

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PANAMA**

**SOCIAL PROTECTION PROGRAM – PHASE I**

**(PN-L1007)**

**LOAN PROPOSAL**

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Electronic Links and References	
Basic socioeconomic data	<a href="http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata">http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata</a>
Status of loans in execution and loans approved	<a href="http://ops/approvals/pdfs/PNen.pdf">http://ops/approvals/pdfs/PNen.pdf</a>
Tentative lending program	<a href="http://opsgs1/ABSPRJ/tentativelending.ASP?S=PN&amp;L=EN">http://opsgs1/ABSPRJ/tentativelending.ASP?S=PN&amp;L=EN</a>
Information available in the RE2/RE2 technical files	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=975917">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=975917</a>
Procurement plan	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=982751">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=982751</a>
Basic monitoring (policies GN-2331-5 and AB-2358)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=975930">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=975930</a>

## ABBREVIATIONS

AIN-C	Atención Integral de la Niñez en la Comunidad [Integrated Community Child Health Program]
AWP	Annual work plan
CCT	Conditional cash transfer
CEFACEI	Centros Familiares y Comunitarios de Educación Inicial [Family and Community Early Education Centers]
CESI	Committee on Environment and Social Impact
CIRO	Comisión Interinstitucional de la Red de Oportunidades [Interagency Commission for the Opportunities Network]
COTEL	Correos y Telégrafos [Postal and Telegraph Service]
DA	Dirección Administrativa [Administration Department]
DF	Dirección Financiera [Finance Department]
ENV	Encuesta de Niveles de Vida [Standard of Living Survey]
EOs	Extra-governmental organizations
EVS	Encuesta de Vulnerabilidad Social [Social Vulnerability Survey]
FOGI	Fondo para Giras Integrales de Salud [Fund for Integral Healthcare Tours]
GDP	Gross domestic product
GOP	Government of Panama
GS	Gabinete Social [Social Cabinet]
ICM	Índice Compuesto de Marginalidad [Composite Marginality Index]
ITs	Institutional tours
JTP	Junta Técnica Provincial [Provincial Technical Board]
MEDUCA	Ministerio de Educación [Ministry of Education]
MIDES	Ministerio de Desarrollo Social [Ministry of Social Development]
MINSA	Ministerio de Salud [Ministry of Health]
PAISS	Paquete de Atención Integral de Servicios de Salud [Comprehensive Health Services Package]
PAISS+N	Paquete de Atención Integral de Servicios de Salud más AIN-C [Comprehensive Health Services Package plus AIN-C]
PAISS-TT	Equipo Técnico del Paquete de Atención Integral de Servicios de Salud [Comprehensive Health Services Package Technical Teams]
PMT	Proxy means test
PPMR	Project Performance Monitoring Report
RdO	Red de Oportunidades [Opportunities Network]
SI AFPA	Sistema Integrado de Administración Financiera de Panamá [Integrated Financial Administration System of Panama]
SIG	Sistema de Información Gerencial [Management Information System]
SSPS	Secretaría del Sistema de Protección Social [Secretariat of the Social Protection System]
UEAF	Unidad de Enlaces Administrativo-Financieros [Financial and Administrative Liaison Unit]

UGAF	Unidad de Gestión Administrativa y Financiera [Financial and Administrative Management Unit]
UNDP	United Nations Development Programme

## PROJECT SUMMARY

### PANAMA SOCIAL PROTECTION PROGRAM – PHASE I (PN-L1007)

Financial Terms and Conditions <sup>1</sup>					
Borrower: Republic of Panama				Amortization period:	25 years
Executing agency: Ministry of Social Development (MIDES) and Ministry of Health (MINSA)				Grace period:	6 years
				Disbursement period:	5.5 years
Source	Phase I (US\$ millions)	%	Phase I (US\$ millions)	Interest rate:	Adjustable
IDB (OC):	US\$20.17	43.0	20.0	Inspection and supervision fee:	0%
Local:	US\$2.77	6.0	0	Credit fee:	0.10% per annum on undischursed balance
World Bank:	US\$24.00	51.0	0	Currency:	U.S. dollars from the Single Currency Facility
Total:	US\$46.94	100.00	20.0		
Project at a glance					
<p><b>Project objective:</b> The objective of the program is to strengthen the Red de Oportunidades [Opportunities Network] (RdO) with a view to improving living conditions for extremely poor households in indigenous, rural, and urban-fringe areas of the country. The program's specific purpose is to leverage the human and social capital of RdO beneficiary households (see paragraph 2.1).</p> <p><b>Special contractual conditions:</b> (i) As a condition precedent to disbursement of funding for subprogram 1, MIDES must have set up a financial accounting information system (see paragraph 3.10) and created the Financial and Administrative Liaison Unit (UEAF) and staffed it with at least four specialists (see paragraph 3.7); (ii) As a condition precedent to disbursement for subcomponent 2.c., MIDES and the Electoral Court must have signed a technical agreement on the execution of subcomponent 2.c. as set out in paragraph 3.15; (iii) As a <b>special execution condition</b>, the Opportunities Network Operations Manual must have been presented to the Social Cabinet during year one of the program (see paragraph 3.11); (iv) to gradually assume the cost of staff referred to in paragraph 2.6; and (v) As a <b>condition previously fulfilled</b>: MINSA and MIDES approved those sections of the Opportunities Network Operations Manual outlining the implementation responsibilities of MIDES and MINSA with respect to program financing (see paragraph 3.11).</p> <p><b>Exceptions to Bank policies:</b> Authorization is requested for a joint account with the World Bank for subcomponents 1.b., 2.a., 3.b., and 3.e. that exceeds the limits established in the Proposal for Sector-Wide Approaches (document GN-2330-6) (see paragraph 3.23).</p> <p><b>Project consistent with country strategy:</b> Yes [ X ]      No [ ]  <b>Project qualifies as:</b>      SEQ [ X ]      PTI [ X ]      Sector [ ]      Geographic [ X ]      Headcount [ X ]</p> <p><b>Procurement:</b> The original procurement plan covering the entire program was prepared jointly with the Government of Panama and the World Bank (see paragraph 3.24). Procurements paid for out of the joint account will be made in accordance with World Bank procurement procedures, and the World Bank will conduct the corresponding process review.</p> <p><b>Verified by CESI on:</b> On 16 March 2007 (meeting 10/07), CESI indicated the project team had successfully incorporated its recommendations into the project report.</p>					

<sup>1</sup> The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.\*

\* With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

## I. FRAME OF REFERENCE<sup>1</sup>

### A. Patterns of poverty and monetary inequality

- 1.1 Between 1997 and 2003, Panama's economy grew at an average annual rate of 3.5%. Yet during the same period the country's overall poverty rate edged down from 37.3% to 36.8% although the number of poor actually rose by 100,000 owing to overall demographic growth. There was a significant reduction in extreme poverty, however, which declined from 18.8% in 1997 to 16.6% in 2003, and this translated into a moderate decrease in the actual number of extremely poor people. The available information is insufficient to determine whether or not the higher growth rates seen in recent years have made a deeper dent in poverty rates.
- 1.2 These patterns exhibit striking differences across geographic zones. In indigenous rural and urban areas, the level, depth, and severity of poverty and extreme poverty all increased between 1997 and 2003 (the last year for which official estimates are available). In nonindigenous rural areas, though, poverty and extreme poverty were down. Migration from the countryside to the cities has contributed to a deepening of poverty. Virtually the entire population in indigenous rural areas is poor (98.4%), and the vast majority is extremely poor (90%).
- 1.3 According to the 2003 Standard of Living Survey (ENV), there are nearly 290,000 indigenous people in Panama (approximately 9.6% of the total population). The indigenous population belongs to seven different groups. Approximately 54% of the indigenous population belonging to the five largest groups live in semi-autonomous indigenous reserves called *comarcas*: the Ngöbe-Buglé (approximately 175,000) live near the border with Costa Rica; the Kuna (about 92,000) in the San Blas archipelago; and the Emberá-Wounan (roughly 33,000), live in Darién. The other two groups are the Bri-Bri and the Naso (Teribe) in Bocas del Toro.
- 1.4 The densely populated Province of Panama accounts for 25.5% of all the country's poor. More than 40% of the extremely poor people in the country reside in indigenous areas, however. Panama is one of the countries with the greatest inequality. The poorest 20% of the population receives just 1.9% of total income while, at the other extreme, the richest 20% take in 61.2% of the total. In all, 70% of this inequality is attributable to differences existing across municipalities (*corregimientos*). The stark income inequality in the country reflects the enormous gap between the extremely poor and the nonpoor in terms of human, physical, and financial capital. These discrepancies are also the source of the inequitable capital accumulation patterns observed between children in extremely poor households and nonpoor households.

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<sup>1</sup> Most of the information given in the initial sections of this chapter has been drawn from reports issued by the Social Policy Department of the Ministry of Economic Affairs and Finance entitled "*Pobreza y Desigualdad en Panamá. La Equidad: un Reto Impostergable*" (2006) and "*Perfil y Características de los Pobres en Panamá*" (1997).

## **B. Inequality in human capital accumulation**

- 1.5 **The challenge of equity in education.** In comparison with the other Central American countries, Panama has a high literacy rate for its population aged 15 years and over (93.1%). Within that age group, however, 26% of the extremely poor do not know how to read or write, and in the indigenous areas, the figure rises to 40%. The average number of years of completed schooling among the population aged 25 and over is 10 in urban areas, barely six in nonindigenous rural areas, and a scant three years in indigenous rural areas. The female indigenous population's school-year completion rate is one half that of the male population. Progress in narrowing these gaps notwithstanding (see paragraphs 1.6-1.7), in terms of opportunities, these differences persist. Some 20% of indigenous youth between the ages of 15 and 24 are illiterate.
- 1.6 The duration of compulsory school attendance in Panama is 11 years (two preschool grades, six primary grades, and three pre-secondary grades). Net preschool coverage doubled between 1997 and 2003. The expansion in coverage was particularly sharp in nonindigenous and indigenous rural areas, increasing to 45% and 37.2%, respectively. This improvement has been made possible by the expansion of the nonformal model exemplified by the Family and Community Early Education Centers (CEFACEI). Thanks to this model's acceptance by the relevant communities and its positive results, the Ministry of Education (MEDUCA) is extending its coverage in the country's 300 poorest *corregimientos* with the help of the recently redesigned Educational Development Project (1013/OC-PN).
- 1.7 Coverage is substantially higher for primary education than it is for the other two compulsory levels. The ENV indicates that in 2003 primary education had the quite high net coverage rate of 94.2%. In indigenous areas, coverage was only 83.3%, however, with relatively little headway being made since 1997. In view of the country's high repeater rates, improving primary school progression, especially among extremely poor and indigenous populations, is the most important challenge to be addressed. Pre-secondary and secondary coverage rose between 1997 and 2003. The increase in net coverage was particularly large in nonindigenous and indigenous rural areas (from 50% to 63.2% and from 17.5% to 28.8%, respectively). Despite these advances, the gap between urban and indigenous areas' net pre-secondary coverage rates amounts to 50 percentage points. With the help of the Educational Development Project (1013/OC-PN), MEDUCA is launching a multigrade strategy for pre-secondary education that targets the poorest *corregimientos* in an effort to narrow the access gap and ensure a better-quality education.
- 1.8 In addition to the supply constraints that MEDUCA is addressing, extremely poor households are also faced with demand-side barriers. The authorities and representatives of the indigenous populations of five *comarcas* participated in the

reporting and consultation process<sup>2</sup> carried out during the program's preparation: the Ngäbe Bugle, Kuna Yala, Kuna de Madugandí, Kuna de Wargandí, Emberá-Wounan, and the Naso. This process made it clear that these households' shortage of resources (e.g., school supplies, clothing, transportation) is the main reason why boys and girls do not go to school or withdraw before completion. This finding is corroborated by the ENV results, which indicate that the poor pay out proportionally more than the nonpoor to send their children to school.<sup>3</sup>

- 1.9 Educational programs' shortcomings in terms of linguistic and cultural relevance are also viewed as a limitation by indigenous communities. A number of interventions are being implemented to address this problem. With support from the Educational Development Project and the Second Basic Education Program funded by the World Bank, MEDUCA has printed up textbooks, teachers' guides, and teacher-training materials for the Kuna, Ngäbe, and Emberá-Wounan and has developed methodological tools for teaching Spanish as a second language in the first three primary grades. Steps are currently being taken to replicate this effort at the preschool level.
- 1.10 **The challenge of equity in health and nutrition.** Inequalities in access to preventive health and nutritional services remain stark. For example, the ENV indicates that two thirds of indigenous children under five years of age suffering from respiratory problems and/or diarrhea are not taken to health service facilities. At the national level, over two thirds of such children are brought to such centers. Vaccination coverage for this age group has improved, but the rate for indigenous areas is still between 8 and 10 percentage points below the national average (95%).
- 1.11 The increase in chronic malnutrition (stunting) among children under five years of age between 1997 and 2003 is perhaps the most disturbing finding. According to the 2003 ENV, 20.6% of these children are stunted. The rate for the indigenous population is 56.6%, eight percentage points higher than in 1997. Due, perhaps, to migration from the countryside to the cities, the level of malnutrition among under-fives in urban areas (22.5%) is also alarming, however. The negative impact on these children's development and on their ability to learn once they start school is easy to imagine. These trends cast some doubt on the effectiveness of the preventive strategies carried out in the country. Weight gain during pregnancy is insufficient in the case of 20% of expectant mothers at the national level and is 50% in the case of the indigenous *comarcas*. As a result, between 14% and 24% of children in the *comarcas* have low birth weights. Maternal mortality, which reflects the health status of women of childbearing age, rose from 60 deaths per 100,000

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<sup>2</sup> Azcárate J. L. (2007) "Definición de los modelos de intervención del Sistema de Protección Social en el contexto indígena panameño".

<sup>3</sup> The two poorest quintiles (in terms of consumption) devote 5.3% of their total expenditure to education. This was equivalent to approximately US\$125 per student per year in 2003 (with one third of this sum being used for books and supplies, one fourth for uniforms, and one fifth for transportation). This figure is all the more significant given the fact that it does not include the opportunity cost (or indirect costs) of sending children to school.

live births in 2000 to 70 deaths in 2003 and therefore continues to pose a healthcare challenge. In 2003, only 33% of births in indigenous areas were attended by healthcare personnel.

- 1.12 The evidence shows that, despite the advances made in indigenous areas between 1997 and 2003 in terms of physical availability, sizeable gaps remain between the availability of preventive healthcare and nutritional services for indigenous and nonindigenous rural areas and the supply of such services for urban areas. Consultations with indigenous populations (see paragraph 1.8) have also shown that the services' lack of cultural relevance limits access to health services even when available. They also confirmed that the direct and indirect costs of such services are one of the main reasons why they are not used. This finding is supported by the 2003 ENV, which indicates that economic barriers to the use of healthcare services have a greater impact in indigenous areas (nearly 40%) and among the extremely poor (36%) than at the national level (16%). In 2003, indigenous households' average monthly private expenditure on healthcare for cases of diarrhea and respiratory ailments was nearly US\$7 per child. The expenditure for childbirth care was US\$40.
- 1.13 The institutional challenges that the Ministry of Health (MINSA) will have to grapple with in order to "extend and ensure the primary healthcare strategy with a gender perspective to achieve universal, equitable access for the country's population"<sup>4</sup> are formidable. In recent years, also with the support of the Multiphase Program for the Institutional Transformation of the Health Sector (1350/OC-PN), MINSA is working toward these goals. In fact, expanding the coverage of primary healthcare with the help of the Comprehensive Health Services Package (PAISS) is precisely the area in which the Multiphase Program is making the most solid progress. PAISS delivery is being conducted both under contract by private providers and by roving MINSA teams. PAISS services (encompassing health promotion and disease prevention and treatment) place priority on children and women and include childbirth care. These achievements notwithstanding, major coverage gaps still exist, particularly in the *comarcas*.

### **C. The government's social protection strategy**

- 1.14 In early 2006, the Government of Panama (GOP) launched the Red de Oportunidades [Opportunities Network] (RdO), a national strategy for mitigating and reducing extreme poverty. This strategy, which is designed to promote the use of a comprehensive development policy approach, focuses on reducing extreme poverty and fostering human development by leveraging capacities and creating opportunities to generate equity while diminishing social exclusion in the country. The RdO is designed to move forward in four main strategic directions: (i) a system of conditional cash transfers (CCTs) which are to be disbursed directly to mothers, who will act as the main pillar of this initiative; (ii) delivery of basic health, education, and nutritional services; (iii) partnering with families to foster the social

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<sup>4</sup> "Políticas y Estrategias de Salud: 2005-2009". MINSA (2005).

inclusion of the most vulnerable groups; and (iv) upgrading of housing and capacity-building through rural development investments to generate income. The Secretariat of the Social Protection System (SSPS), which is attached to the Executive Office of the Ministry of Social Development (MIDES), is responsible for the RdO's coordination. Since the RdO's objectives call for a major interagency liaison effort, the line ministries themselves will be in charge of executing sector activities and responsible for improving services and expanding their coverage. The expansion and targeting of CCTs provides the Panamanian government with an enormous opportunity to enhance the distributional impact of its social investments (1.7% of GDP), which in the past were based predominantly on regressive subsidies.

- 1.15 **RdO status and outlook.** The RdO is intended to reach over 75,000 extremely poor households in the country's 623 *corregimientos* (approximately 15% of all Panamanians). The *corregimientos* are gradually being brought into the strategy on the basis of four main considerations: (i) prioritization based on the Composite Marginality Index (ICM) and extreme poverty rates; (ii) availability of the basic infrastructure for the disbursement of cash transfers, which are currently being conducted through fixed-point and roving offices of the Postal and Telegraph Service (COTEL); (iii) availability of some level of basic services; and (iv) the need to ensure that the distribution of beneficiary households mirrors the national distribution of extremely poor households across indigenous, rural nonindigenous, and urban *corregimientos*.
- 1.16 In view of the high rate of extreme poverty in the *comarcas*, all households with children in the eligible age range will receive transfers. In marginal rural and urban *corregimientos*, a proxy means test (PMT) was applied to the results of a Social Vulnerability Survey (EVS) in order to select eligible households.<sup>5</sup>
- 1.17 Beneficiary households receive a monthly transfer<sup>6</sup> of US\$35. This transfer should be contingent upon verified compliance with the following commitments: (i) in education: enrollment and regular school attendance (85%) by children between the ages of 4 and 17 (preschool to pre-secondary grades) and parents' active involvement in the school through the parents association; and (ii) in the area of healthcare and nutrition: regular checkups for children under 5 years of age and for pregnant women and nursing mothers in accordance with the basic maternal and child healthcare protocol, growth promotion and monitoring, and compliance with the complete vaccination schedule. Beneficiary households are considered to be eligible for transfers initially for a maximum of five years, although the relevant services are to be set up in the *corregimientos* on a permanent basis. During the consultation process, representatives of indigenous groups expressed the view that, because traditional subsistence services are insufficient, these transfers will help to improve their families' nutritional status, to cover the direct costs of sending their

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<sup>5</sup> The eligibility criterion currently in use is a probability ratio for extreme poverty of 0.4 or higher.

<sup>6</sup> Deductions for failure to fulfill co-responsibilities are applied to this fixed-sum transfer.

children to primary and, ideally, pre-secondary school, and to defray the transportation costs entailed by the *comarcas* remote locations. In general, the indigenous authorities agree that the women will be the ones who receive and administer the transfers.

- 1.18 Under current eligibility criteria, these transfers' estimated cost over a seven-year time horizon amounts to approximately US\$157 million. Based on the established expansion timetable (see Table I-1), the average annual sum of such transfers will be equivalent to roughly 0.2% of GDP, or just 1.1% of annual public social expenditure.

**Table I-1**  
**RdO EXPANSION AND TRANSFER SUMS**

	Transfer amounts (Millions of US\$)							
Households	2006	2007	2008	2009	2010	2011	2012	Total
20,000 households	8.4	8.4	8.4	8.4	8.4	-	-	42.0
30,000 households	-	12.6	12.6	12.6	12.6	12.6	-	63.0
25,000 households	-	-	10.5	10.5	10.5	10.5	10.5	52.5
<b>Total</b>	<b>8.4</b>	<b>21.0</b>	<b>31.5</b>	<b>31.5</b>	<b>31.5</b>	<b>23.1</b>	<b>10.5</b>	<b>157.5</b>

- 1.19 During 2006 and early 2007, the RdO served 102 *corregimientos*, and around 20,000 households have received at least one payment. In this initial stage, MIDES, through the SSPS, has mounted a major operational effort to select and incorporate beneficiary households and disburse transfers with COTEL support. Current RdO operations do, however, present ample opportunities for improvement, which the Panamanian government should seize upon to ensure the RdO's effectiveness, transparency, impacts, and viability as an extreme poverty mitigation and reduction strategy over the medium and long terms.
- 1.20 The institutional and organizational structure for the RdO's execution and the corresponding operational procedures are being refined as this operation is prepared. The MIDES central and subnational structure, including the SSPS, however, does not have the necessary human resources or technical, operational, or administrative management tools it would need to efficiently implement many aspects of this enterprise. These aspects include, in particular: (i) effective monitoring of households' commitments under this program; (ii) effective, transparent management of the beneficiary roster and its updating on an ongoing basis; (iii) regular disbursement of transfers, since COTEL's operational capacity is limited; (iv) reliable validation of the basic educational, healthcare, and nutritional services made available; (v) a degree of interagency liaison and commitment that is sufficient to permit the planning and expansion of sector program services; (vi) execution of systematic RdO monitoring and evaluation; and (vii) the necessary support needed by households and communities in order to take full advantage of the RdO's benefits.

**D. The Bank's strategy in the sector and lessons learned**

- 1.21 The Inter-American Development Bank's strategy with Panama for 2005-2009, in line with the government's agenda, is aimed primarily at bolstering sustainable economic growth and poverty reduction. It also includes steps for strengthening governance and transparency as a cross-cutting area of endeavor. In order to achieve the core objective, two strategic objectives have been identified: (i) boost the economy's competitiveness; and (ii) develop human and productive capital. The strategy underscores the high levels of inequality that reflect disparities in the distribution of production assets, human capital, and physical and financial assets. Given these circumstances, the strategy calls for the development of a social policy that, on the one hand, is oriented toward boosting the efficiency of social spending by heightening coordination among the agencies working in this sector and that, on the other, institutes social protection measures to combat the intergenerational transmission of poverty by promoting human capital development and inclusion of the poor population.
- 1.22 The Bank has financed a number of social protection programs involving cross-sector activities and CCTs for poor households in such countries as Argentina, Brazil, Colombia, Honduras, Mexico, and Nicaragua. Generally speaking, CCTs outperform other social protection programs in terms of targeting. In other words, CCTs are a good vehicle for channeling resources to the poorest sectors of the population. If they are skillfully implemented, they can increase the equity and efficiency of sector-level social investments.
- 1.23 In countries where efforts to link up demand-side incentives (CCTs) with measures for augmenting supply and service quality have been successful, the package of measures being implemented for this purpose has given rise, in the short term, to sizeable increases in the use of preventive health and nutritional (and especially maternal and child) services and to timely registration and regular school attendance (Schady, 2006; Maluccio y Flores, 2006). In the medium term (2-5 years), the program's achievements include: (i) diminishing stunting in children under 5 years of age and reducing levels of disease among both children and adults; (ii) stimulating school progression; and (iii) promoting gender equity and women's empowerment. The conclusion is therefore that the overall package of measures has contributed to the reduction of inequalities in access to basic services and to progress toward at least five of the eight Millennium Development Goals.
- 1.24 In some countries, evidence is beginning to surface as to the impact that CCTs can have over the medium term in promoting the accumulation of assets (Gertler, Martínez, and Rubio, 2005) and the incorporation of beneficiaries into the formal banking system. Valuable lessons have also been learned in relation to the strategic and operational management of CCTs. The effectiveness of these tools hinges on governments' concerted efforts to narrow the basic-service access gap affecting the poor. A balance between supply-side investments and demand incentives has to be struck. Cross-sector planning and coordination at the central and local levels play a key role, but community dynamics also are crucial. In geographic areas having high

poverty rates and initially limited supplies of services (e.g., Nicaragua), CCTs have led to community empowerment and have generated bottom-up pressure for the strengthening of sector agency programmatic offerings (Maluccio, Murphy, and Regalia, 2007). Without the CCTs and community empowerment, it could have taken longer to expand the coverage of basic preventive health and education services.

**E. The program strategy**

- 1.25 This program has been developed in response to the government's request for IDB support in consolidating the RdO. Financing is to be provided for activities coming under the first three RdO areas of action (see paragraph 1.14). Other IDB and World Bank operations that are now in place or in preparation are backstopping the RdO's fourth main line of action, which entails such initiatives as the Social Housing Program (1629/OC-PN), the Bocas del Toro Sustainable Development Program (1439/OC-PN), the Chiriquí Province Program (1768/OC-PN), the Rural Electrification Program (1790/OC-PN), and the World Bank Water and Sanitation Program.
- 1.26 A lack of resources is a major obstacle to use of basic health and education services by the very poor (see paragraphs 1.8 and 1.12). The program will, therefore, work to strengthen RdO management, monitoring, and evaluation tools as a means of ensuring that its first main component results in efficient use of CCTs that can be effectively linked up to other programs in the sector. The CCTs, disbursement agency fees, and most of the human resources needed to run and oversee the RdO at the subnational level (including the family liaison supervisors) will be fully financed out of national budget resources.
- 1.27 Even if the Panamanian government provides funds to ensure the continuity of the PAISS services currently paid out of the Multiphase Program (1350/OC-PN), there are still major gaps in coverage, especially in the *comarcas*. Improving measures to prevent malnutrition and heighten the services' cultural relevance are also matters of urgency. The program will therefore help close those gaps while promoting the continuity of these services and will strengthen the PAISS by bringing in culturally relevant community protocols to prevent malnutrition. MEDUCA, meanwhile, can use its own resources and Educational Development Project (1013/OC-PN) funds, at least during the coming two or three years, to build up the supply of preschool, primary, and pre-secondary educational services by channeling these resources to the *corregimientos* in the RdO.
- 1.28 The program will support family and community partnering and communication activities, as well as the registration of beneficiaries and the issuance of identity cards to them. Provision of such support is based on active community participation and empowerment, especially in the *comarcas*, being vital to the RdO's success (see paragraph 1.24) and on resolving the problems associated with a lack of documentation being one of the first steps towards achieving social inclusion.

- 1.29 One of Panama's major challenges is to increase the efficiency and improve the targeting of its social expenditure (one of the highest in Latin America and the Caribbean in terms of GDP) so that it can strengthen the linkage between sound growth patterns and sustainable poverty reduction while at the same time using the RdO as a hub for efforts in this connection. Accordingly, the program will support steps to strengthen the social program and policy design, planning, monitoring, and evaluation capacity of the Panamanian government's institutional coordinating structures and its technical and operational support units.

**F. Coordination with other donors**

- 1.30 The financial and technical preparation of the program has been carried out jointly with the World Bank. In fact, all relevant activities, including missions, have been coordinated with that institution. The program employs a sector-wide approach (SWAp), as set forth in document GN-2330-6, and makes use of pooled IDB/World Bank funding for some subcomponents and uniform fiduciary procedures. The SWAp is relevant for this operation because the World Bank and the IDB are working together to support the Panamanian government's consolidation of its social protection sector framework and the RdO's implementation as a comprehensive national strategy for extreme poverty reduction and relief.

## **II. PROGRAM OBJECTIVES AND DESCRIPTION**

**A. Objectives**

- 2.1 The program's objective is to strengthen the RdO with a view to improving the living conditions of extremely poor households in indigenous, rural, and urban-fringe areas of the country. Its specific purpose is to leverage the RdO beneficiary households' human and social capital. To achieve these aims, the program will support the Panamanian government's efforts to: (i) heighten the CCT component's effectiveness by strengthening the RdO's technical management, operational, and administrative tools; (ii) promote partnering and measures for reducing the social exclusion of beneficiary households so that they can take full advantage of RdO benefits; (iii) expand the coverage and boost the quality of maternal and child healthcare through culturally relevant community activities to promote growth and prevent malnutrition; and (iv) build up the Panamanian government's capacity to formulate social policies and programs, coordinate their operational and budgetary aspects, undertake strategic evaluations, and strengthen MIDES's ability to oversee the social assistance and protection sector.

**Table II-1**  
**PRELIMINARY INDICATORS OF EXPECTED IMPACTS**

- A net reduction (relative to the baseline and a control group) of two percentage points in the prevalence of chronic malnutrition among boys and girls under five years of age after 24 months and of four percentage points after 48 months.
- A net increase (relative to the baseline and a control group) of 0.2 grades in average cumulative years of schooling for boys and girls aged 6-14 after 24 months and of 0.5 grades after 48 months.

## **B. Program description**

- 2.2 The program provides support for social protection in two phases: the first will involve US\$20.17 million in funding and the second, US\$20 million. These two phases will be executed over a period of approximately nine years (five for the first phase and four for the second). The multiphase design of this project is intended to provide a realistic medium-term time horizon in which the IDB can support the Panamanian government's efforts to: (i) consolidate the RdO's operational, administrative, and technical management mechanisms; (ii) use the findings of RdO operational and impact evaluations to fine-tune its design; (iii) enhance basic service quality and cultural relevance; and (iv) increase the effectiveness and efficiency of the country's high levels of social expenditure. The Phase II activities will draw upon the lessons learned during this phase to support a possible extension of the eligibility deadline for transfers and changes in this component's structure, a subsequent expansion of program services (for instance, in health, nutrition, education, and adjustments in the RdO's operational structure). The triggers for Phase II are set out in Table II-2.

**Table II-2**  
**PHASE II TRIGGERS**

- i. RdO expansion to include at least 500 *corregimientos* and 60,000 households.
- ii. Increases of between seven and four percentage points in net preschool and primary education enrollment, respectively.
- iii. Coverage for at least 30,000 children aged 0-5 years in the growth and development promotion and monitoring program.
- iv. Operation of the Opportunities Network Management Information System (SIG) by the end of the first year of Phase I.
- v. SIB monitoring of the fulfillment of co-responsibilities on a regular basis (as provided in the Operations Manual) in 50% of beneficiary households 24 months into the program and in 90% of households 48 months into Phase I.
- vi. A total of 60% of the CCTs delivered at the time the program midterm evaluation is performed reach households in the two poorest quintiles as defined by the national distribution of per capita household consumption.
- vii. External operational process and impact evaluations (including targeting performance) using medium-term and program-completion timeframes.
- viii. Between 3 and 4 years into Phase I, recertification of at least 60% of RdO-beneficiary households prior to IDB approval of Phase I, and a plan for completing the recertification of the other 40%.
- ix. Disbursement of at least 50% of the financing for Phase I and 75% of commitments.

**1. Component 1. RdO management, monitoring, and evaluation (US\$9.99 million; US\$3.84 million of IDB funding)**

- 2.3 This component's objective is to augment the effectiveness, efficiency, and governance of RdO management and ensure the implementation of an effective CCT model. Five subcomponents will be funded to accomplish this objective.
- 2.4 **Subcomponent 1.a. Strengthening RdO effectiveness and efficiency (US\$2.68 million).** The objective is to strengthen the RdO's operational, administrative, and technical management tools. Funding will be provided for technical assistance to: (i) restructure the beneficiary database; (ii) develop and implement the SIG in accordance with RdO Operations Manual guidelines; (iii) train RdO staff at headquarters and at the provincial/*comarca* level in SIG management; and (iv) analyze and support alternative CCT payment mechanisms. Financing will also be provided for: (i) the design and printing of forms and guidelines for beneficiary registration and recertification procedures, card renewals, validation of basic services, verification of co-responsibility compliance; (ii) training in the use of guidelines and formats for service providers and RdO staff; and (iii) procurement of information and communications hardware and tools to support SIG operations at the central and provincial/*comarca* levels and maintenance expenses.
- 2.5 **Subcomponent 1.b. CCT impact and process evaluation (US\$1.03 million).** The objective is to support MIDES implementation of a plan for external (qualitative, quantitative, and targeting) impact and operational evaluations of RdO processes (see paragraph 3.29). The evaluation will provide inputs for improving the CCT design and operational mechanisms, which will in turn contribute to the RdO's long-term sustainability. Financing will be provided for the following aspects of the external impact evaluation: (i) technical assistance for the design and production of questionnaires, survey analysis for quantitative studies, standardization and analysis of qualitative interviews, and report preparation; and (ii) information-gathering and screening expenses. For the external operational procedures evaluation, technical assistance for the compilation and analysis of information and report preparation will be funded. Financing will also be furnished for: (i) spot checks to verify monitoring of co-responsibility; and (ii) surveys to gauge the quality of services received by RdO beneficiaries.
- 2.6 **Subcomponent 1.c. RdO management (US\$4.86 million).** The objective is to endow MIDES with the human resources it needs to make RdO interventions more effective and to deal with the challenges involved in expanding it. Phased-down funding will be provided for the following services for approximately: (i) 21 professional staff at the central level to strengthen the SSPS technical, operational, and communications areas and MIDES financial, procurement, and treasury management functions, the cost of which will be borne by the borrower as a special execution condition: 20% at the start of year two and 80% at the start of

- year five of the program; and (ii) approximately five professional staff for each provincial/*comarca* bureau (see paragraphs 3.6-3.8).
- 2.7 **Subcomponent 1.d. Strengthening RdO governance (US\$1.17 million).** Funding will be furnished for technical assistance to support the design and implementation of procedures for strengthening RdO governance and oversight in such areas as complaint and appeals management, client services, and social audits.
- 2.8 **Subcomponent 1.e. Auditing (US\$250,000).** Financing will be provided for a one-time annual program audit and a single final audit. This funding will be separate from program funding sources (see paragraph 3.21).
- 2. Component 2. Social inclusion (US\$10.59 million, US\$5.1 million in IDB funding)**
- 2.9 The objective is to promote RdO households' inclusion while safeguarding their cultural and ethnic diversity and contributing to the full utilization of RdO benefits. The program is expected to provide guidance to households and communities in gaining access to RdO services, encourage them to use those services and meet their RdO commitments, foster linkages with other programs offered by government and nongovernmental agencies, and provide opportunities for social participation and audits. Three subcomponents will be funded in order to accomplish this objective.
- 2.10 **Subcomponent 2.a. Direct support for beneficiary households and communities (US\$8.03 million).** The objective is to offer a package of services for: (i) orienting and guiding RdO beneficiary households so that they can make the most of the program and access the full range of RdO services; (ii) providing technical assistance and training so that community organizations can ensure full community participation in the RdO and conduct social audits effectively; and (iii) supporting RdO operations at the provincial and local levels. These services will be delivered by specialized technical teams to be recruited by MIDES to serve groups of no fewer than 500 households per team. These services will be provided over a period of approximately 30 months. The technical teams will be composed primarily of social workers (of whom at least one should be from the area in question), but may draw upon the services of professionals in other fields to respond to specific problems that arise in the community.
- 2.11 Some of the Technical teams' specific tasks, as detailed in the RdO Operations Manual, will be: (i) to hold induction workshops to inform beneficiary households about their rights and duties and about RdO operating procedures and activities (payments, registration and issuance of identity cards, health and nutrition interventions, etc.); (ii) to familiarize community leaders with RdO operational rules; (iii) to support, in coordination with provincial offices and MIDES family liaison supervisors, the formation and training of family committees or other community organizations to monitor RdO operations and help ensure that the network runs smoothly, and to train members of these organizations in the use of social audit instruments; (iv) to help to link RdO beneficiary households up with the

programs offered by RdO agencies and with job training and income-generating activities made available by governmental and nongovernmental organizations; and (v) to provide direct, ethnically and culturally relevant training in specific priority areas for the community using the RdO training protocol (e.g., personal care and hygiene, gender equity, prevention of child abuse). If, in exceptional cases, MIDES is unable to recruit a family liaison supervisor (see paragraph 3.8) in a beneficiary community, the relevant Technical teams may provide logistical support for local RdO operations (e.g., checking on the supply of services or collecting co-responsibility forms).

- 2.12 In order to standardize services and ensure their quality, the Technical teams should take part in the training events offered by MIDES. Technical assistance will be funded for: (i) preparation of culturally relevant training protocols; and (ii) design and printing of registration cards and culturally relevant training materials for households and for community organizations and committees.

- 2.13 **Subcomponent 2.b. Information, education, and communications strategy (US\$2.06 million).** The objective is to ensure broad dissemination and familiarity with RdO operational rules on the part of the general public, national and local government authorities, traditional authorities, community organizations, and the media. Achievement of this objective is essential to ensure the RdO's credibility and transparency and will be crucial to its sustainability. This subcomponent will finance: (i) technical assistance for the design and implementation of an ethnically and culturally relevant communications, education, and information strategy based on a gender perspective that is culturally and ethnically relevant; (ii) workshops and consultations; (iii) design and printing of information materials; (iv) national and community radio spots; (v) development of an Internet portal; and (vi) an evaluation of the communications strategy.

- 2.14 **Subcomponent 2.c. Civil registry (US\$500,000).** The objective is to support the registration and issuance of identity cards to people who EVS surveys show are undocumented to ensure they can exercise their right to access basic services, with priority being given to people in the *comarcas*. Financing will be provided for: (i) traveling expenses for teams from the National Civil Registry Bureau and the National Identification Certification Bureau of the Electoral Court; (ii) training activities for the assistants who currently register births and deaths; (iii) basic portable computer equipment; and (iv) mobile teams for issuance of identity cards.

### **3. Component 3. Strengthening maternal and child health services (US\$20.76 million; US\$10.3 million of IDB financing)**

- 2.15 The objective is to help expand coverage of preventive maternal and child health services for children under five years, pregnant women, and nursing mothers in the *comarcas* and to upgrade services by carrying out culturally appropriate activities designed to change eating habits and improve childcare practices in the home and community. PAISS coverage is to be expanded from approximately 120,000 to 180,000 people in the *comarcas*, and about 30,000 children will be covered by the

Integrated Community Child Health Program (AIN-C). Financing will be furnished for expanding PAISS coverage through extra-governmental organizations (EOs) and institutional tours (ITs) and for increasing the availability of services based on the AIN-C model<sup>7</sup> for promoting and monitoring growth and preventing malnutrition within the framework of the PAISS (henceforth PAISS+N).

- 2.16 **Subcomponent 3.a. Strengthening the PAISS through community pro-growth and malnutrition-prevention interventions.** (US\$420,000). The objective of this subcomponent is to strengthen the PAISS with interventions based on the AIN-C model and to enhance its cultural relevance. Financing will be provided for technical assistance: (i) to enable the MINSA Office of Nutrition to develop culturally relevant protocols for AIN-C-type community interventions; (ii) to evaluate the supplementary food plan; (iii) to help MINSA to review and fine-tune PAISS protocols based on an intercultural perspective and measures for making these services more acceptable in the *comarcas*; and (iv) development of the educational communications strategy and design materials for use in AIN-C-type interventions.
- 2.17 **Subcomponent 3.b. Expansion of the PAISS+N by extra-governmental organizations (EOs) (US\$11.9 million).** This subcomponent will finance the contracting of EOs to expand the PAISS+N service package (service contracts will also include community diagnostic assessments of children's status, training and incentives for monitors, and working tools).
- 2.18 **Subcomponent 3.c. Expansion of the PAISS+N through ITs (US\$6.38 million).** This subcomponent will finance the expansion of the PAISS+N service package through ITs. Financing will be provided: (i) on a declining basis, for professional services and per diems for one nutritionist for each roving team (preferably one who has a command of the language spoken in the relevant *comarca*) and two nutritionists at the central level; (ii) for recruitment, training, and incentives for monitors; (iii) for training for midwives; (iv) for communications equipment and its maintenance; (v) for working tools (instruments for measuring height and weight, etc.); and (vi) for printing and distribution of culturally appropriate community educational and training materials. This subcomponent will also finance training for IT and EO staff to ensure proper delivery of PAISS+N services.
- 2.19 **Subcomponent 3.d. Building MINSA's institutional capacity for supervision of the PAISS+N (US\$1.12 million).** The objective is to build up central and regional MINSA units' capacity for supervising the delivery of PAISS+N services by EOs and ITs. The program will finance supervisory costs (including the printing of

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<sup>7</sup> The AIN-C model relies on monitors (mothers within the community) to secure households' and the community's active participation in pro-growth activities for children under two years (or three in some cases). These activities focus on instructing, with support from nutritionists, pregnant women, nursing mothers, and the children's caregivers in proper nutritional and food handling practices and teaching them to identify warning signs when children are ill and to know when to seek assistance from healthcare providers.

materials) and technical assistance for strengthening: (i) EO and IT oversight and auditing protocols; and (ii) computerized management systems, which will also involve the procurement of hardware.

- 2.20 **Subcomponent 3.e. Monitoring and evaluation (US\$940,000).** The objective of this subcomponent is to support PAISS+N monitoring and measurement of the impact of community interventions to prevent malnutrition (see paragraph 3.29). The subcomponent will finance technical assistance for: (i) supplementing the RdO's SIG with a special module for monitoring PAISS+N outputs; and (ii) designing and reproducing surveys to gauge the impact of community malnutrition-prevention measures, analyzing the results (taking cultural relevance into account), and preparing the corresponding reports. The operating expenses involved in gathering and screening the information and holding technical workshops for the discussion and dissemination of the findings will also be financed.

**4. Component 4. Building the Panamanian government's capacity to design, implement, and monitor social policies and programs (US\$5.6 million; US\$930,000 of IDB financing)**

- 2.21 The objective is to support Panamanian government capacity-building in the areas of social policy and program design, operational coordination, budget planning, and strategic evaluation of social policies and programs through the appropriate institutional structures, such as the Social Cabinet (GS)<sup>8</sup> and its technical and operational units, including the GS Technical Secretariat, which is attached to MIDES, and the GS Multisector Commission. This component will also seek to reinforce MIDES' capacity to oversee the social protection and assistance sector by supporting the ministry's revamping of its institutional structures with a view to boosting its program design, planning, administration, monitoring, and evaluation capacities. To achieve these aims, the program will finance three subcomponents.
- 2.22 **Subcomponent 4.a. Building social-sector management, coordination, and monitoring capacity (US\$1.05 million).** The objective is to promote the GS technical and operational support units' consolidation as a means of enhancing the Panamanian government's design, budget planning, operational coordination, and strategic evaluation of social policies and programs. Technical assistance for the review and, if necessary, modification of existing interagency coordination protocols and frameworks will be financed. The subcomponent will also fund technical assistance for the design of conceptual tools and common guidelines for monitoring social-sector investments and the development and implementation of: (i) an integrated information system that will incorporate data from the various agencies working in the social sector; and (ii) governance mechanisms to help increase transparency and make social spending more efficient.

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<sup>8</sup> Created by Executive Order No. 306 of 15 December 2004, the GS advises the Executive Branch and the Cabinet Council on social development issues.

- 2.23 **Subcomponent 4.b. Social-sector knowledge creation (US\$3.51 million).** The objective of this subcomponent is to build the Panamanian government's capacity to gather the necessary input for decision-making and guidance on channeling social-sector investment in a timely manner. Technical assistance for the preparation of the following items will be financed: (i) sector diagnostic assessments; (ii) specific studies on such subjects as, for example, the impact and efficiency of social expenditures, gaps in service coverage, or the efficiency of operating procedures; (iii) proposals for restructuring and rationalizing sector expenditures; and (iv) studies on the population's living conditions and updated poverty maps. Impact and process evaluations will be financed, as will institutional evaluations of specific programs and Panamanian government staff training activities dealing with such subjects as methodological and measurement issues.
- 2.24 **Subcomponent 4.c. Building MIDES capacity (US\$930,000).** The objective is to build capacity in MIDES for the design, planning, execution, monitoring, and evaluation of social assistance and social safety net programs. To this end, the program will support MIDES<sup>9</sup> in its institutional overhaul and consolidation process and will backstop the RdO's incorporation, over the medium term, into the ministry's institutional structure. The aim is to complement subcomponent 1.a. activities for improving the RdO's specific management tools.
- 2.25 The program will finance technical assistance, specific specialized consulting services, and training activities to support: (i) adjustment and optimization of the MIDES administrative and operational structure (mission reviews, assessment of functional relationships and posts, and the design of job profiles, definition of staff policy and training protocols, preparation of procedural manuals); (ii) MIDES capacity-building in relation to its fiduciary duties and its financial, human resources, and goods and services management procedures; (iii) adaptation of support systems to the requirements of financial management processes; (iv) management capacity-building for MIDES's offices in the provinces and *comarcas*; (v) definition of a national strategic framework for social assistance and protection based on the experience gained by the RdO; (vi) development of mechanisms that MIDES can use to coordinate the efforts of stakeholders operating in the social assistance and protection sector; and (vii) MIDES capacity-building for the supervision and evaluation of its programs and the development of computer tools to provide it with support in this area.

### C. Cost and financing

- 2.26 The total cost of Phase I of the program is estimated at US\$46.94 million; US\$20.17 million of this amount will be financed by the IDB out of its Ordinary Capital, US\$24.0 million will be furnished by the World Bank, and US\$2.77 million in counterpart funding will be supplied by the Panamanian

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<sup>9</sup> MIDES was created by Law 29 of 2005 upon the dissolution of the Ministry for Youth, Women, Children, and the Family.

government. Table II-3 provides a breakdown of the costs by source and investment category.

**Table II-3**  
**COSTS AND FINANCING, BY COMPONENT (in US\$ millions)\***

<b>Investment category</b>	<b>IDB</b>	<b>World Bank</b>	<b>GOP</b>	<b>Total</b>
<b>1. Management, monitoring, and evaluation</b>	<b>3.84</b>	<b>4.05</b>	<b>2.10</b>	<b>9.99</b>
1.a Strengthening RdO effectiveness and efficiency	1.44	1.08	0.16	2.68
1.b CCT impact and process evaluation	0.53	0.50	-	1.03
1.c RDO management	1.62	1.30	1.94	4.86
1.d Strengthening RdO governance	-	1.17	-	1.17
1.e Program audits	0.25	-	-	0.25
<b>2. Social inclusion</b>	<b>5.10</b>	<b>5.45</b>	<b>0.04</b>	<b>10.59</b>
2.a Direct support for beneficiary households and communities	4.64	3.39	-	8.03
2.b Information, education, and communication strategy	-	2.06	-	2.06
2.c Civil registry	0.46	-	0.04	0.50
<b>3. Strengthening of maternal and child healthcare services</b>	<b>10.30</b>	<b>9.94</b>	<b>0.52</b>	<b>20.76</b>
3.a Strengthening of the PAISS	-	0.42	-	0.42
3.b Expansion of PAISS+N by EOs	3.05	8.85	-	11.90
3.c Expansion of PAISS+N by means of ITs	6.06	-	0.32	6.38
3.d Building MINSA's institutional capacity for supervision of PAISS+N	0.92	-	0.20	1.12
3.e Monitoring and evaluation	0.27	0.67	-	0.94
<b>4. Building GOP capacity for social policy and program design, implementation, and monitoring</b>	<b>0.93</b>	<b>4.56</b>	<b>0.11</b>	<b>5.60</b>
4.a Building social-sector management, coordination, and monitoring capacity	-	1.05	-	1.05
4.b Creation of social-sector knowledge	-	3.51	-	3.51
4.c Building MIDES' capacity	0.93	-	0.11	1.04
<b>Total</b>	<b>20.17</b>	<b>24.00</b>	<b>2.77</b>	<b>46.94</b>
<b>Percentage</b>	<b>43%</b>	<b>51%</b>	<b>6%</b>	

The GOP is assuming the financial cost of this operation.

### III. PROGRAM IMPLEMENTATION

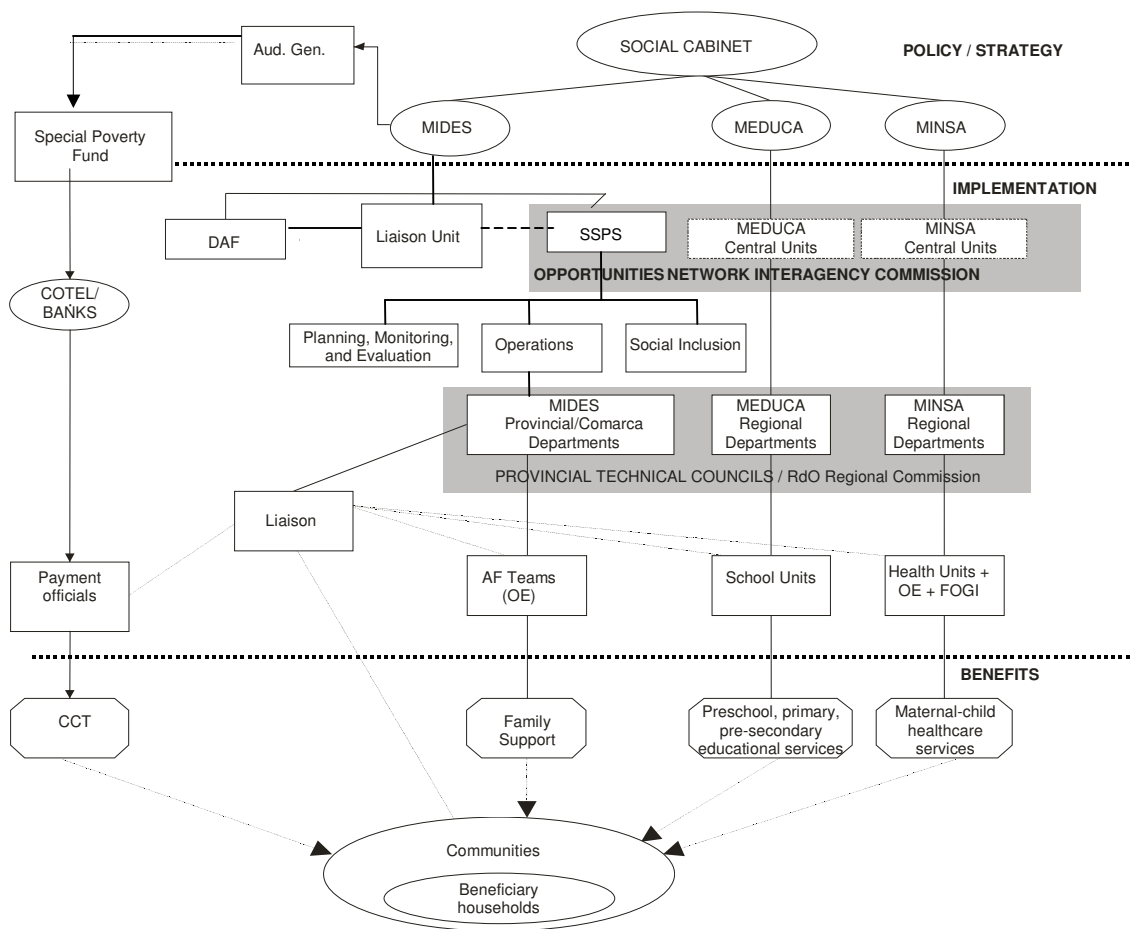
#### A. Borrower, guarantor, and executing agency

- 3.1 The Republic of Panama will be the borrower. MIDES will be the executing agency for components 1, 2, and 4 (henceforth "subprogram 1") and MINSA will be the executing agency for component 3 (henceforth "subprogram 2") of phase I of the program.

## B. Opportunities Network implementation scheme

- 3.2 The RdO has a cross-sector implementation scheme. The network provides for integrated interventions, and it has units at the various national and subnational governmental levels to coordinate such actions. Figure III-1 shows the principal ways in which the various levels are connected with one another.

**Figure III-1**  
**OPPORTUNITIES NETWORK IMPLEMENTATION SCHEME**



- 3.3 **Strategic policy coordination unit at the central level.** The GS is the top coordinating unit for strategic policy matters, oversight, and monitoring of social

policy in general and of the RdO in particular.<sup>10</sup> The GS' functions are to: (i) ensure that the programs offered in this sector keep pace with the CCT initiative as it expands; (ii) approve the RdO's annual expansion plans; and (iii) monitor the RdO's progress toward its goals.

- 3.4 **Technical and operational coordination at the central level.** The Interagency Commission for the Opportunities Network (CIRO), whose members will include at least MIDES, MEDUCA, MINSA, and the Ministry of Economy and Finance, will coordinate the Opportunities Network's technical and operational linkages and provide advisory assistance to the GS. CIRO will be coordinated by MIDES. Its functions are described in the Operations Manual and include coordinating the planning of sector interventions as they relate to RdO expansion goals and ensuring their compatibility when preparing the RdO's consolidated annual work plan.
- 3.5 **Technical and operational coordination at the subnational level.** The governors of the country's 12 provinces (including the three indigenous *comarcas*), who are appointed by the President, each coordinate a Provincial Technical Board (JTP). The JTP is composed of the regional directors for the line ministries and popularly elected representatives of the *corregimientos*. The governor works in coordination with the *corregimiento* representatives to bring the RdO into the communities, and the JTP provides local coordination for actions across sectors and ensures that the sector programs offered in the province keep pace with the expansion of the CCT initiative.
- 3.6 **Implementation.** As the highest authority in the social protection and assistance sector, MIDES is responsible for managing the RdO and providing it with technical guidance through the SSPS, which is attached to the Ministry's Executive Office. The SSPS functions outlined in the Operations Manual include responsibility for: (i) managing, implementing, and supervising all technical and operational aspects of the CCTs;<sup>11</sup> (ii) administering the SIG; (iii) coordinating payment procedures and clearance of transfers with COTEL or another payment agency, the Auditor General of the Republic, and the National Treasury; (iv) implementing direct household and community support services; (v) coordinating identity card processing and issuance with the Electoral Court; (vi) implementing the communications strategy; and

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<sup>10</sup> The members of the GS are the President of the Republic and the Minister for Social Development, who serves as technical coordinator and chairs GS meetings in the President's absence. Responsibility for GS policy coordination rotates among the GS member ministries: the Office of the Presidency, Education, Health, Public Works, Agricultural Development, Economy and Finance, Labor and Worker Development, Housing, Interior and Justice, Trade and Industries, Foreign Relations, and the Tourism Authority. The First Lady serves as an *ad honorem* advisor to the GS.

<sup>11</sup> Particularly in the areas of geographic targeting, the EVS, the selection of eligible households with the help of the PMT, management and continuous updating of the roster of beneficiaries, validation of the supply of services at the local level in coordination with the relevant sectors, identification of CCT payment mechanisms, compilation and processing of information registered in the healthcare and education sectors on beneficiary household fulfillment of their co-responsibilities, and implementation of program governance mechanisms.

- (vii) monitoring and evaluating the RdO. In order to carry out its work, the SSPS will have three coordination offices: Operations; Planning, Monitoring, and Evaluation; and Social Inclusion. The line ministries will be in charge of expanding the supply of educational, health, and nutrition services.
- 3.7 The MIDES Administration Department (DA) is the body responsible for handling administrative procedures for such contracts, purchase orders, and service orders that the Opportunities Network may require. The MIDES Finance Department (DF) is the body responsible for administration of financial and budget resources of the RdO. To build up MIDES' financial management and procurement capacity as it applies to this program, support will be provided to the DA, the DF, and the SSPS with the help of a Financial and Administration Liaison Unit (UEAF) that will be attached to the MIDES Executive Office. The UEAF staff will include a liaison coordinator, a procurement specialist, a financial management specialist, and a financial assistant, who will work within the DF. **As a special condition precedent to subprogram 1 disbursements, MIDES will need to have set up the UEAF and recruited at least these four specialists.**
- 3.8 At the subnational level, MIDES has 12 provincial/*comarca* offices. Each office has an RdO Regional Coordinator who is in charge of implementing the network in the *corregimientos* in close coordination with other bodies working in the sector. The RdO's regional coordinators will have three regional supervisors to assist with operations in the *corregimientos* in the areas of family liaison, family support, and beneficiary registration. The family liaison supervisors will be in charge of organizing a range of activities, including the notification of beneficiary households, CCT payment logistics, and the collection of household co-responsibility forms.
- C. Program implementation**
- 3.9 MIDES will shoulder the technical and financial management responsibilities for subprogram 1 and will be the focal point for pooling program information. MINSA will bear the technical and overall financial management responsibilities for subprogram 2.
- 3.10 Through DA and DF/MIDES (with the backing of the UEAF), in the case of subprogram 1, and MINSA's Financial and Administrative Management Unit (UGAF) (see paragraph 3.17) in the case of subprogram 2, the borrower will perform the following actions: (i) implement and maintain suitable systems for contract management, financial administration, and internal controls over loan resources that comply with IDB requirements; (ii) prepare subprogram financial reports, audited financial statements, and other such documents; (iii) maintain a suitable filing system for the supporting documentation on eligible expenditures for verification by the IDB and external auditors; (iv) develop and draft annual work plans (AWPs) and semi-annual monitoring reports; (v) carry out procedures for the procurement of goods, works and consulting services and authorize the corresponding payments; and (vi) fulfill the terms of the loan contract and monitor

compliance. MIDES, through the UEAF coordinator, will assume responsibility for consolidating program technical and financial information and presenting it to the IDB and World Bank. This information will include, but not be limited to: (i) the AWP; (ii) the semiannual progress reports; and (iii) the program's financial reports and audited financial statements. Accordingly, MINSA, through the UGAF, will be responsible for processing regular MIDES reports on subprogram 2 financial and physical execution. Based on institutional analysis, (see paragraph 4.1), MIDES is developing an information system to facilitate the financial management of the loan resources. **As a special condition precedent to the first subprogram 1 disbursement, MIDES will need to have set up this information system.**

- 3.11 Program execution will proceed in accordance with the RdO's Operations Manual and its annexes as agreed upon with the Panamanian government and World Bank. This Operations Manual sets out rules and procedures for RdO's integrated functions with respect to IDB and World Bank operations and to RdO's Panamanian government-funded activities. The Manual also provides guidelines for ensuring that the program employs a gender and ethnic perspective. **MINSA and MIDES agreed on the Opportunities Network Operations Manual that includes those components relating to their responsibilities in connection with program financing, including: (i) the format in which information will be consolidated and reported to the IDB and the World Bank and the frequency of reporting; (ii) procedures for making disbursement requests and justifying the use of funds; and (iii) procedures for coordinating program evaluations and audits.** The Operations Manual will be presented to the Social Cabinet in year one of the program for the latter's information to ensure that the program and the Opportunities Network are effectively functioning and coordinated. Any modifications to the Operations Manual will be subject to approval by the IDB and the World Bank.

**D. Implementation, by component**

- 3.12 **Component 1: RdO management, monitoring, and evaluation.** The SSPS will have technical responsibility for all component 1 activities. Procurement of consulting services and information and communications tools and equipment for central and local SIG operations (see paragraph 2.4) and services for the design and printing of forms and manuals will be put out to tender by the DA with the help of the UEAF procurement specialist subject to approval of the bidding procedures by the SSPS. The DA with the help of the UEAF procurement specialist will hire the minimum staff needed to strengthen SSPS and MIDES provincial/*comarca* office technical and operational areas and their liaison capacity based on the terms of reference agreed upon with SSPS management. The DF, with the backing from the UEAF, will be responsible for contract financial management.
- 3.13 **Component 2. Social inclusion.** The SSPS Social Inclusion Coordination Unit will have technical responsibility for **subcomponent 2.a.**, providing **direct support for beneficiary households and communities.** MIDES will select specialized technical teams (see paragraph 2.10) through a competitive process. The DA with

- the help of the UEAF procurement specialist will engage the teams subject to agreement with the SSPS on the terms of reference. The technical teams will be paid per household served. Regional family support supervisors will monitor and evaluate the technical teams' performance using the tools outlined in the Operations Manual.
- 3.14 Responsibility for the technical aspects of **subcomponent 2.b.**, which deals with the program's **information, education, and communications strategy**, will be borne by the SSPS working in coordination with the other RdO agencies. The technical assistance and services to be funded under this subcomponent (see paragraph 2.13) will be put out to tender by the UEAF procurement specialist once the bidding specifications have been agreed upon with the SSPS. The DF, with the help of the UEAF, will be in charge of the financial management of the contracts for subcomponents 2.a. and 2.b.
- 3.15 The overall financial management of **subcomponent 2.c. (civil registry)** will be the responsibility of MIDES, through the DF, with support from the UEAF. The equipment will be procured by the DA with the help of the UEAF procurement specialist once the bidding specifications have been agreed upon with the national civil registry and identity documentation offices. **As a special condition precedent to the first disbursement under subcomponent 2.c., MIDES and the Electoral Court must have adopted a technical agreement on implementation of that subcomponent that sets out each party's responsibilities and the way in which the use of its resources will be coordinated.**<sup>12</sup>
- 3.16 **Component 3. Strengthening the supply of maternal and child healthcare services.** This component will be implemented by MINSA. The team of professionals who have coordinated the implementation of PAISS will be in charge of the technical aspects of this component. The PAISS Technical Team (PAISS-TT) will include the National Policy Office, the Health Department (which includes the Office of Nutrition), and the Services Delivery Office. A coordinator will be appointed for this team, which will work in coordination with other MINSA departments.
- 3.17 This component's financial management and procurement activities will be conducted by the UGAF professional staff who administer the **Multiphase Program for the Institutional Transformation of the Health Sector (1350/OC-PN)**. The UGAF will have a director, a procurement specialist, a financial specialist, and two area coordinators for: (i) the PAISS; and (ii) interventions based on the AIN-C model. The PAISS-TT will assist the UGAF with implementation of the activities outlined in paragraph 3.10. The issuance of contracts and purchase orders under

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<sup>12</sup> The technical agreement should, inter alia, cover: (i) the procedures to be used by MIDES to inform the Electoral Court how many RdO beneficiaries are not registered and/or do not have identity cards; (ii) the registration and identity card issuance targets for the subcomponent; (iii) procedures for paying the Electoral Court teams' travel costs based on the number of people who are registered or issued identity cards; and (iv) the means to be used to verify these targets' achievement.

- MINSAs name and of payments to contractors and suppliers against MINSA-generated orders will initially be conducted by the United Nations Development Programme (UNDP), which has been engaged for this purpose using local funds under existing MINSA institutional arrangements. When the program enters its second year, and depending on the outcome of the Panamanian government's evaluation of the progress made in revising rules and regulations on contract and payment screening, MINSA may carry out the functions now performed by the UNDP directly through the UGAF or may choose to continue using a fund administrator, which would be selected through competitive bidding and financed with national resources.
- 3.18 The technical assistance activities to be financed under **subcomponent 3.a. (Strengthening the PAISS through community pro-growth and malnutrition-prevention interventions)** will be put out to tender by the UGAF once agreement has been reached with the PAISS-TT on the terms of reference. The same method used for the PAISS's execution will be employed for the expansion of the **PAISS+AIN-C (PAISS+N)** to be financed under **subcomponents 3.b. and 3.c.** (i.e., the formation of roving teams, whose make-up is specified in the Operations Manual). These will be EO teams or teams attached to MINSA healthcare units (ITs). The expansion of PAISS+N services through EOs and the delivery of technical assistance by nutritionists at the central and IT levels will be put out to tender by the UGAF once agreement on the bidding specifications has been reached with the PAISS-TT. EO contracts may be renewed annually based on compliance with contractual obligations. IT payments will be made through the Fund for Integral Healthcare Tours (FOGI) created by MINSA to work with healthcare units under *management agreements*. MINSA's regional offices will be in charge of managing the FOGI. Use of this fund will be subject to FOGI Operating Regulations, which form an integral part of the program's Operations Manual. The Operations Manual also includes: (i) specifications for selection criteria and EO contracting mechanisms; (ii) model EO contracts and IT management agreements; (iii) performance-based payment criteria for EOs and ITs; and (iv) a description of mechanisms for monitoring and evaluating PAISS+N service delivery.
- 3.19 UGAF will procure the technical assistance to be financed under **subcomponents 3.d. (Building MINSA's institutional capacity for supervision of the PAISS+N) and 3.e. (Monitoring and evaluation)**, as well as the computer hardware, once agreement has been reached on the bidding specifications with the PAISS-TT.
- 3.20 **Component 4. Building the Panamanian government's capacity to design, implement, and monitor social policies and programs.** The DF, with support from the UEAF, will be in charge of the financial management of component 4. The DA with the help of the UEAF procurement specialist will procure the technical assistance service and the computer hardware to be financed under **subcomponents 4.a. (Building social-sector management, coordination, and monitoring capacity) and 4.b. (Social-sector knowledge creation)** subject to

agreement on the bidding specifications with the GS Technical Secretariat supported by the MIDES National Social Policy Office. The DA with the help of the UEAF procurement specialist will engage the technical assistance services and procure the computer hardware to be financed under **subcomponent 4.c. (Building MIDES capacity)** subject to agreement on the bidding specifications with the MIDES General Secretariat.

**E. Audits and financial statements**

- 3.21 A consolidated program audit will be performed once annually and a consolidated final audit upon completion by a firm of independent auditors that is acceptable to the IDB and World Bank in accordance with IDB policies and rules (documents AF-100 and AF-300). IDB procedures for the selection of external auditing services (document AF-400) will be used, and the terms of reference will be agreed upon by the IDB, World Bank, and Panamanian government. The program's annual audited financial statements will be submitted to the IDB and World Bank within 120 days after the end of each year. The program's closing financial statements will be submitted within 120 days after the last IDB disbursement in accordance with document AF-100, paragraph 2.02(b).
- 3.22 **Joint accounts.** For the financing of subcomponents 1.b., 2.a., 3.b., and 3.e., the IDB and World Bank funds will be transferred from these institutions' special accounts to two joint accounts (one with MIDES and the other with MINSA) for issuing contract payments. Accounting mechanisms will be used to track the funding sources for the payments to be made out of this account.
- 3.23 The project team is requesting that the Board of Executive Directors authorize the use of sums from the joint IDB/World Bank accounts for these subcomponents in excess of the limits established in the Proposal for Sector-Wide Approaches (SWAs) (document GN-2330-6) for joint accounts. As a basis for this request, the team analyzed the various options and determined that the use of pooled accounts for subcomponents 1.b., 2.a., 3.b., and 3.e. will make it possible to: (i) lower transaction costs and expedite large-scale contracting of family support services by MIDES and of EO services by MINSA. Such services will play a key role during the program start-up phase in ensuring the availability of PAISS+N services and in increasing the likelihood that RdO beneficiary households will fulfill their co-responsibilities; and (ii) provide a single implementation plan for the multi-year evaluation of RdO interventions, which is of crucial importance given the network's methodological complexity. The World Bank will review procurements financed with pooled funds under subcomponents 1.b., 2.a., 3.b., and 3.e.

**F. Procurement of goods, works, and consulting services**

- 3.24 The initial procurement plan, which is part of the operation's technical files, covers the entire program and was designed in conjunction with the Panamanian government and the World Bank. Services to be financed under subcomponents 1.b., 2.a., 3.b., and 3.e. using pooled funds will be contracted in accordance with World Bank procurement procedures and the terms of reference agreed between the

IDB, World Bank, and Panamanian government. The procurement will be reviewed by the World Bank.

- 3.25 The works, goods, and consulting services to be financed under subcomponents 1.e., 2.c., 3.c., 3.d., and 4.c. and those to be financed by the IDB under subcomponents 1.a. and 1.c. will be procured in accordance with IDB procurement procedures. MIDES and MINSA must update the procurement plan for subprogram 1 and subprogram 2 at least once a year or whenever changes need to be made for implementation of program activities.

#### **G. Execution period and disbursement schedule**

- 3.26 The execution period for phase I of the program will be 5 years and the disbursement period 5.5 years from the effective date of the loan contract. The tentative disbursement schedule is shown in Table III-1.

**Table III-1**  
**DISBURSEMENT SCHEDULE (millions of US\$)**

Source	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL	%
IDB	4.14	4.83	4.56	3.69	2.95	<b>20.17</b>	43.0
WORLD BANK	4.44	4.89	5.37	4.93	4.37	<b>24.00</b>	51.0
GOP	0.42	0.29	0.49	0.69	0.88	<b>2.77</b>	6.0
<b>TOTAL</b>	<b>9.00</b>	<b>10.01</b>	<b>10.42</b>	<b>9.31</b>	<b>8.20</b>	<b>46.94</b>	<b>100.0</b>
<b>%</b>	<b>19.3</b>	<b>21.5</b>	<b>22.4</b>	<b>20.0</b>	<b>17.2</b>	<b>100.0</b>	

#### **H. Revolving funds**

- 3.27 Two revolving funds will be set up: one for subprogram 1, to be administered by MIDES; and another for subprogram 2, to be administered by MINSA. In keeping with the executing agencies' requirements, these funds will not exceed 5% of the amount allocated for subprogram 1 and 5% of the amount for subprogram 2. Acting through MIDES, the two executing agencies will submit semiannual reports to the IDB on the status of the revolving fund within 60 days after the close of each six-month period.

#### **I. Bank monitoring during implementation**

- 3.28 The program reviews to be conducted by the IDB and World Bank in conjunction with MIDES and MINSA will be based on the AWP prepared by the executing agencies, the Project Performance Monitoring Report (PPMR), using data contained in MIDES's management information system and MINSA's information system, semiannual reports (see paragraph 3.27), and external evaluation reports (see paragraph 3.29). The fourth-year review will evaluate the program's phase II triggers and define the tentative schedule for preparation of the phase II memorandum.

## **J. Midterm and final evaluations**

- 3.29 A midterm evaluation of the Opportunities Network impacts and processes will be performed approximately 24 months after the effective date of loan contract, or as agreed between the World Bank, Panamanian government, and IDB. A final evaluation will be carried out 48 months into the program (see paragraph 2.5) or as agreed between the World Bank, Panamanian government, and IDB. For the rural nonindigenous and marginal urban *corregimientos*, a discontinuous regression methodology will be used. A baseline survey will be conducted before the RdO's start-up in the sample group of *corregimientos* selected for the evaluation. In the *comarcas*, the impact evaluation strategy calls for the use of matching techniques to compare households with differing lengths of exposure to the RdO, since all the households in these areas are eligible. The ENV slated for 2008 will be used for this purpose. Qualitative research on social inclusion interventions will also be used. A single round of impact evaluations will be carried out for component 3 (see paragraph 2.20) to gauge the effect of the program's introduction of a community protocol for preventing malnutrition that employs experimental or semi-experimental methods. This evaluation will be conducted approximately 36 months after the effective date of the loan contract, or as agreed between the World Bank, Panamanian government, and IDB. The baseline survey will be carried out before the start-up of the specific intervention in each case.

## **IV. VIABILITY AND RISKS**

### **A. Institutional viability**

- 4.1 With respect to the proposed plan for implementing subprogram 1, the analysis of MIDES's institutional capacity indicates that: (i) the DA and the DF have scant human resources for financial management of subprogram 1, but those it does have are qualified; and (ii) the DA's procurement staff needs to be strengthened and familiarized with IDB and World Bank procurement policies. Therefore, as mentioned earlier, the program will finance the recruitment of four specialists in the UEAF to act as a support team for the DA, the DF, and the SSPS (see paragraph 3.7). The operation's financial and budget-related activities will be recorded in the Integrated Financial Administration System of Panama (SIAFPA). MIDES is also developing a supplementary information system, in addition to SIAFPA, to administer the program's financial resources. This system will conform to IDB and World Bank requirements and will compile the information needed to prepare the operation's financial reports (see paragraph 3.10). Measures for strengthening the SSPS's technical structure will also be supported by this operation (see paragraph 2.6).
- 4.2 In assessing the viability of the proposed plan for implementing subprogram 2, it should be noted that MINSA has staff with experience (acquired, for example, in the Multiphase Program (1350/OC-PN)) in using IDB and World Bank procurement and financial management procedures and in employing suitable

systems for administering loan funds. The staff will make up the UGAF (see paragraph 3.17).

## **B. Financial viability**

- 4.3 In 2005, total social spending in Panama amounted to 16.8% of GDP and was thus among the highest in the region. More impressive still was the amount invested (1.7% of 2005 GDP) in social assistance programs (mainly transfers and subsidies). These expenditures are poorly targeted, however, and not enough of these funds reach the *comarcas* or rural *corregimientos*. The RdO is intended to turn this situation around, improve the distributional impact of investments made in the social assistance sector, and create a nationwide program for rationalizing expenditure and reducing sector fragmentation. Even if the RdO were to serve all extremely poor households on an ongoing basis, CCT expenditures would only amount to about 0.3% of GDP, or just 1.7% of total social expenditure. Given the country's robust fiscal status and medium-term growth prospects, together with the latitude that exists for rationalizing social assistance spending,<sup>13</sup> CCT expenditures appear to be fiscally viable. In fact, the Panamanian government has chosen to finance CCTs out of the national budget.
- 4.4 Recurrent expenditures generated by the PAISS+N's expansion are estimated at an additional 0.7% of MINSA's current operating budget. This is far below the average increase in MINSA's general and operating budgets in recent years and will be absorbed by MINSA upon completion of Phase I.

## **C. Economic viability**

- 4.5 The economic viability analysis focused on an ex ante simulation of the expected impacts on extreme poverty and school enrollment of a single, fixed-sum transfer scheme similar to the RdO and of alternative schemes (Leite and Bustelo, 2007). A fixed-sum transfer scheme is projected to have the following outcomes: (i) the extreme poverty gap would be narrowed by 10% and the intensity of extreme poverty would be reduced by 13% (this projection is in line with findings for other countries such as Mexico and Ecuador); (ii) the average CCT would be equivalent to about 18% of average pre-RdO per capita consumption for eligible households (this is similar to the levels found in Nicaragua and Jamaica but below Mexico's 25% and Colombia's 30%); and (iii) the "collective" structure of co-responsibilities would result in a significant increase (around six percentage points) in the average enrollment rate for school-age children.
- 4.6 This analysis also suggests, however, that, holding the average amount of the household transfer constant, a single, fixed-sum transfer is not the best option in terms of the expected impact on poverty or school enrollment. Dividing transfers (and the accompanying co-responsibilities) into two types, with a fixed-sum transfer for health and nutrition and a variable one for education whose level is

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<sup>13</sup> Preliminary findings of the World Bank sector analysis indicate that at least US\$28 million (nearly 0.29% of GDP) per year could be redirected to the RdO by terminating regressive programs.

determined by the number of school-age children in each household, would have a greater impact on enrollment and poverty indicators than the existing scheme. It is also less likely that failure to fulfill a “collective” co-responsibility would be sanctioned. Administering a variable-transfer scheme would, however, require sound reporting and management mechanisms. The Panamanian government has therefore decided to move forward with single transfers because of their administrative simplicity while phasing in deductions for failures to comply with specific co-responsibilities (which will turn the fixed-sum transfers into variable ones) and reassessing the CCTs’ design (while keeping average transfers per household constant) once the SIG has been consolidated.

**D. Social and environmental impacts**

- 4.7 Program activities are expected to heighten the RdO’s effectiveness and efficiency and to overcome some of the barriers preventing the poorest sectors of the population, especially indigenous peoples, from accessing basic healthcare, nutritional, and education services. In the medium term, international experiences in this field indicate that this initiative will have major impacts on household human capital (see paragraph 1.23).
- 4.8 Measures that can play an important role in heightening the services’ cultural relevance and helping to remove obstacles that indigenous peoples feel are hampering them from taking full advantage of RdO benefits include: (i) coordinating RdO’s entry into the *comarcas* with indigenous authorities; (ii) directly supporting the use of culturally relevant protocols for serving households and communities; (iii) adjusting the PAISS+N so as to incorporate an intercultural perspective; (iv) training female members of the community to work as monitors in providing community and malnutrition-prevention services; and (v) setting up social oversight mechanisms in which women beneficiaries and indigenous representatives will play a major part. The role to be played in the RdO by indigenous and nonindigenous women alike, as well as the incorporation of a gender perspective in household and community training exercises, will contribute to their empowerment.
- 4.9 The program is not expected to have any direct negative environmental impacts

**E. Social equity and poverty reduction classification (PTI/SEQ)**

- 4.10 This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank’s Eighth Replenishment (document AB-1704). It automatically qualifies as a poverty-targeted investment (PTI) based on both geographic and percentage of beneficiaries.

**F. Risks**

- 4.11 One risk associated with the program has to do with the high level of national and subnational interagency coordination required to run the RdO efficiently and to match up the CCTs with the program services offered by the relevant ministries. This risk will be mitigated by the progress made as the operation is prepared in

- terms of defining institutional responsibilities and coordination (as reflected in the Operations Manual), the commitment shown by the relevant sectors, and the support the program will provide to improve interagency planning mechanisms.
- 4.12 Another risk concerns the numerous screening and control procedures used by the Panamanian government prior to the issuance of contracts or payments, which hampers program implementation. The Panamanian government and the Auditor General have agreed upon a number of mechanisms for expediting CCT disbursements. For the execution of subprogram 2, it was agreed MINSA's existing arrangements for execution of the Multiphase Program (1350/OC-PN) will be used, at least initially, for this operation (see paragraph 3.17). The Panamanian government has also begun to review its regulations on screening and control procedures with World Bank support, and the IDB plans to join in this effort.
- 4.13 An additional risk is associated with the fact that MIDES is a fairly new ministry that lacks experience in managing IDB and World Bank operations. This could, at least during the start-up phase, slow subprogram 1's implementation. To mitigate this risk, the IDB and World Bank have authorized nonreimbursable technical-cooperation funding to help establish management procedures for this operation. The program will also support measures for strengthening MIDES's fiduciary capacity (see paragraph 2.25).
- 4.14 Lastly, because the present administration's term in office will end during program execution, there is the risk that efforts to consolidate this nationwide initiative might be scaled back during the transition and that this might lead to a restructuring of social assistance expenditure. To mitigate this risk, the program will help to strengthen RdO management with a view to enhancing its effectiveness, efficiency, and transparency and will assist with the preparation of impact and process reviews that can provide the necessary justification for decision-making about the future of RdO during the political transition.

## SOCIAL PROTECTION PROGRAM – PHASE I (PN-L1007)

### LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
<b>Goal</b>			
Strengthen the Red de Oportunidades [Opportunities Network] (RdO) with a view to improving living conditions for extremely poor households in indigenous, rural, and urban-fringe areas of the country.	Reductions of 2% in the rate, 6% in the depth, and 8% in the severity of extreme poverty in the <i>corregimientos</i> targeted by the program.	Impact evaluation surveys.  Standard of Living Surveys (ENVs).	The macroeconomic environment remains, at the least, stable.
<b>Purpose</b>			
Leverage the human and social capital of RdO beneficiary households.	<p>All the indicators will be broken down by gender and geographic area (indigenous <i>comarcas</i>, rural areas, urban areas). In the beneficiary <i>corregimientos</i>:</p> <p>A net increase (relative to the baseline and a control group) in net enrollment of 3 percentage points (pp) after 24 months and of 7 pp after 48 months at the preschool level, 2 pp after 24 months and 4 pp after 48 months at the primary level, and 2 pp after 24 months and 4 pp after 48 months at the pre-secondary level.</p> <p>A net increase (relative to the baseline and a control group) in regular school attendance of 4 pp after 24 months and 7 pp after 48 months at the primary level and 3 pp after 24 months and 7 pp after 48 months at the pre-secondary level.</p> <p>A net increase (relative to the baseline and a control group) of 0.2 grades in average cumulative years of schooling for boys and girls aged 6-14 after 24 months and of 0.5 grades after 48 months.</p> <p>A net reduction relative to the baseline and a control group in the <i>comarcas</i> of 2 pp in the prevalence of chronic malnutrition among boys and girls under five after 24 months and 4 pp after 48 months.</p> <p>A net increase (relative to the baseline and a control group) of 5 pp in household consumptions levels after 24 months. A more diversified diet is observed</p>	<p>Impact evaluation surveys.</p> <p>Impact evaluation surveys.</p> <p>Impact evaluation surveys.</p> <p>Impact evaluation surveys.</p> <p>Impact evaluation surveys.</p>	<p>The GOP maintains its political will to back up the RdO's institutional and operational framework during the program.</p> <p>Throughout the execution period, the sector agencies taking part in the RdO remain committed to coordinated action.</p>

Narrative summary	Indicators	Means of verification	Assumptions
<b>Components</b>			
<p><b>Component 1: RdO management, monitoring, and evaluation.</b> Increased effectiveness, efficiency, and governance of improved RdO management and ensured effectiveness of the CCT model.</p>	<p>By the end of year one, the Management Information System is up and running.</p> <p>From the program's second quarter, Secretariat of the Social Protection System (SSPS) is properly staffed.</p> <p>SIB monitoring of the fulfillment of co-responsibilities on a regular basis (as provided for in the Operations Manual) covers 50% of beneficiary households two years into the program and 90% of households by year four.</p> <p>Starting in year two, the SIG is generating up-to-date information at the household level on fulfillment of co-responsibilities, failure to comply, and removals and additions to the roster for cause.</p> <p>The duration of the payment cycle (starting with the compilation of information on fulfillment of co-responsibilities and ending with the clearance of transfer payments) is no more than five months by year two and four months by year four.</p> <p>The availability of services is validated regularly in accordance with the Operations Manual starting in year one.</p> <p>Spot checks to ensure effective monitoring of co-responsibilities are conducted starting in year two.</p> <p>Starting in year two, protest, dispute settlement, and social auditing mechanisms in connection with RdO transfers are in operation.</p> <p>Approximately three years into the program, 60% of the households that joined the RdO prior to the approval of Phase I have been recertified. Recertification of 100% of these households has been completed by the program's end.</p> <p>At least 40,000 households have benefited from the RdO by year two and 70,000 by year four.</p> <p>Administrative expenses represent no more than 16% of transfer expenditures in year two and no more than 13% by the beginning of year four.</p> <p>At least 60% of the transfers reach households in the two lowest quintiles, measured by nationwide per capita consumption levels, 24 months (approximately) into the program.</p>	<p>SIG and progress reports.</p> <p>SIG and progress reports.</p> <p>SIG and external operational evaluations.</p> <p>SIG.</p> <p>SIG.</p> <p>SIG and external operational evaluations.</p> <p>SIG and external operational evaluations.</p> <p>SIG and external operational evaluations.</p> <p>SIG.</p> <p>SIG.</p> <p>SIG and external operational evaluations.</p> <p>ENV.</p>	<p>The MIDES Executive Office remains committed to the Ministry's institutional consolidation process.</p> <p>Throughout the execution period, the sector agencies taking part in the RdO remain committed to coordinated action.</p>

Narrative summary	Indicators	Means of verification	Assumptions
<p><b>Component 2. Social inclusion.</b> The social inclusion of RdO households is promoted in ways that uphold ethnic diversity and help users to take full advantage of RdO benefits.</p>	<p>Starting in year one, induction workshops are held in all Opportunities Network <i>corregimientos</i> to inform beneficiary households about their rights and duties and about RdO operating procedures and activities.</p> <p>Technical teams are partnering with the households in 30% of the <i>corregimientos</i> targeted by the RdO by the end of the first year, 60% after 24 months, and 100% after 48 months.</p> <p>Family committees or other community organizations and leaders trained by the technical teams to provide orientation, support, and social auditing for beneficiary households are serving 30% of the RdO <i>corregimientos</i> one year into the program, 50% after 24 months, and 100% after 48 months.</p> <p>24 months into the program, 70% of RdO beneficiary households are aware of their co-responsibilities and the services the RdO offers. This figure rises to 90% by month 48.</p> <p>24 months into the program, 70% of beneficiary households in the <i>corregimientos</i> where at least one family-partnering technical team is operating are participating in the program's training protocol; 48 months into the program, 80% are doing so.</p> <p>Technical teams are working to match up RdO beneficiary households with job training and income-generation programs in the <i>corregimientos</i> from year two.</p> <p>The information, education, and communications strategy is up and running starting in year one.</p> <p>Identity cards/birth certificates are issued in year one to 10% of individuals (adults/children) in the RdO who lack them, to 30% in year two, to 40% in year three, and to 50% starting in year four.</p>	<p>SIG and external operational evaluations.</p> <p>SIG and external operational evaluations.</p> <p>SIG and external operational evaluations.</p> <p>External operational evaluations.</p> <p>SIG.</p> <p>External operational evaluations.</p> <p>SIG and external operational evaluations.</p> <p>SIG.</p>	

Narrative summary	Indicators	Means of verification	Assumptions
<p><b>Component 3. Strengthening the supply of maternal and child healthcare services.</b> Expanding coverage of maternal and child healthcare services, with priority being given to the <i>comarcas</i>, and upgrading services by carrying out culturally appropriate activities designed to change eating habits and improve childcare practices in the home and community.</p>	<p>Review and adjustment of PAISS protocols based on an intercultural approach to the introduction of community interventions based on the AIN-C model for promoting and monitoring growth and preventing malnutrition (PAISS+N) during the first six months of the program.</p> <p>Coverage of PAISS+N preventive services climbs from 120,000 to roughly 180,000 people starting in year two.</p> <p>A total of 20,000 children under five receive AIN-C type services by the end of year one and 30,000 from year two.</p> <p>By the end of year two, 90% of RdO-beneficiary children under one in the <i>comarcas</i> have received their full course of age-appropriate immunizations, and 94% have done so by year four.</p> <p>At least 50% of the pregnant women targeted by the RdO in the <i>comarcas</i> are receiving appropriate pre- (three or more visits) and post-natal care services by year two and 80% by year four.</p> <p>Improved PAISS+N oversight protocols and EO and IT auditing protocols are being implemented starting in year two.</p>	<p>Progress reports.</p> <p>MINSa information system.</p> <p>MINSa information system.</p> <p>Impact evaluation surveys.</p> <p>Impact evaluation surveys.</p> <p>External operational evaluations.</p>	<p>The political will to support the RdO's institutional and operational framework remains unchanged.</p>
<p><b>Component 4. Building the GOP's capacity to design, implement, and monitor social policies and programs.</b> Strengthening of GOP capacity for social policy and program design, operational coordination, budget planning, and strategic evaluation. Strengthening of MIDES's institutional capacity to provide leadership in the social protection and assistance sector.</p>	<p>Administrative and functional adjustments in the institutional structure for social policy and program design, operational coordination, budget planning, and strategic evaluation during year two.</p> <p>Analysis of public social spending based on the 2008 ENV starting in year three.</p> <p>Socioeconomic analysis of the 2008 ENV results starting in year three.</p> <p>Mapping of social service gaps in year one and a proposal for the restructuring and rationalization of social spending to be prepared starting in year three. Adjustments to mapping of service gaps in year four.</p>	<p>Progress reports and external operational evaluations.</p> <p>Research reports.</p> <p>Research reports.</p> <p>Research reports</p>	

Narrative summary	Indicators	Means of verification	Assumptions
	<p>Implementation of the social spending information system starting in year three. 30% of social programs and projects are in the system by the end of year three and 80% upon completion of the program.</p> <p>Impact evaluations of at least two specific programs to be conducted during the first three years and of at least four programs upon completion.</p> <p>The MIDES's institutional overhaul and consolidation is to have been completed at the central and subnational levels by the end of year two, together with the definition of missions, functional relationships, and job profiles and the start-up of the corresponding units.</p> <p>A suitable system for providing MIDES with administrative and financial management support is to be in place by the end of year two.</p> <p>The GOP is to have developed and officially adopted a strategic framework for social assistance and protection by year three.</p>	<p>Progress reports and external operational evaluations.</p> <p>Research reports.</p> <p>Progress reports and external operational evaluations.</p> <p>Financial reports and external operational evaluations.</p> <p>MIDES and Social Cabinet decisions.</p>	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/07

Panama. Loan \_\_\_\_/OC-PN to the Republic of Panama  
Social Protection Program – Phase I

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a social protection program - Phase I. Such financing will be for the amount of up to US\$20,170,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_\_ 2007)

LEG/OPR/RGII/IDBDOCS#976519  
PN-L1007