

PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

The PMR Project Implementation Status Report should be prepared by the Implementing Country or Technical Partner, with the support of the Delivery Partner and/or the PMR Secretariat. For any questions related to the preparation of the PMR Project Implementation Status Report, please contact the PMR Secretariat at: pmrsecretariat@worldbank.org.

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Panama recipient Country – Implemented by the World Bank
Reporting Period:	From 12/21/2018 to 03/31/2019
Report Date:	05/05/2019
Implementing Agency:	National Secretariat of Energy (SNE) Ministry of Environment (MiAmbiente) Land Transit and Transport Authority (ATTT)
Contact Person:	Victor Urrutia (National Secretariat of Energy) Isaac Castillo (Alternative Contact Person, National Secretariat of Energy) Elba Cortes (Ministry of Environment) Julia Gonzalez (Land Transit and Transport Authority)

Grant Executed By:	World Bank Group
Grant Effectiveness and Closing Dates:	12/21/2018 - 06/30/2020
Grant Amount (USD):	USD 500,000.00
Funding Mobilized (USD):	USD 2,202,500.00 National government: USD 127,500 (Land Transit and Transport Authority (ATTT)) Other: USD\$ 100,000 Collaborative Instruments for Ambitious Climate Action (CIACA); USD\$ 985,500 Capacity Building Initiative for Transparency (CBIT); USD\$ 840,000 Spanish Fund for Latin America and the Caribbean (SFLAC) and ESMAP; USD\$ 150,000 Korea's Green Growth Trust Fund (KGGTF), SFLAC, and ESMAP.

Funding Committed (USD)	USD 106,167
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2. OVERVIEW

The team has begun implementation of Activity 1: Upstream Policy Analysis to Assess Enabling Mitigation Policy Instruments Available to Support the Decarbonization of the Economy and Activity 2: Support the Domestic and International Carbon Market Readiness, under the agreed scope of work. The presidential elections that have recently taken place in May 2019 have caused some Implementation delays for both components and therefore slowed down part of the expected progress and proposed schedule.

The team is working closely with the technical teams of the Government of Panama (GoPN) to continue progressing with the implementation and to ensure continuity. In addition, the work program for these components has been successfully updated to reflect these previous delays and the consultancy contracts for both components have been already awarded.

The Implementation of Component 3 will build on the outputs from the ongoing activities since they will provide the analytical foundation required to design the core interventions foreseen under this component.

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?	No

Implementation Progress by Component

A. Component 1: *Upstream Policy Analysis to Assess Enabling Mitigation Policy Instruments Available to Support the Decarbonization of the Economy*

Status:	<p><i>Under Implementation</i></p> <p>This component (Activity 1) aims at supporting the GoPN in exploring and understanding the different options available to de-carbonize the economy, with a special focus on the use of carbon pricing instruments in the energy sector.</p> <p>In coordination with the National Secretariat of Energy (SNE – Secretaria Nacional de Energia), consultancy services have been awarded to:</p> <ol style="list-style-type: none"> a. Activity 1.1. Consultancy services have been hired to support the GoPN in identifying the most suitable mitigation policy instruments to reduce emissions in the energy sector -including transport-, with a special focus on carbon pricing instruments and considering result-based mechanisms. This Consultancy has already been launched and is currently under implementation. Final outputs are expected by December 2019. b. Activity 1.3. Consultancy services have been awarded to assess the tax regime applicable to selected energy products and services and the related tax collection system. The assessment will provide the analytical foundation to identify potential areas of opportunity as well as the basis for impact analysis and modeling of alternatives. This consultancy covers part of the scope foreseen in Activity 1.3. Final output from this consultancy is expected by September 2019.
Comments:	<p>Implementation progress has been slowed down by the presidential election process scheduled for May 05, 2019.</p> <p>Nonetheless, the team is working with the technical counterpart to advance progress in implementation and to ensure continuity of the activities. No major delays to achieve the expected outcomes are foreseen at this moment.</p>
B. Component 2: <i>Support the Domestic and International Carbon Market</i>	
Status:	<p>Under Implementation.</p> <p>Component 2. This activity will support the GoPN in providing a preliminary analysis of the institutional architecture required to develop a domestic carbon market and in strengthening the GoPN’s capacity to generate carbon offset opportunities from the different ongoing projects/initiatives in the energy sector, mainly in energy efficiency and transport.</p>

	<p>Additionally, this activity will support the development of an emissions registry and a domestic MRV system for the energy sector with an initial pilot to measure and report emissions from vehicles, which can pave the way for a future development of a national carbon offset market.</p> <p>Activity 2.1. In coordination with the GoPN, a consultancy has already been awarded to perform a comprehensive analysis of the institutional architecture, legal framework, and streamlined rules.</p> <p>The result of the analysis will be used to define an implementation plan for a national voluntary carbon market that will be prepared based on sectoral level priorities.</p> <p>Furthermore, the undergoing assistance will support in strengthening the GoPN's capacity to generate carbon offset opportunities from the different ongoing projects/initiatives in the energy sector, with a special focus on energy efficiency -building on the progress achieved by the GoPN in collaboration with the WBG and with financial support from KGGTF, SFLAC, ESMAP and PPIAF- and transport.</p> <p>Activity 2.2. Complementing the ongoing National Platform for Climate Transparency initiative led by the Ministry of Environment (MiAmbiente), this task will support the preliminary work required to develop an energy sector national registry and a measurement, reporting, and verification (MRV) system in the energy sector, considering the potential to use Emissions Reductions Certifications under the National Platform for Climate Transparency framework as well as the support to include vehicle emissions limits to better monitor and report vehicle emissions in an annual basis under the National Platform for Climate Transparency framework.</p> <p>The work program for this activity, which comprises three different phases, is progressing according to schedule, and the team is currently developing the necessary core building blocks for an enhanced national domestic MRV system in the energy sector, including transport that will more clearly define the requirements and roles to integrate a domestic MRV system in the energy sector. The MRV system will help Panama identify emissions trends, assess whether the instruments implemented are being effective, and monitor progress achieved in reducing emissions.</p> <p>Under the <u>Pilot Program: Vehicle Emission Measuring and Reporting Program</u>, the team is supporting the incorporation of a vehicle emissions measuring and reporting system with emission limits as part of an Inspection and Maintenance (I/M) program being developed by the Land Transit and Transport Authority (ATTT). After the diagnosis of the current I/M program in the country, the team has developed a proposal for the regulatory elements for the vehicle I/M and emissions control system, and is now working on the following activities:</p>
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	<ol style="list-style-type: none"> 1. Detailed characterization of the vehicle fleet in Panama; and projection on how the vehicle fleet will evolve in the coming years; 2. Calculation of the emissions from the current vehicle fleet and its projection; 3. Development of recommendations for the improvement of the current database of the Vehicle Registration Department to enable to start collecting data for vehicle emissions calculations; 4. Development of a study on knowledge and perception of the vehicle I/M system by the population in Panama -this activity will be funded by the ATTT, and the Bank team will provide guidance support. <p>This activities will provide a mechanism to calculate emissions derived from the vehicular fleet, will support building the rationale of the I/M program and will generate the baseline information for the project.</p>
<p>Comments:</p>	<p>The team will continue to work towards the successful implementation of this activity: Phase II is already underway and expected to be completed by Q1FY20, whereas Phase III is envisioned to start by Q1FY20- and expected to be finished by Q2FY20, culminating with the development of the bidding documents for the concession of the VTI in Panama</p>
<p>C. Component 3: <i>Capacity Building, Social Awareness, and Communication Plan</i></p>	
<p>Status:</p>	<p>Pending.</p> <p>Component 3. This component comprises activities to support Capacity Building, social awareness and the design of a communications strategy. Implementation of this component will begin once outputs from the ongoing activities are delivered, providing the informational foundation required to design the core interventions foreseen under this component, such as a stakeholder participation plan and a communications strategy.</p>
<p>Comments:</p>	<p>This activity is progressing according to schedule.</p>

If necessary, please add components in the table above.

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

Important policy or regulatory developments related to the Grant’s objectives and activities:

Developments: Neither relevant policy nor regulatory developments related to carbon pricing have occurred at this stage.

Challenges: The results of the recent presidential elections have been identified as a potential risk that could negatively delay the grant's implementation process. However, given the sustained level of priority and political commitment shown by the GoPN towards a low carbon economy no critical challenges are foreseen at this stage.

The team will closely follow the results of the elections process, in coordination with the CMU, and reassess risks once the new president takes office and designates/confirms the sector's authorities.

Lessons learned: No lessons learned to report at this stage

Important changes in the technical design or approach related to the Grant's activities:

Developments: No changes in the technical design have been made at this stage.

Challenges: No challenges to report at this stage

Lessons learned: No lessons learned to report at this stage

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Developments: Despite of the early implementation of this activity, the existing technical and human capital capacity of the Ministry of Environment (MiAmbiente, one of the main counterparts responsible for implementation) has been so far identified as a key capacity issue and therefore, could potentially cause additional delays in the implementation of the activity components.

Challenges: Inter-Ministerial coordination, particularly with MiAmbiente.

Lessons learned: The Coordination Capacity of MiAmbiente needs to be strengthened, due to its central role in the implementation of the Grant's Activities.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments: No changes at this stage

Challenges: No challenges to report at this stage

Lessons learned: No lessons learned to report at this stage

Stakeholder engagement related to the Grant's activities:

Developments: Under the activity 2.2 -developing the Necessary Core Building Blocks for a Domestic MRV System in the Energy Sector- several Ministries have been involved and participated in consultation activities, including the Ministry of Environment (MiAmbiente), the National Secretary

(SNE) and the Ministry of Health, as well the Land Transit and Transport Authority (ATTT). The Bank expects to maintain this level of engagement during implementation.

Challenges: As presidential elections have taken place, new stakeholders engagement needs to be done. To this end, under activity 2.2, the team will work on consultation activities with the new administration to engage with Ministry of Environment (MiAmbiente), the National Secretary (SNE) and the Ministry of Health, as well the Land Transit and Transport Authority (ATTT) to ensure the successful development of the activity.

Lessons learned: The coordination with 3 different stakeholders is challenging and involves many actors since this activity is envisioned to have a cross-sectoral impact. However, ensuring a high level of engagement with all the stakeholders involved in the implementation of this Grant's activities is a key pillar to move forward the development of the activity and to support their future implementation.

Additionally, as presidential elections have already taken place, an early engagement of the Bank team with the next government administration is essential.

No other issues to report.

5. ADDITIONAL INFORMATION

In this Section, please provide any additional information that may be relevant for the achievement of the Grant's objectives and/or the implementation of the Grant's activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.

N/A