers.

[21] For active and closed projects, the IDB financing at Board approval is shown in US$ millions. This does not reflect any cancellations. For projects in Preparation the amount shown is the Estimated IDB Financing.

[22] PN-L1067-US$200 million-, PN-L1089-US$200 million, and PN-L1100-US$300 million.

[23] This includes two phases of US$ 100 million for the Program to Reduce Vulnerability to Natural Disasters and Climate Change. A third phase of this programmatic PBP was under Pipeline B for 2014 but was not approved (PN-L1088). adaptation (PN-L1070-US$100 million and PN-L1074-US$100 million.

[24] PN-L1033-US$100 million

[25] The CPE will not evaluate IIC operations.