

**Panama: Second Programmatic Shared Prosperity
Development Policy Financing**

Chair Summary*

September 8, 2016

The Executive Directors approved the Second Programmatic Shared Prosperity Development Policy Financing (DPF) to the Republic of Panama in the amount of US\$300 million on the conditions set out in the President's Memorandum. The minutes will reflect that Ms. Robinson wishes to be recorded as abstaining.

Directors expressed broad support for the operation and welcomed the authorities' commitment to strengthen the frameworks for international tax transparency, financial integrity, and fiscal management; strengthen institutional arrangements to support social assistance and education; and enhance the regulatory and financial sustainability framework of service delivery in the energy and water sectors. While noting the global impact of this operation, Directors asked about the size of the project and the opportunity cost given the constrained resources of IBRD.

Directors acknowledged Panama's sound macroeconomic and structural policies, improvements in infrastructure, and the significant advances in shared-prosperity and poverty reduction. However, they also noted that the country's strong integration at the global level, while bringing substantial benefits to the economy, also increases its vulnerability to external shocks. In such context, Directors appreciated the role that this operation plays in supporting the financing plan of the Government, at a time when downside risks facing emerging economies remain in the horizon.

Directors welcomed the authorities' commitment to adhere to the Common Reporting Standards for the Automatic Exchange of Tax Information, and to enact the required legislation that will allow its satisfactory implementation. Directors also emphasized the importance of making progress with the recently-adopted Anti-Money Laundering and Combatting the Financing of Terrorism framework, and emphasized the need to ensure its effective implementation to safeguard Panama's role as an international financial hub and strengthen investors' confidence. Directors also underlined the importance of effective coordination in this area among World Bank Group entities, the IMF, the OECD, the Inter-American Development Bank, and other development partners to continue supporting the implementation of reforms.

Directors welcomed measures that support the continuation of the reform agenda initiated under the previous operation. In particular, they welcomed measures to promote social inclusion, including improvements in the coverage and targeting of social assistance programs, as well as the introduction of student learning assessments and new vocational programs for the youth.

* This summary is not an approved record