

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

**REFORMULATION OF THE SOCIAL INCLUSION AND DEVELOPMENT PROGRAM
IN PANAMA**

(PN-L1105 – 3512/OC-PN)

REFORMULATION PROPOSAL

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| REQUIRED LINKS | |
|----------------|--|
| 1. | Multiyear execution plan/Annual work plan |
| 2. | Monitoring and evaluation plan |
| 3. | Environmental and social management report |
| 4. | Procurement plan |

| OPTIONAL LINKS | |
|----------------|--|
| 1. | Reformulation request from the Government of Panama |
| 2. | Economic viability report |
| 3. | Environmental and social analysis and environmental and social management plan |
| 4. | Sociocultural analysis |
| 5. | Infrastructure analysis |
| 6. | Operating Regulations |
| 7. | Changes to the original results matrix |
| 8. | Comprehensive Early Childhood Care Centers to be improved |
| 9. | Study of environmental and social liabilities |
| 10. | Safeguard policy filter and safeguard screening form |

ABBREVIATIONS

| | |
|-------|---|
| CAIPI | Centros de Atención Integral a la Primera Infancia [Comprehensive Early Childhood Care Center] |
| CCTP | Conditional cash transfer program |
| CGR | Contraloría General de la República de Panamá [Office of the Comptroller General of the Republic of Panama] |
| DIDS | Dirección de Inclusión y Desarrollo Social [Social Development and Inclusion Office] |
| ESA | Environmental and Social Assessment |
| ESMP | Environmental and Social Management Plan |
| GDP | Gross domestic product |
| IBP | Integrated Beneficiary Platform |
| IDB | Inter-American Development Bank |
| INEC | Instituto Nacional de Estadística y Censo [National Institute of Statistics and Census] |
| ITERS | Infant/Toddler Environment Rating Scale |
| MEF | Ministry of Economy and Finance |
| MIDES | Ministry of Social Development |
| MSMEs | Micro, small, and medium-sized enterprises |
| PMT | Proxy means test |
| POD | Proposal for Operation Development |
| STGS | Secretaría Técnica de Gabinete Social [Technical Secretariat of the Social Cabinet] |
| UEAF | Unidad de Enlace Administrativo y Financiero [Administrative and Financial Liaison Unit] |

I. DESCRIPTION OF THE REFORMULATION PROPOSAL

A. Background

- 1.1 The Government of Panama has requested that the Bank reformulate the Social Inclusion and Development Program (3512/OC-PN) executed by the Ministry of Social Development (MIDES), in order to use the uncommitted balance to support minimum income levels for the population living in extreme poverty who are affected by COVID-19¹ and support the reopening of childcare centers closed due to the pandemic. This document describes the achievements made under the three components of the original program and offers a rationale for redirecting the uncommitted resources. In addition, it presents the changes that are being proposed to the original program, in relation to its objectives, indicators, and budget.
- 1.2 On 5 August 2015, the Board of Executive Directors of the Inter-American Development Bank (IDB) approved the Social Inclusion and Development Program (Resolution DE-069/15), at a total cost of US\$60 million. Loan contract 3512/OC-PN was signed 22 October 2015 for up to US\$50 million from the Bank's Ordinary Capital (83.3% of the total program cost), with local counterpart funding equivalent to US\$10 million (16.7% of the total program cost). The loan became eligible for disbursement on 24 August 2016. In 2019, the Board approved a 24-month extension of the disbursement period until 1 December 2021.²
- 1.3 **Request from the Government of Panama.** The Government of Panama, via note MEF-2021-39007 dated 6 July 2021 ([optional link 1](#)), requested that the program be reformulated to allow uncommitted resources to be used to support minimum income levels for the population living in extreme poverty who are affected by COVID-19 and continued investments in early childhood, including support for reopening childcare centers closed by the pandemic.
- 1.4 The general objective of the original program, executed by MIDES, is to contribute to the reduction of poverty and extreme poverty and better enable the Social Protection System to promote human capital accumulation. The specific objectives are to: (i) strengthen MIDES at the central and regional levels in its role as apex authority and implementation agency for social policies and programs; (ii) improve the targeting and distributive efficiency of social spending in conditional cash transfer programs (CCTPs); and (iii) narrow gaps in the coverage and quality of comprehensive early childhood services.
- 1.5 **Program progress.** As of 1 October 2021, US\$30,301,245.30 (60.6%) had been disbursed from the loan. Committed resources and outstanding payments add up to US\$4,484,806.99 (8.9%). The remaining uncommitted funds equal US\$15,213,938.71 (30.4%). The original program shows significant progress in all

¹ The first case and confirmed death from COVID-19 in Panama was recorded on 9 March 2020. The country declared a national emergency on 13 March 2020 via Cabinet Resolution 11 of 13 March 2020. As of 14 September 2021, Panama had recorded 462,224 total cases of COVID-19 and 7,137 deaths. See: <http://www.iadb.org/document.cfm?id=EZSHARE-2024879176-696>.

² The changes proposed under this reformulation include extending the date of the last scheduled disbursement by 24 months, to 1 December 2023 (paragraph 1.9).

- three of its components, which have been supported by six IDB technical cooperation operations since 2015.³
- 1.6 Through Component 1, Strengthening of MIDES, and drawing from the original loan and the local contribution, MIDES has been strengthened by hiring and training staff in the Technical Secretariat of the Social Cabinet (STGS) and creating the Social Development and Inclusion Office (DIDS) and the Coordinating Unit for Comprehensive Early Childhood Care. The project also designed and implemented a unified outreach framework for social programs and refurbished and equipped three central MIDES offices and three regional offices. Through Component 2, Efficient management of CCTPs, the program was able to standardize identification and recertification criteria for beneficiaries living in poverty and extreme poverty and implement these standards using a Unified Social Protection Form. Efficient and transparent CCTP management was enhanced by the creation of the Integrated Beneficiary Platform (IBP), which automates the processes in the CCTP operational cycle. The IBP enables the verification of beneficiaries' eligibility, which improves targeting, and the verification of the payment process, which boosts transparency. The IBP is in its final phase of development, which includes developing the external user visualization platform, testing the system for vulnerabilities, and training the staff who will manage it.
- 1.7 Through Component 3, Increase in human capital investment, the program supported the preparation of interagency agreements with the Ministry of Health and the Ministry of Education to verify that CCTP beneficiaries fulfill their health and education co-responsibilities. It funded the creation of quality standards for Comprehensive Early Childhood Care Centers (CAIPs), built and equipped two new centers, refurbished and equipped 12, implemented a per capita and results-based payment model in 24, and designed a community model of comprehensive early childhood care.
- 1.8 To protect groups vulnerable to COVID-19, in July 2020 the Government of Panama asked the IDB to use US\$20 million from the original loan to pay cash transfers to Opportunities Network beneficiaries.⁴ Opportunities Network is one of four CCTPs administered by MIDES; it provides a monthly transfer of US\$50 to households in extreme poverty with children under 18, contingent on compliance with co-responsibilities.⁵ Using the authority given to Bank Management, this use of resources was approved. The requested changes were not considered substantial because: (i) payment of conditional cash transfers upon fulfillment of Opportunities Network's health and education co-responsibilities and their verification in the management information system was an anticipated eligible expenditure under Component 3 (output 3.3 of the results matrix) and remained

³ The technical cooperation operations (ATN/OC-13348-PN; ATN/OC-14030-PN; ATN/OC-16284-PN; ATN/OC-15865-PN; ATN/OC-17349-PN; and ATN/OC-18631-PN) have provided technical assistance to MIDES to improve its targeting of cash transfer programs, and the quality of Comprehensive Early Childhood Care Centers and their impact evaluations.

⁴ See Notes DM-1064-2020 (22 June 2020) and 374-2020 (21 July 2020).

⁵ MIDES temporarily suspended verification of the Opportunities Network's health and education co-responsibilities during the state of emergency via [Resolution 168 of 29 July 2020](#). The Opportunities Network payment requested by the Government of Panama in July 2020 corresponded to three payment cycles.

consistent with the program's general objective; and (ii) the program outcomes were not modified in any substantial way.

- 1.9 **Description of proposed change.** The purpose of the program reformulation is to redirect the original program's uncommitted resources, US\$15,213,938.71, to support minimum income levels for the population living in extreme poverty who are affected by COVID-19 and to continue investing in the quality and coverage of early childhood services, including support for reopening childcare centers that were closed by the pandemic. The reformulation entails: (i) changes to the specific objectives; (ii) changes to the impact and outcome indicators; (iii) the addition of new activities; (iv) changes to outputs; (v) the redistribution of the budget between components; and (vi) the extension of the term of the last disbursement for 24 months, until 1 December 2023.
- 1.10 **Changes to the specific objectives.** The general and specific objectives of the original program are maintained. There is a new specific objective ("Support minimum income levels for those living in extreme poverty who are affected by COVID-19") as well as a new component. The new Component 4 addresses protection through existing CCTPs, specifically Opportunities Network payments, but without verification of health and education co-responsibilities (paragraph 1.14).
- 1.11 **Changes to impact and outcome indicators.** The reformulation requires changes to the original results matrix (see details in Changes to the original results matrix, [optional link 7](#)).
- 1.12 The impact indicator relating to the development of children under 3 who attend CAIPs⁶ is being eliminated, due to the closure of these centers in 2020 and 2021 and their gradual reopening. The other impact indicators are unchanged, but the final targets have been adjusted.
- 1.13 Four outcome indicators have been eliminated: (i) two that measure recertification for Opportunities Network, Family Food Voucher, and "120 at 65" beneficiaries; (ii) the indicator that measures access by Opportunities Network beneficiaries to health and education services (because the services closed during the COVID-19 national emergency); and (iii) the CAPI quality indicator as measured by the Infant/Toddler Environment Rating Scale (ITERS) (because the closure of these centers since 2020 made measuring this impossible).
- 1.14 The final targets of six outcome indicators were changed as follows: (i) the final targets for the five indicators related to CCTP coverage and leakage were reduced, since the recertification process was paused between 2017 and 2020⁷; and (ii) the target for the indicator on quality standards for CAIPs was reduced because of their closure. Additionally, four outcome indicators have been added: (i) two for the specific objective of strengthening MIDES; (ii) one for the second specific objective to consolidate CCTP recertification information; and (iii) one for the new specific

⁶ Through Executive Decree 107 of 6 December 2016, MIDES changed the name of the childcare centers it runs from Centro de Orientación Infantil y Familiar [Child and Family Orientation Centers] to Centro de Atención Integral a la Primera Infancia (CAPI) [Comprehensive Early Childhood Care Centers].

⁷ MIDES recertified the eligibility of 43,149 beneficiaries of the Opportunities Network and "120 at 65" programs during execution, but regular recertification using the Unified Social Protection Form presented institutional challenges. Nevertheless, MIDES is still verifying beneficiary eligibility permanently by cross-referencing administrative databases using the IBP.

objective to support minimum income levels for people living in extreme poverty who are affected by COVID-19. Table 1.1 summarizes the changes to the impact and outcome indicators.

Table 1.1. Changes to impacts and outcomes in the Results Matrix

| | Unit of measure | Original target | Reformulated target | Eliminated | Modified | Added |
|---|-----------------|-------------------------------------|---------------------|------------|----------|-------|
| Impact indicators | | | | | | |
| Incidence of extreme poverty | % | 6.5 | 15.7 | | X | |
| Incidence of overall poverty | % | 16.7 | 35.2 | | X | |
| Children at the CAIPs with an ASQ-3 score below the critical threshold | % | n/a | -10% | | X | |
| Children at the CAIPs with a height-for-age z-score below a critical threshold | % | n/a | | X | | |
| Outcome indicators | | | | | | |
| Social Development and Inclusion Offices that are consolidating CCTP operational cycles | % | — | 80 | | | X |
| MIDES regional offices strengthened | % | — | 42 | | | X |
| Households in extreme poverty with children under 18 included in the Opportunities Network program (coverage) | % | 80 | 24 | | X | |
| Opportunities Network beneficiaries who are not living in extreme poverty (leakage) | % | 35 | 49.5 | | X | |
| "120 at 65" beneficiaries who are not living in poverty (leakage) | % | 53 | 48.3 | | X | |
| Guardian Angel beneficiaries who are not living in extreme poverty (leakage) | % | -5pp | 83.4 | | X | |
| Opportunities Network and Family Food Voucher beneficiaries recertified | # | 44,000 | | X | | |
| "120 at 65" beneficiaries recertified | # | 22,000 | | X | | |
| Opportunities Network and "120 at 65" beneficiaries recertified | # | — | 100,000 | | | X |
| Guardian Angel beneficiaries recertified | # | 22,000 | 8,000 | | X | |
| Opportunities Network beneficiaries who have access to health and education services | % | +5pp | | X | | |
| CAIPs applying MIDES-approved quality standards | % | 60 | 50 | | X | |
| CAIPs' quality measured by ITES | % | +20 pp of CAIPs with a score over 4 | | X | | |
| Households in extreme poverty with children under 18 included in the Opportunities Network program (coverage) | % | — | 24 | | | X |

1.15 Addition of new activities. The reformulated program proposes the following activities that were not included in the original program: (i) cash transfers to Opportunities Network beneficiary households in response to the pandemic, due to their high vulnerability, under the new specific objective and component. The

cash transfers under this new component will not require verification of health and education co-responsibilities, in accordance with the suspension of verification established by MIDES in Resolution 168 of 29 July 2020, applicable to cash transfers during the national state of emergency due to COVID-19; (ii) improvements to 38 CAIPs to facilitate their reopening. This new activity will be added to Component 3 (Increase in human capital investment) with the new output “CAIPs improved” because it ties into the specific objective of reducing gaps in the coverage and quality of comprehensive early childhood services.

- 1.16 **Changes to outputs.** Of the original program’s 29 outputs, one was eliminated, and the physical and financial scope of eight others were reduced, which meant their respective targets had to be adjusted. To date, 20 outputs have been achieved (paragraph 1.5). Table 1.1 summarized the changes to project outputs (for a complete breakdown of changes to the original results matrix, see [optional link 7](#)).

Table 1.2. Changes to outputs in the results matrix

| Outputs | | | | |
|---|------------------------|----------------------------|-------------------|-----------------|
| Components | Original target | Reformulated target | Eliminated | Modified |
| Component 1. Strengthening of MIDES | | | | |
| 1.10 Central MIDES offices outfitted with furniture and technological equipment | 6 | 3 | | x |
| Component 2. Efficient management of CCTPs | | | | |
| 2.3 Beneficiary recertification protocol in effect | 3 | | x | |
| 2.6 Number of antipoverty program beneficiaries registered in the IBP | 650,000 | 342,000 | | x |
| Component 3. Increase in human capital investment | | | | |
| 3.5 CAIPs built | 5 | 3 | | x |
| 3.6 CAIPs refurbished | 44 | 15 | | x |
| 3.8 Children under 5 who have a children’s record booklet | 40,000 | 13,000 | | x |
| 3.9 CAIPs with per capita and results-based payment models | 89 | 24 | | x |
| 3.10 Children under 5 served by CAIPs | 3,449 | 506 | | x |
| 3.11 Children under 5 served by the community model | 5,400 | 1,200 | | x |

- 1.17 **Budget redistribution.** The budget changes (paragraphs 1.8 to 1.15) mean that the budget of the original program will be modified as shown in Table 1.2.

Table 1.3. Proposed distribution of budget resources (US\$)

| Component | Original approved budget | Current approved budget | Available for reformulation | Reformulation proposal | Difference current-reformulation proposal |
|--|--------------------------|-------------------------|-----------------------------|------------------------|---|
| Component 1. Strengthening of MIDES | 9,481,660.00 | 6,836,629.16 | 2,711,421.50 | 4,798,165.66 | -2,038,463.50 |
| Component 2. Efficient management of CCTPs | 13,900,000.00 | 13,900,000.00 | 11,039,628.91 | 3,666,971.09 | -10,233,028.91 |
| Component 3. Increase in human capital investment | 25,018,340.00 | 27,663,370.84 | 0 | 33,540,493.14 | 5,877,122.30 |
| Component 4. Protection through the use of existing cash transfer programs | 0 | 0 | 0 | 7,839,900.41 | 7,839,900.41 |
| Administration | 1,600,000.00 | 1,600,000.00 | 1,462,888.30 | 154,469.70 | -1,445,530.30 |
| Total | 50,000,000.00 | 50,000,000.00 | 15,213,938.71 | 50,000,000.00 | 0.00 |

- 1.18 **Extension of the period for the last disbursement.** Utilizing the resources as presented in the table above requires extending the period for the last disbursement by 24 months, until 1 December 2023.
- 1.19 In summary, the reformulation proposes scaling back the resources for Component 1 by US\$2,038,463.50, for Component 2 by US\$10,233,028.91, and for administration by US\$1,445,530.30. It would increase funding for Component 3 by US\$5,877,122.30 and for the new Component 4 by US\$7,839,900.41 to finance activities to support incomes for those living in extreme poverty who are affected by COVID-19 and support the reopening of childcare centers (paragraph 1.2) according to the request from the Government of Panama.
- 1.20 **Execution mechanisms and financial terms and conditions.** MIDES will continue to serve as the executing agency for the reformulated project through its Administrative and Financial Liaison Unit (UEAF), which will act as the program's executing unit as originally planned. MIDES's Social Protection Services Office will continue to provide technical coordination for all early childhood interventions (Component 3). The financial terms and conditions of loan contract 3512/OC-PN will not change.

B. Rationale

- 1.21 **Problem to be addressed.**⁸ The measures adopted by the Government of Panama⁹ to contain the spread of COVID-19 led to a significant drop in economic activity. Gross domestic product (GDP) shrank by 17.9% in real terms in 2020. The sharp decline in economic activity also had negative repercussions on the public accounts. Government revenue fell by 21.2% in 2020. Together with a 5.7% increase in public spending over the previous year, this brought the fiscal deficit to

⁸ The assessment of the problem presented in the original loan proposal is still valid. See the description of the challenges related to MIDES's institutional capacity and CCTP targeting, as well as their main drivers, in paragraphs 1.9 to 1.13 of the original Proposal for Operation Development (POD). See the description of the issues related to human capital accumulation and their causes in paragraphs 1.18 to 1.22 of the original POD. This section explains the issues that will be addressed by the activities paid for with the reformulated loan amount.

⁹ These measures included border closures (Executive Decree 472 of 2020), a national 24-hour curfew (Executive Decrees 490 of 17 March and 507 of 24 March), gender and ID card-mobility restrictions (Executive Decree 1078 of 11 September), and temporary closure of commercial establishments and nonessential businesses (Executive Decree 500 of 19 March). Cabinet Resolution [11 of 13 March 2020](#).

10.1% of GDP, an increase of 7 percentage points, and raised the debt from 46% of GDP in 2019 to 69.8% in 2020. The damage to public finances will require a complex fiscal consolidation process, as the Government of Panama has committed to deficit limits established by the Fiscal Social Responsibility Act for the coming years: 7%-7.5% in 2021, 4.0% in 2022, 3.0% in 2023, 2% in 2024, and 1.5% beginning in 2025. Data from the first half of 2021 indicate that revenue recovery, especially tax revenue, is still fragile: it has fallen 21.2% from the same period in 2019. The central government's expenses have increased by 9.5% compared to 2020, largely due to an increase in payroll expenses. All of this means that, facing weak revenue and an increased interest burden from the growth of debt, the fiscal consolidation process in the coming years will involve containing expenditures.

- 1.22 The economic contraction has had a negative impact on the livelihoods of Panama's people. Overall and extreme poverty rates increased by 12.5 and 6.8 percentage points, respectively, to 34% and 16.8% between 2019 and 2020.¹⁰ Poverty has increased the most among children. In 2020, the overall poverty rate for people over 19 was between 20% and 35%, but for children under 5, it was 47.4%.
- 1.23 As an immediate social protection response to protect its vulnerable population from the socioeconomic effects of the pandemic, in 2020 the Government of Panama maintained its existing CCTPs and launched the temporary social assistance plan Panamá Solidario.¹¹ Collectively, the CCTPs administered by MIDES reach approximately 315,000 people living in poverty and extreme poverty. These programs are: (i) Opportunities Network, a US\$50 monthly transfer to households in extreme poverty with children under 18, contingent on school attendance and health check-ups; (ii) the Family Food Voucher, a US\$50 monthly voucher that can only be used to purchase food in authorized stores; (iii) "120 at 65", a US\$120 monthly transfer to individuals over 65 who do not receive a contributory pension and are living in poverty,¹² contingent on yearly health appointments; and (iv) Guardian Angel, a US\$80 monthly transfer for individuals with severe disabilities who have dependent status and are living in extreme poverty,¹³ contingent on yearly health appointments. To determine whether beneficiaries are eligible and to maintain proper targeting, the programs have a proxy means test (PMT) to estimate the level of per capita family consumption.¹⁴ Around 82% of beneficiaries receive their transfers through the Tarjeta Clave

¹⁰ Carlos Garcimartín, et al. Impacto social de la pandemia del COVID-19 en Panamá y análisis de eficiencia de los programas de transferencias monetarias. Technical Note IDB-TN-2221.

¹¹ Panamá Solidario was created by Decree 400 of 27 March 2020. It targets: (i) persons living in multidimensional poverty; (ii) persons who live in hard-to-access areas; (iii) vulnerable families; and (iv) persons who are self-employed. It has three modalities: (i) a basket of food delivered every two weeks or monthly to households in rural and hard-to-reach areas, (ii) a monthly support voucher for households equivalent to US\$80 to purchase essential items; and (iii) Vale Digital, which provides beneficiaries with US\$120 a month to purchase food and medicine from authorized retailers.

¹² The "120 at 65" program was created through Law 44 of 2009.

¹³ The Guardian Angel program was created through Law 39 of 2012.

¹⁴ The IDB is supporting the improvement of CCTP targeting tools through a programmatic series (3485/OC-PN, 3724/OC-PN, and 4594/OC-PN).

Social card,¹⁵ while 18%, who live in hard-to-access areas, receive them in cash due to limited connectivity and geographical isolation.

- 1.24 **Vulnerable population.** Unemployment rose from 7.1% in 2019 to 18.5% in 2020 as a result of the economic contraction.¹⁶ The impact on employment has been larger among the lowest income deciles. Between 2019 and 2020, the richest decile experienced an increase in unemployment of 4.2 percentage points, while the increase was 35.9 percentage points in the poorest decile. Women were hit harder by this increased unemployment than men. Women's unemployment rate rose by more than double that of men: 16.4 and 7.9 percentage points, respectively, over the same period. Though the reduction in income has affected the entire wage-earning population, the impact has been greater among low-income groups. While 34% of wage-earners saw their income fall in 2020, among those in the poorest decile, the percentage was 62.8%.
- 1.25 Women and indigenous people in particular are more vulnerable to adverse impacts, given that they faced greater challenges in the labor market even before the crisis, and had higher poverty rates. Women have a lower labor market participation rate than men (51% and 72%, respectively), which translates into 750,000 women of working age who are absent from the labor market.¹⁷ Prior to the pandemic, the national unemployment rate among women (8.8%) was already greater than among men (5.8%) and higher than the national average.¹⁸ The gender wage gap is around 11%.¹⁹ Prior to the pandemic, the incidence of poverty among women (21.8%) was higher than among men (20.8%).²⁰
- 1.26 In indigenous comarcas, the rate of informality is 84.9%, compared to 44.9% nationally.²¹ Comarca residents may also be more affected economically due to overrepresentation among the population living in poverty.²² The Multidimensional Poverty Index for Boys, Girls, and Adolescents reveals significant disparities for indigenous children. Indigenous households have a Multidimensional Poverty Index score higher than the national average (0.1494): 0.593 in Guna Yala comarca, 0.365 in Emberá-Wounaan comarca, and 0.568 in Ngäbe-Buglé comarca (UNICEF, 2020).²³ The comarcas' scores are more than double the national average (16.1) for the Index's indicators for low education and early

¹⁵ The CCTP deposit is made to simplified bank accounts of beneficiaries through the National Bank of Panama. Each beneficiary can withdraw the transfer amount using the Tarjeta Social Clave card from any ATM in the national network.

¹⁶ IDB calculations based on the 2020 Labor Markets Survey by the National Institute of Statistics and Census (INEC).

¹⁷ INEC, 2018.

¹⁸ INEC, 2019. According to Acevedo, et al., women are highly concentrated in jobs and sectors hardest hit by the crisis, such as hospitality, food service, and retail. [See: IDB. Implicaciones sociales del COVID-19. Technical Note IDB-DP-820, October 2020.](#)

¹⁹ IDB, World Economic Forum, and Government of Panama. Diagnóstico y plan de acción de la Iniciativa de Paridad de Género en Panamá. July 2018.

²⁰ IDB Group Strategy Country with Panama 2021-2024, May 2021.

²¹ INEC, 2018.

²² According to data from the Ministry of Economy and Finance, as of 2019, the incidence of poverty was 73.4% in Guna Yala comarca; 64.2% in Emberá-Wounaan comarca; and 83.3% in Ngäbe-Buglé comarca.

²³ The [Multidimensional Poverty Index for Boys, Girls, and Adolescents](#) measures specific deprivations that affect children ages 0 to 17. The measurement consists of 5 dimensions and 10 indicators.

education: 48.7 in Guna Yala comarca, 40.9 in Emberá-Wounaan comarca, and 48.7 in Ngäbe-Buglé comarca.

- 1.27 **Closure of childcare services.** In April 2020, the Government of Panama ordered the nationwide closure of CAIPIs and preschools. The closure affected approximately 2,500 children under 3, who are not receiving in-person care and stimulation, and 79,803 children ages 4 and 5²⁴ who are not receiving in-person educational services. Evidence from surveys conducted in Latin America and the Caribbean shows that the prolonged closure of childcare centers and preschools is affecting children's development, learning, and physical health.²⁵ The economic costs of 12 months without these services could translate into an annual loss of 7.9% of Panama's GDP.²⁶ MIDES has started to reopen CAIPIs gradually and on a volunteer basis, but services are still limited.²⁷ This is partly because many of these centers have inadequate infrastructure, basic services, and staffing, making it hard to comply with the hygiene and sanitization protocols required for them to reopen.²⁸
- 1.28 **Rationale and strategy.**²⁹ To compensate for the population's loss of income as a result of COVID-19 response measures, large-scale compensatory policies are needed. Several evaluations show that CCTPs are the most effective method for redistributing income and supporting consumption in the region.³⁰ Conditional cash transfers are also effective at addressing temporary shocks and increasing resilience to generalized shocks. Based on the evidence, the uncommitted program balance will be redirected to fund cash transfers for 40,982 households in the Opportunities Network program, the main cash transfer program targeted at those living in extreme poverty³¹ (Component 4). The Opportunities Network was selected for precisely because it was the CCTP that best targeted the population living in extreme poverty. In Panama, 38.1% of households in extreme poverty with children under 18 participate in the Opportunities Network.³² A large portion of Opportunities Network beneficiaries are also experiencing the worst effects of the crisis. In all, 97% of beneficiaries are women³³ and 46% live in indigenous comarcas. The transfer amount and coverage will remain the same. Annual

²⁴ Ministry of Education, [Estadísticas Educativas](#), 2019.

²⁵ Guerrero, Gabriela. (2021). [Midiendo el impacto de la COVID-19 en los niños y niñas menores de seis años en América Latina](#). Inter-American Dialogue.

²⁶ López-Boo, Florencia. (2020). [Costos económicos de las reducciones en los programas preescolares por la pandemia de COVID-19](#), IDB, 2020.

²⁷ By 12 July 2021, just 17% of comprehensive early childhood care centers managed by MIDES have reopened for in-person services.

²⁸ MIDES. [Lineamientos para el retorno participativo, voluntario, seguro y gradual de los CAIPI post COVID-19](#).

²⁹ The rationale for the strategies for strengthening MIDES, efficiently managing the CCTPs, and increasing the quality and coverage of early childhood services is presented in paragraph 1.23 of the original loan proposal and is still valid. This section explains the rationale for activities funded with the reformulated amount.

³⁰ Ibarrarán, Pablo, et al. 2017 How Conditional Cash Transfers Work. IDB. <http://dx.doi.org/10.18235/0000746>.

³¹ Based on IBP administrative data from MIDES, the Opportunities Network had 40,982 beneficiary households as of December 2020, equivalent to 163,928 people living in extreme poverty.

³² IDB calculations based on the 2017 Multipurpose Survey.

³³ The Opportunities Network operations manual says that the transfer is directed to the household through the household representative. The mother of the minor children living in the home will receive the transfer.

funding for the Opportunities Network is approximately US\$25.5 million; the program support represents a fraction of the annual investment. The investment strategy for the reformulated program is also based on evidence showing that regular school attendance and quality healthcare improve child development.³⁴ The reformulated program will allocate resources to finish refurbishing and equipping three CAIPs in vulnerable areas (Component 3) and, as a new activity, improve infrastructure by making minor repairs to 38 CAIPs across the country to facilitate their reopening. It is aligned with the objective of promoting social progress established in IDB's [Vision 2025](#) because it helps reduce poverty and extreme poverty and contribute to human capital accumulation by making investments in early childhood. It is also aligned with the Vision 2025 focus on the digital economy, because it supports the completion of the IBP for efficient and transparent management of CCTPs.

- 1.29 **Bank experience and lessons learned.** The use of resources for the purposes described in this proposal comes from lessons learned from more than 20 years helping to design, implement, and evaluate CCTPs in 18 countries in the region.³⁵ The program is also taking lessons from operations to provide assistance during the COVID-19 emergency, which demonstrate the effectiveness of using existing CCTPs to support the income levels of people living in poverty and extreme poverty, without requiring new registration efforts or additional field operations to pay the transfers.³⁶ These lessons informed the design of Component 4, which funds the Opportunities Network program to protect minimum income levels for those living in extreme poverty. The evaluation of the IDB Group Country Strategy with Panama 2015-2019 found that maintaining close contact and constant feedback methods with indigenous communities and their traditional authorities were effective cultural adaptation strategies when refurbishing CAIPs. This lesson is being incorporated into Component 3, specifically for activities surrounding the construction, remodeling, and improvement of the CAIPs.
- 1.30 **Coordination with other Bank projects.** The reformulated program complements resources from five loans that the IDB has made to the Government of Panama in response to the pandemic and for the country's economic and social recovery: (i) Reformulation of the Sanitation Program for the Districts of Arraiján and La Chorrera (3799/OC-PN) for US\$123 million to support vulnerable populations who are affected by COVID-19. As of 20 September, the Bank has disbursed 44.5% of the reformulated amount, equivalent to US\$54,746,020.00 in payments to 194,751 beneficiaries of existing CCTPs, specifically the Opportunities Network, "120 at 65", and Guardian Angel.³⁷ Coordination involves sustaining the support initiated under loan 3799/OC-PN to the Opportunities Network through the present program during the second half of 2021;

³⁴ Berlinski, Samuel, et al. (2015). The Early Years: Child Well-being and the Role of Public Policy. IDB.

³⁵ Ibararán Pablo, et al. 2017 How Conditional Cash Transfers Work. IDB. <http://dx.doi.org/10.18235/0000746>.

³⁶ The Bank has approved 12 operations to support vulnerable populations affected by COVID-19: 5056/OC-BL; 5039/OC-BO; 5092/OC-BR; 5031/OC-EC; 5107/OC-GU; 5180/BL-GY; 5068/GR-HA; 5105/OC-UR; 5295/OC-AR; 5312/OC-EC; 5288/GR-HA; 5289/BL-HO and three reformulated operations: 3799/OC-PN; 4112/OC-SU; and 5218/OC-TT.

³⁷ The final disbursement, corresponding to 55.5% of the reformulated amount, is expected in October 2021 and is equal to US\$68,253,980.00 of the Vale Digital payment to 731,780 beneficiaries in the informal sector, independent workers, or formal sector workers who were furloughed from their jobs.

(ii) Immediate Public Health Response to Contain and Control Coronavirus and Mitigate its Impact on Services (5299/OC-PN) for US\$30 million to help reduce COVID-19 morbidity and mortality through interventions including strengthening the National Emergency Committee led by the Ministry of Health, providing vaccines, and procuring personal protective equipment for health care workers; (iii) Global Credit Program for Safeguarding the Productive Fabric and Employment (5040/OC-PN), which has directed US\$150 million in assistance to 2,276 micro, small, and medium enterprises (MSMEs) in the face of the COVID-19 crisis to protect employment in Panama; (iv) Emergency Program for Macroeconomic and Fiscal Sustainability (5055/OC-PN) executed US\$400 million to support the Government of Panama's actions to restore macroeconomic stability and fiscal sustainability; and (v) Global Credit Program for Promoting the Sustainability and Economic Recovery of Panama (5251/OC-PN) for US\$150 million to support the economic recovery of MSMEs.

1.31 Coordination with other multilateral bodies and/or cooperation agencies.

The Central American Bank for Economic Integration is funding support for vulnerable populations through the Panamá Solidario program, specifically Vale Digital, in the amount of US\$150 million through an investment loan (Partial Funding to Implement the Panamá Solidario Vale Digital Program to Address the COVID-19 Pandemic in the Republic of Panama). The World Bank supported the third 2020 payment cycle³⁸ for MIDES CCTPs for US\$54.6 million through an investment loan (Strengthening Social Protection and Inclusion System Project). The coordination efforts have helped ensure that the financing provided by the World Bank and the IDB in support of the social protection network is complementary and guarantees the sustainability of the CCTPs during the emergency period. This program is also funding the Opportunities Network's third 2021 payment cycle and part of the fourth 2021 payment cycle. UNICEF is collaborating in the gradual reopening of the CAIPs supported by this operation with infrastructure improvements and equipment. UNICEF has provided technical assistance to MIDES to develop the guidelines and protocols to reopen the CAIPs safely. Coordination with UNICEF will involve efforts to ensure that the guidelines and protocols for safely reopening the CAIPs are incorporated into the procurement processes supported by the program.

1.32 Strategic alignment. The reformulated program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the development challenge of: (i) social inclusion and equality by improving access to public services for young children and those living in extreme poverty. It is also aligned with the crosscutting areas of: (i) institutional capacity and rule of law by helping to improve MIDES's management of CCTPs and its delivery of quality early childhood services; (ii) gender equality and diversity in its gender and diversity dimensions by supporting minimum income levels of Opportunities Network beneficiary households, of which 97% is targeted at women and 46.2% goes to indigenous comarcas. The program also contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) in the following indicators: (i) students benefited by education projects; (ii) beneficiaries of antipoverty

³⁸ MIDES makes Opportunities Network payments to beneficiary households quarterly, and there are four payment cycles in one year of the program (March, June, September, and December).

programs; and (iii) agencies with strengthened digital technology and managerial capacity.

- 1.33 The reformulated program is aligned with the IDB Group Country Strategy with Panama 2021-2024 (document GN-3055) under its objective of improving the delivery of basic services. It is also consistent with the Social Protection and Poverty Sector Framework (document GN-2784-9), highlighting the need to improve programs and policies that serve those living in extreme poverty. It is consistent with the Early Childhood Development Sector Framework (document GN-2966-2) through its alignment with line of action 2: implement early childhood development services with quality at scale. The program is consistent with the Proposal for the IDB Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), as one of its priorities is to protect the incomes of vulnerable populations who are affected. It is also aligned with the focus on fighting poverty and inequality in the Government of Panama's Strategic Plan 2020-2024.

C. Description of reformulated program

- 1.34 **Objectives.** The general objective of the reformulated program is to contribute to the reduction of poverty and extreme poverty and better enable the Social Protection System to promote human capital accumulation.³⁹ The specific objectives are to: (i) strengthen MIDES at the central and regional levels in its role as apex authority and implementation agency for social policies and programs; (ii) improve the targeting and distributive efficiency of social spending in conditional cash transfer programs (CCTPs); (iii) narrow gaps in the coverage and quality of comprehensive early childhood services; and (iv) support minimum income levels for people living in extreme poverty affected by COVID-19.⁴⁰ Modifications to the program's components and costs are described below:
- 1.35 **Component 1. Strengthening of MIDES (US\$4,798,165.66).** The aim of the original component is to improve MIDES at the central and regional level by creating the Social Development and Inclusion Office and the Coordinating Unit for Comprehensive Early Childhood Care. It also aims to refurbish and outfit MIDES's central and regional offices (paragraph 1.5). Of the 12 original outputs that were part of Component 1, 10 have been completed with fewer resources than originally anticipated. Component 1 will continue to fund the following outputs: (i) outfitting three central MIDES offices with furniture and technological equipment (the final target for this output was reduced from six central offices to three); and (ii) providing six regional MIDES offices with furniture and technological equipment, equal to the original target. See Table 1.2.
- 1.36 **Component 2. Efficient management of CCTPs (US\$3,666,971.09).** The original component supports efficient CCTP management by standardizing identification and recertification criteria for beneficiaries, developing a Unified Social Protection Form, and developing the IBP to automate the entire CCTP operating cycle. Of the six original Component 2 outputs, two have been completed with fewer resources than initially anticipated. One output was eliminated, and the final target was reduced for the output "Number of antipoverty program beneficiaries registered in the IBP." Component 2 will continue to fund,

³⁹ The general objective is the same as it was for the original operation.

⁴⁰ Specific objectives (i) to (iii) have been carried over from the original operation; (iv) is the only new objective.

although with a lower budget than originally planned, the following outputs that are underway: (i) development of the IBP; and (ii) training for MIDES staff on IBP management. See Table 1.2.

- 1.37 **Component 3. Increase in human capital investment (US\$33,540,493.14).** The original component supported the accumulation of human capital through the verification of CCTP co-responsibilities and the increased coverage and quality of early childhood services. Of the 11 original outputs in Component 3, four are complete and eight have modified final targets. Among the completed outputs are Opportunities Network payments based on verification of co-responsibilities (paragraph 1.7). Of the modified outputs, the following activities will still be funded: (i) services to create pedagogical guidelines for a curriculum for 0 to 3 year olds, and apply quality standards; (ii) construction of a new CAIPI in Veracruz, Arraiján district, Panamá Oeste province; (iii) refurbishing and outfitting of the CAIPIs in Tikantiki and Ustupu, located in the Narganá and Ailigandí districts in the Guna Yala comarca. The CAIPIs in Guna Yala are being prioritized because of the child development gaps identified in paragraph 1.25; and (iv) service for 1,200 children under 4 in the community modality of comprehensive early childhood care in Veraguas and Darién provinces and the Ngäbe-Buglé comarca. The new activities consist of rehabilitation of the infrastructure (minor works) of 38 existing CAIPIs to facilitate their reopening⁴¹ and are included as a new output.
- 1.38 **Component 4. Protection through the use of existing cash transfer programs (US\$7,839,900.41).** The reformulated program adds this component to fund existing cash transfers through the Opportunities Network program to support minimum income levels of those living in extreme poverty affected by COVID-19. As women and indigenous populations are the vulnerable populations hardest hit by the pandemic, the funded transfers prioritize these groups specifically. Resources from this component will fund the third and fourth Opportunities Network payment cycles in 2021. The payments made through this component will not be based on the verification of health and education co-responsibilities as MIDES suspended this requirement through Resolution 168 of 29 July 2020, applicable to cash transfer payments made during the national emergency due to COVID-19.
- 1.39 **Administration (US\$154,469.70).** The reformulated program will continue to finance support for program planning, execution, monitoring, and auditing as originally scheduled. The budget for this component has been reduced from the original amount. Due to the closure of CAIPIs, the ITERS scale will not be part of the program's impact evaluation. This reduces the resources allocated for monitoring and evaluation.
- 1.40 **Beneficiaries.** Transfers funded by the reformulated program will benefit people who are vulnerable in the face of the COVID-19 crisis, specifically 40,982 households living in extreme poverty, by paying for Opportunities Network transfers. Of these households, 42% (18,970 households) are part of the Emberá-Wounaan, Guna Yala and Ngäbe-Buglé comarcas, and 97% are headed by women. The program will also benefit 848 boys and girls ages 0 to 3 who receive

⁴¹ See link for CAIPIs to be improved ([optional link 8](#)). A complete list of the land title status of the CAIPIs is available in the Infrastructure Analysis ([optional link 5](#)). Of the 41 anticipated works in Component 3 with the uncommitted resources (38 improved CAIPIs, 1 new CAIPI, and 2 remodeled CAIPIs), 92% are on lots owned by MIDES.

comprehensive early childhood services in the new, remodeled, and improved CAIPs.

D. Key results indicators

- 1.41 The reformulated operation's results matrix (Annex II) details the anticipated impacts, outcomes, and outputs. The impacts anticipate that the incidence of extreme poverty will remain the same due to the effects of the pandemic. Anticipated outcomes include consolidating the CCTP operational cycle by the Social Development and Inclusion Office, improving MIDES's regional offices, increasing beneficiary recertification, increasing the percentage of CAIPs that apply quality standards, and increasing coverage of households living in extreme poverty with children under 18 that receive transfers through the Opportunities Network.
- 1.42 **Update to the economic evaluation.** Supporting the incomes of households living in extreme poverty that are affected by COVID-19 will help these households maintain a minimum level of consumption and drive economic activity in sectors linked to consumption. The cash transfers will also help reduce school desertion in the short and medium term, and its future consequences in the long term. Lastly, investments to improve the quality and support the opening of the CAIPs will contribute to the accumulation of human capital. With these three elements, the cost-benefit analysis was updated for the reformulated program and found robust positive returns to the respective sensitivity analyses. The base scenario uses a discount rate of 6%, consistent with the practice for evaluating social programs as discussed in [optional link 2](#). With a 6% discount rate, the net present value of the reformulated program is US\$27,763,764, and the cost-benefit ratio is 2.85. The internal rate of return of the reformulated program is 17.83.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The total cost of the reformulated program is US\$60 million, of which US\$50 million is the loan from the Bank, and US\$10 million is the local contribution. The loan remains under the specific investment loan modality due to its defined scope, costs, and works. The reformulated program proposes using US\$15,213,938.71 in uncommitted funds from the IDB contribution as laid out in this document. The proposed distribution of the total program amount and its distribution between components is shown in Table 2.1.

Table 2.1. Costs (US\$)

| Component | Current approved budget | Difference reformulated-current | Proposed distribution between components | Local contribution |
|---|-------------------------|---------------------------------|--|--------------------|
| Component 1. Strengthening of MIDES | 6,836,629.16 | -2,038,463.50 | 4,798,165.66 | 3,990,946.99 |
| Component 2. Efficient management of CCTPs | 13,900,000.00 | -10,233,028.91 | 3,666,971.09 | 0 |
| Component 3. Increase in human capital investment | 27,663,370.84 | 5,877,122.30 | 33,540,493.14 | 6,009,053.01 |

| Component | Current approved budget | Difference reformulated-current | Proposed distribution between components | Local contribution |
|--|-------------------------|---------------------------------|--|----------------------|
| Component 4. Protection through the use of existing cash transfer programs | 0 | 7,839,900.41 | 7,839,900.41 | 0 |
| Administration | 1,600,000.00 | -1,445,530.30 | 154,469.70 | 0 |
| Total | 50,000,000.00 | | 50,000,000.00 | 10,000,000.00 |

- 2.2 Disbursements of committed resources and outstanding payments (US\$4,484,806.99) and the uncommitted balance (US\$15,213,938.71) of the reformulated program will be scheduled as follows:

Table 2.2. Projected disbursements (US\$)⁴²

| | 2022 | 2023 | Total |
|-----|---------------|--------------|---------------|
| IDB | 17,272,087.07 | 2,133,478.64 | 19,405,565.71 |
| % | 74.2 | 25.8 | 100 |

B. Environmental and social safeguard risks

- 2.3 The reformulated program maintains its classification as a category “B” operation because the negative socioenvironmental risks and impacts are localized and short term, and effective mitigation measures will be taken. A socioenvironmental liability study was conducted for six CAIPI buildings that were built during the project to assess the degree of compliance with the Bank’s socioenvironmental policies. Based on field visits, it was confirmed that there were no complaints from the beneficiary communities, all the sites have the Environmental Impact Studies required by local law, and there are some technical deficiencies in the buildings that will have to be corrected, but there are no moderate or significant socioenvironmental liabilities. The reformulated operation includes building or rebuilding three CAIPI facilities—two in the Guna Yala comarca for the benefit of indigenous communities—and remodeling 38 CAIPI facilities throughout the country. An [Environmental and social assessment \(ESA\) and an Environmental and social management plan \(ESMP\)](#) were drawn up for these 41 projects and the final version of these documents was posted on the Bank website, along with a sociocultural analysis for the two beneficiary indigenous communities that are affected by the CAIPI reconstruction. Consultations regarding these subprojects were conducted with meetings held on various dates, including a consulting process that is socioculturally adapted to the two indigenous communities, which were documented and shared in a Consultation Report. Its recommendations include ensuring the delivery of potable water in the CAIPIs through water storage tanks, perimeter fences in play areas, and community participation in outfitting the temporary spaces where the CAIPIs will operate during construction. A breakdown of the observations and suggestions is found in the [environmental and social management report](#). The risk level for natural disasters has been classified as moderate, anticipating minimal or no worsening of preexisting disaster risk

⁴² The disbursement schedule reflects the US\$4,484,806.99 of the committed balance pending justification and US\$15,213,938.71 of the program’s uncommitted balance.

conditions (type 2), as the activities and infrastructure being funded, following due diligence in its design, construction, and operations, do not exacerbate natural disaster risks to human life, physical infrastructure, or the environment. The ESA/ESMP have a Disaster Risk Management Plan with guidelines for proper handling of the operation and maintaining its infrastructure at tolerable risk levels during its life cycle.

C. Fiduciary risks

- 2.4 There are three medium fiduciary risks associated with the reformulated operation. The first is related to MIDES's fiduciary management capacity (procurement, financial, and accounting) to execute the program. To mitigate this risk, the Bank's fiduciary team will work closely with MIDES's Administrative and Financial Liaison Unit (UEAF), with a focus on streamlining processes, improving planning and execution of procurements, strengthening internal and external controls, and financial reporting. Support and supervision will be provided throughout the operation. Another medium fiduciary risk are the constant corrections required under the previous fiscal control model, which could delay program procurements and payments. This risk will be mitigated by facilitating a dialogue with the Office of the Comptroller General of the Republic of Panama (CGR) and making a monthly agreement plan with MIDES's fiscal control office. The Bank will also provide models of bid evaluations and negotiated proposals with the CGR to minimize the need for corrections, so that authorizations for procurements can be obtained more quickly. Lastly, there is a risk of an impact on MIDES's allocated budget resources due in the increased deficit impacting the central government's fiscal accounts and revenue, for which the Bank will facilitate ongoing dialogue between the MEF and MIDES to ensure that the UEAF has the budget and technical assistance it needs to develop planning tools for the program. The institutional capacity assessment of the executing agency for execution of this reformulated operation determined that there are no risks that could adversely affect its efficient, effective, and responsible execution. The executing agency has the technical, administrative, and fiduciary capacity to implement the reformulated program. However, the results also show minor limitations and correctable risks due to: weak capacity to evaluate and monitor operations and manage risks; challenges in administering internal controls; goods that are not maintained; and inefficiencies in hiring and payment procedures.

D. Other risks and key issues

- 2.5 The two risks classified as medium are: (i) the limited capacity of MIDES to oversee progress and potential environmental and social impacts of the civil works included in the reformulated program, which is why the UEAF will be provided with an architect, paid for with supervision resources from the loan; and (ii) the inherent risk of implementing CCTPs that require cash payments during the pandemic—the potential for outbreaks due to gatherings of people. More than 80% of the beneficiaries of transfers from Panama's social protection network receive their transfer through the Tarjeta Clave Social card, which reduces the risk of crowding. To mitigate possible risk of contagion during CCTP payments in hard-to-reach areas, MIDES will implement mitigation measures during the cash payment events, including: (i) support from local law enforcement to ensure implementation of physical distancing and hygiene protocols; and (ii) delivery of personal protective equipment to institution staff.

- 2.6 **Sustainability.** This reformulation supports Panama's efforts to confront the pandemic and mitigate its economic impacts on the most vulnerable population. The financing represents a fraction of the nation's financial and social efforts. The country is prepared to assume the necessary financial costs to save lives and drive an inclusive recovery. Panama will continue to fund and operate the CCTPs using its own resources. The country will also maintain the continuous improvement of CCTP targeting supported by this program using a gradual recertification plan rooted in the PMT adopted by MIDES through Resolution 301 of 11 November 2020.⁴³ The commitment to the sustainability of program investments in improving human capital is backed by the passage of Law 171 of 15 October 2020 on comprehensive early childhood protection and early childhood⁴⁴ development that adopts the Pathway for Comprehensive Early Childhood Care to ensure the permanent execution of programs, policies, and budgets for comprehensive early childhood protection and development.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The Government of Panama is still the borrower for the reformulated program. MIDES remains the executing agency, acting through UEAF, which has a coordinator, and specialists in finance, accounting, procurement, and monitoring and evaluation who will coordinate and supervise the operation. MIDES has experience implementing IDB operations, specifically the Social Protection Program (1867/OC-PN) and the programmatic series to support transparency and equity in social spending executed between 2016 and 2018 (3485/OC-PN, 3724/OC-PN and 4594/OC-PN) and other multilateral organizations such as the World Bank.
- 3.2 **Execution and administration:** The responsibilities of the UEAF include: (i) preparation of the implementation plan; (ii) financial and accounting administration and preparation of budgets and disbursement requests; (iii) preparation of procurement plans, including the selection and supervision of the auditing firm; (iv) preparation of financial, technical, and environmental and social reports; and (v) preparation of monitoring reports.
- 3.3 **Special contractual conditions precedent to the first disbursement of the loan in its modified form.** Special contractual conditions precedent to the first disbursement of reformulated funds include: (i) **the approval and entry into force of the updated program Operating Regulations (optional link 6)**, including the environmental and social considerations from the ESMP and its related plans **under the terms previously agreed upon with the Bank.** The updated regulations are required to establish the program execution, oversight, verification, and monitoring and evaluation mechanisms; and (ii) presentation of evidence that the UEAF has a socioenvironmental specialist who is responsible for implementing and overseeing the ESMP and its associated plans. The borrower will also comply

⁴³ MIDES uses the new PMT, developed with technical assistance from the IDB, to determine beneficiaries' eligibility for CCTPs during the intake and recertification process. The new PMT reduces exclusion and inclusion errors by 26%, which allows MIDES to better target CCTPs.

⁴⁴ See: https://www.gacetaoficial.gob.pa/pdfTemp/29135_C/GacetaNo_29135c_20201015.pdf.

with the special contractual conditions for execution established in Annex B of the Environmental and Social Management Report.

- 3.4 **Procurement.** Procurements totally or partially funded by Bank resources will be made in accordance with the Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-15) or the policies in effect at the time of project execution, as well as the Financial Management Guidelines for IDB Financed Projects (operational policy OP-273-12). The procurement plan lists anticipated procurements.
- 3.5 **Disbursements.** The new date of the final disbursement for the reformulated program will be 1 December 2023. The disbursement method will mainly be advances based on liquidity needs; and advances will be accounted for in accordance with the Financial Management Guidelines for IDB Financed Projects (operational policy OP-273-12). The Bank may disburse funds, using reimbursement of expenditures, for Opportunities Network payments corresponding to the third and fourth payment cycles of 2021 as set forth in Component 4, up to US\$7,839,900.41 (51.5% of the reformulated amount). Once the amendatory agreement is in effect and the disbursement conditions have been met, the borrower would request reimbursement for these expenditures.
- 3.6 **Auditing.** MIDES will provide the Bank with the annual audited financial reports during the disbursement period for the reformulated program and within 120 days following the close of the fiscal year. The audit must certify payments made by MIDES to Opportunities Network beneficiaries through the certification of deposits from the National Bank of Panama to beneficiaries' Tarjeta Clave Social card that charge for bank transfers and payment lists for beneficiaries in hard-to-reach areas. The audit must be conducted by a Bank-eligible independent auditing firm. The scope and other related considerations will be governed by the Financial Management Guidelines (operational policy OP-273-12) and Guide to Financial Reports and External Audit Management. Audit costs will be paid for by loan resources.

B. Summary of arrangements for monitoring results

- 3.7 **Monitoring.** MIDES will be responsible for implementing the monitoring and evaluation plan ([required link 2](#)) through the UEAF. The main monitoring tools will be the results matrix (Annex II) and the procurement plan ([required link 4](#)). The main source for monitoring the impact, outcome, and output indicators will be the IBP, which will be administered by MIDES. The Multipurpose Survey, conducted on a sampling of households twice a year (March and August) will also be used. The main reporting tool will be the progress monitoring report, which will draw information from the semiannual progress reports. MIDES will prepare a multiyear execution plan and an annual work plan once the project is underway.
- 3.8 **Evaluation.** Under evaluation will be the reformulated program's contribution to the specific objective of supporting minimum income levels for people living in extreme poverty who are affected by COVID-19 through a before and after analysis using available time series data on the outcome indicators, especially Opportunities Network coverage. To establish a causal link between the outcomes and the program interventions, the quantitative analysis will be complemented with qualitative data and a theory of change review supported by relevant evidence on

the effectiveness of similar interventions in comparable contexts. The evaluation will also assess the program's contribution to the specific objective of narrowing the gaps in coverage and quality of comprehensive early childhood services by conducting an impact evaluation of the early childhood care interventions in the physical, cognitive, and socioemotional development of the beneficiary children. The impact evaluation will have an experimental design with randomization. The evaluation costs will be paid for using program funds.

IV. RECOMMENDATION

- 4.1 Based on the information and analysis in this document, it is recommended that the Board of Executive Directors of the Inter-American Development Bank approve by the short procedure this reformulation proposal under the terms and conditions described herein, in accordance with document CS-3953-4, paragraph 6.

| Development Effectiveness Matrix | | |
|--|---|---|
| Summary | | PN-L1105 |
| I. Corporate and Country Priorities | | |
| Section 1. IDB Group Strategic Priorities and CRF Indicators | | |
| Development Challenges & Cross-cutting Issues | -Social Inclusion and Equality -Gender Equality and Diversity -Institutional Capacity and the Rule of Law | |
| CRF Level 2 Indicators: IDB Group Contributions to Development Results | -Students benefited by education projects (#) -Beneficiaries of targeted anti-poverty programs (#) -Agencies with strengthened digital technology and managerial capacity (#) | |
| 2. Country Development Objectives | | |
| Country Strategy Results Matrix | GN-3055 | Objective 2: Improve the provision of basic services |
| Country Program Results Matrix | | The intervention is not included in the 2021 Operational Program. |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program) | | |
| II. Development Outcomes - Evaluability | | Evaluable |
| 3. Evidence-based Assessment & Solution | 8.4 | |
| 3.1 Program Diagnosis | 2.5 | |
| 3.2 Proposed Interventions or Solutions | 1.9 | |
| 3.3 Results Matrix Quality | 4.0 | |
| 4. Ex ante Economic Analysis | 10.0 | |
| 4.1 Program has an ERR/NPV, or key outcomes identified for CEA | 1.5 | |
| 4.2 Identified and Quantified Benefits and Costs | 3.0 | |
| 4.3 Reasonable Assumptions | 2.5 | |
| 4.4 Sensitivity Analysis | 2.0 | |
| 4.5 Consistency with results matrix | 1.0 | |
| 5. Monitoring and Evaluation | 10.0 | |
| 5.1 Monitoring Mechanisms | 4.0 | |
| 5.2 Evaluation Plan | 6.0 | |
| III. Risks & Mitigation Monitoring Matrix | | |
| Overall risks rate = magnitude of risks*likelihood | Medium Low | |
| Environmental & social risk classification | B | |
| IV. IDB's Role - Additionality | | |
| The project relies on the use of country systems | | |
| Fiduciary (VPC/FMP Criteria) | Yes | Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System. |
| Non-Fiduciary | | |
| The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions: | | |
| Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project | | |

Evaluability Assessment Note: It is a reformulation of the original project approved in 2015, with the purpose of using uncommitted resources to finance support for vulnerable populations affected by the socio-economic crisis derived from COVID-19 and the continuation of investments in early childhood, including support for the reopening of children's centers closed due to the pandemic. Of the US \$ 50 million from IDB ordinary capital, US \$ 15,213,938.71 of uncommitted balance is redirected to new activities. In return, some activities related to the strengthening of the Ministry of Social Development (MIDES) and the efficient management of Conditional Cash Transfer Programs (CCTP) are eliminated or reduced in scope. The diagnosis of the original project remains valid, exacerbated by the COVID 19 crisis: the country still exhibits high levels of poverty, especially in rural areas, indigenous regions and childhood, which would be explained in part by the institutional weakness of the MIDES, which translates into targeting problems in the main CCTPs, as well as poor coverage and poor quality of early childhood programs. The measures to contain the spread of COVID 19 contributed to an increase in poverty, especially among the child population, and to the temporary closure of the Comprehensive Early Childhood Care Centers (CAIP) and preschools. The program's general objective is to contribute to the reduction of poverty and extreme poverty and to increase the capacity of the Social Protection System to promote the accumulation of human capital. The original specific objectives are: (i) to strengthen MIDES at the central and regional level in its role as director and executor of social policies and programs; (ii) to improve the targeting and distributive efficiency of social spending on CCTP; and (iii) to reduce the gaps in coverage and quality of comprehensive services aimed at early childhood. The reformulation adds as a specific objective, (iv) to support minimum income levels of the population in extreme poverty affected by COVID-19. The results matrix is consistent with the vertical logic of the operation and presents impact and outcome indicators that are reasonable, well specified and adequate to measure the achievement of the specific objectives. The evaluation plan proposes an impact evaluation with attribution for early childhood care interventions and a before and after analysis for indicators associated with other interventions, supplemented by a review of the intervention theory of change, a review of the evidence in the literature on the effectiveness of similar interventions in comparable settings. The economic analysis shows an IRR of 17.83%. The project has received a medium-low global risk classification, with the main risks detected (classified as medium-high) related to fiscal or approval processes considerations, which could generate delays in approval or execution deadlines. The proposed mitigation measures are adequate and can be monitored throughout the project.

RESULTS MATRIX

| | |
|---------------------------|---|
| Program objective: | The specific objectives of the program are to: (i) strengthen the Ministry of Social Development (MIDES) at the central and regional levels in its role as apex authority and implementation agency for social policies and programs; (ii) improve the targeting and distributive efficiency of social spending in conditional cash transfer programs (CCTPs); (iii) narrow gaps in the coverage and quality of comprehensive early childhood services; and (iv) support minimum income levels for people living in extreme poverty affected by COVID-19. Achieving these objectives will contribute to the general objective to contribute to the reduction of poverty and extreme poverty and better enable the Social Protection System to promote human capital accumulation. |
|---------------------------|---|

GENERAL DEVELOPMENT OBJECTIVE

| Indicators | Unit of measurement | Baseline value | Baseline year | Expected year achieved | Target | Means of verification | Comments |
|---|---------------------|----------------|---------------|------------------------|--------|--|--|
| General development objective: Contribute to the reduction of poverty and extreme poverty and better enable the Social Protection System to promote human capital accumulation. | | | | | | | |
| Incidence of extreme poverty | % | 15 | 2020 | 2023 | 15 | National Institute of Statistics and Census (INEC): Multipurpose Survey (March); Labor Markets Survey (August). Ministry of Economy and Finance (MEF): Per capita income and poverty lines (extreme and overall) | The economic effects of the pandemic are expected to cause a rise in the poverty rate. The targets have been adjusted to reflect the program's impact in the face of the crisis, to prevent such an increase. To be calculated based on data from INEC's Multipurpose Survey (March) or Labor Markets Survey (August). ¹ Poverty lines (extreme and overall) from the MEF. ² |
| Incidence of overall poverty | % | 35 | 2020 | 2023 | 35 | | |
| Children at the CAIPs who have underdeveloped problem-solving skills (cognition) for their age, which is equal to an ASQ-3 score below the critical threshold for the reference population (US) | % | 14.2 | 2019 | 2023 | 12 | Final household survey for the final program evaluation. | The Ages and Stages tool (ASQ-3) is a screening test to detect developmental delays in children between 1 and 66 months old. ⁴ The target will be conservative, given that the CAIPs have been closed since April 2020. |

¹ The Multipurpose Survey and the Labor Markets Survey include the same variables calculated using the same data. The Labor Markets Survey includes additional information. Therefore, the surveys are equivalent. To calculate the final target, the program will use the most recent survey at the time of project closing.

² The poverty line is calculated based on the value of the Basic Food Basket and the Basic Non-food Basket. The value of the Basic Food Basket determines the per capita income needed for a household to remain above the extreme poverty line. The sum of these two baskets determines the per capita income threshold needed to stay above the overall poverty line.

SPECIFIC DEVELOPMENT OBJECTIVES

| Indicators | Unit of measurement | Baseline | Baseline year | Final target | End of project | Means of verification | Comments |
|--|---------------------|----------|---------------|--------------|----------------|--|--|
| Specific development objective 1: Strengthen MIDES in its role as apex authority and implementation agency for social policies and programs | | | | | | | |
| Social Development and Inclusion Offices (DIDSs) that implement the CCTP operational cycles in a consolidated manner | % | 0 | 2015 | 80 | 2023 | DIDS operations manual | The processes in the CCTP operational cycle (census, roll, co-responsibilities, payments, and family support) are consolidated under DIDS management. |
| Regional MIDES offices strengthened | % | 0 | 2015 | 42 | 2023 | Semiannual implementation report delivered to the IDB. | "Strengthened" refers to the provision of equipment, furniture, and a digital interface with the MIDES central office to facilitate the delivery of social services. |
| Specific development objective 2: Improve the targeting and distributive efficiency of social spending in the CCTPs | | | | | | | |
| Opportunities Network beneficiaries ³ who are not living in extreme poverty (leakage) | % | 49.5 | 2020 | 49.5 | 2023 | To be calculated based on data from INEC's Multipurpose Survey (March) or Labor Markets Survey (August). | The final target remains at baseline level because recertification was suspended during the COVID-19 pandemic. During the recovery stage, program beneficiaries will be retained and the rolls will not be purged. |
| "120 at 65" beneficiaries who are not living in poverty (leakage) | % | 48.3 | 2020 | 48.3 | 2023 | | |
| Guardian Angel beneficiaries who are not living in extreme poverty (leakage) | % | 83.4 | 2020 | 83.4 | 2023 | | |
| Opportunities Network and "120 at 65" beneficiaries recertified | # | 0 | 2015 | 100,000 | 2023 | Semiannual implementation report delivered to the IDB. | |
| Guardian Angel beneficiaries recertified | # | 0 | 2015 | 8,000 | 2023 | Semiannual implementation report delivered to the IDB. | |
| Specific development objective 3: Narrow the gaps in the coverage and quality of comprehensive early childhood services | | | | | | | |
| CAIPs applying MIDES-approved quality standards | % | 0 | 2015 | 50 | 2023 | Semiannual implementation report delivered to the IDB. | The percentage of CAIPs that implement the quality standards developed by the project will be assessed. |

³ Beneficiaries are all members of a households in which one or more persons receives the transfer.

| Indicators | Unit of measurement | Baseline | Baseline year | Final target | End of project | Means of verification | Comments |
|--|---------------------|----------|---------------|--------------|----------------|---|---|
| Specific development objective 4: Support minimum income levels for people living in extreme poverty affected by COVID-19 | | | | | | | |
| Households in extreme poverty with children under 18 in the Opportunities Network program (coverage) | % | 24 | 2020 | 24 | 2023 | To be calculated based on data from INEC's Multipurpose Survey (March) or Labor Markets Survey (August). ⁴ | Verification of co-responsibilities for Opportunities Network beneficiaries was discontinued during the pandemic. Denominator calculation for the baseline: Number of people living in extreme poverty = 671,724 (Data from the 2020 Labor Markets Survey indicate that the extreme poverty rate is 15.7%. The 2020 population census data includes 4,278,500 inhabitants.) |

⁴ The Multipurpose Survey and the Labor Markets Survey include the same variables calculated using the same data. The Labor Markets Survey includes additional information. Therefore, the surveys are equivalent. To calculate the final target, the program will use the most recent survey at the time of project closing.

OUTPUTS

[illegible]

| Outputs | | Unit of measurement | Baseline value | Baseline year | Progress up to 2021 | Year 1 | Year 2 | End of project (cumulative target) | Means of verification | Comments |
|---|---|---------------------|----------------|---------------|---------------------|--------|--------|------------------------------------|--|----------|
| 2.1 | Criteria and instruments for each CCTP approved | # | 0 | 2015 | 3 | 0 | 0 | 3 | Semiannual implementation report delivered to the IDB. | |
| 2.2 | Unified Social Protection Form adopted by CCTPs | # | 0 | | 1 | 0 | 0 | 1 | | |
| 2.3 | Integrated Beneficiary Platform (IBP) designed, outfitted, and with a hosting service | # | 0 | | 0 | 1 | 0 | 1 | | |
| 2.4 | Staff trained in managing the IBP | # | 0 | | 30 | 0 | 0 | 30 | | |
| 2.5 | Number of antipoverty program beneficiaries (Opportunities Network, "120 at 65", Guardian Angel) registered in the IBP | # | 0 | | 342,000 | 0 | 0 | 342,000 | | |
| Component 3. Increase in human capital investment | | | | | | | | | | |
| 3.1 | Interagency agreements with the Ministry of Health and Ministry of Education to verify co-responsibilities, updated | # | 0 | 2015 | 2 | 0 | 0 | 2 | Semiannual implementation report delivered to the IDB. | |
| 3.2 | Instruments created to collect data for verification of co-responsibilities | # | 0 | | 3 | 0 | 0 | 3 | | |
| 3.3 | Number of Opportunities Network beneficiaries who receive cash transfers based on verification of co-responsibilities through the management information system | # | 0 | | 25,000 | 0 | 0 | 25,000 | | |
| 3.4 | Quality standards for CAIPs and pedagogical guidelines for curricula for 0 to 3 year olds developed | # | 0 | | 10 | 0 | 0 | 10 | | |
| 3.5 | CAIPs built | # | 0 | | 2 | 0 | 1 | 3 | | |
| 3.6 | CAIPs refurbished | # | 0 | | 12 | 0 | 3 | 15 | | |
| 3.7 | Community model of comprehensive early childhood services for indigenous comarcas and remote rural areas designed | # | 0 | | 1 | 0 | 0 | 1 | | |
| 3.8 | Children under 5 who have a children's record booklet | # | 0 | | 13,000 | 0 | 0 | 13,000 | | |

| Outputs | | Unit of measurement | Baseline value | Baseline year | Progress up to 2021 | Year 1 | Year 2 | End of project (cumulative target) | Means of verification | Comments |
|---|--|---------------------|----------------|---------------|---------------------|--------|--------|------------------------------------|--|---|
| 3.9 | CAIPs that have implemented the per capita payment model | # | 0 | | 24 | 0 | 0 | 24 | | |
| 3.10 | Children under 5 served at CAIPs | # | 0 | | 506 | 0 | 0 | 506 | | |
| 3.11 | Children under 5 served by the community modality | # | 0 | | 0 | 0 | 1,200 | 1,200 | | |
| 3.12 | CAIPs improved | # | 0 | 2020 | 0 | 0 | 38 | 38 | Semiannual implementation report delivered to the IDB. | |
| Component 4: Protection through the use of existing cash transfer programs | | | | | | | | | | |
| 4.1 | Number of transfers paid to Opportunities Network beneficiary households | # | 52,266 | 2020 | 0 | 52,266 | 0 | 52,266 | Semiannual implementation report delivered to the IDB. | |
| 4.2 | Women beneficiaries of the Opportunities Network who receive transfers as part of the program | # | 39,977 | | 0 | 39,977 | 0 | 39,977 | | The program registers one beneficiary who represents the household. The number of women and men who are program beneficiaries is recorded in the IBP. |
| 4.3 | Indigenous beneficiaries of the Opportunities Network who receive transfers as part of the program | # | 18,970 | | 0 | 18,970 | 0 | 18,970 | | The IBP records the beneficiaries who receive transfers in the Emberá, Guna Yala and Ngäbe-Buglé indigenous comarcas. |

Country: Panama **Sector Focus:** SCL/SPH **Project number:** PN-L1105 **Year:** 2021
Cofinancing: None **Coexecution:** None

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Social Development (MIDES)

Project name: Reformulation of the Social Inclusion and Development Program in Panama

I. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

1. Use of country systems in the project

| | | | |
|--|---|--|---|
| <input checked="" type="checkbox"/> Budget | <input checked="" type="checkbox"/> Reports | <input checked="" type="checkbox"/> Information system | <input type="checkbox"/> National competitive bidding (NCB) |
| <input checked="" type="checkbox"/> Treasury | <input type="checkbox"/> Internal audit | <input checked="" type="checkbox"/> Shopping | <input type="checkbox"/> Other |
| <input checked="" type="checkbox"/> Accounting | <input type="checkbox"/> External control | <input type="checkbox"/> Individual consultants | <input type="checkbox"/> Other |

2. The executing agency's fiduciary capacity

| |
|--|
| <p>Assessment of the executing agency's fiduciary capacity: Medium.</p> <p>MIDES will continue to act as the program's executing agency through its Administrative and Financial Liaison Unit (UEAF). MIDES has experience implementing Bank-financed operations while applying the IDB's fiduciary procurement and financial management policies, specifically the Social Protection Program (1867/OC-PN) and the programmatic series to support transparency and equity in social spending executed between 2016 and 2018 (3485/OC-PN, 3724/OC-PN and 4594/OC-PN) and other multilateral organizations such as the World Bank.</p> |
|--|

3. Fiduciary risks and mitigation actions

Fiduciary risk: High ☐; Medium ☒ ; Low ☐

| Risk | Level of risk | Mitigation plan |
|--|---------------|--|
| Delays in implementing program activities (procurement, financial, accounting) could adversely affect the program execution timeline. | Medium | The Bank's fiduciary team will continue to work closely with MIDES's Administrative and Financial Liaison Unit, with a focus on streamlining processes, improving planning and execution of procurements, and strengthening internal and external controls and financial reports. Support for supervision will be provided throughout the operation. |
| The constant correction required by the Office of the Comptroller General of the Republic of Panama (CGR) during the audit process prior to procurements and | Medium | The Bank will facilitate dialogue with the CGR and the creation of a monthly agreement plan with the MIDES's fiscal control office. The Bank will also provide models of bid evaluations and negotiated proposals with the |

| Risk | Level of risk | Mitigation plan |
|--|---------------|---|
| payments could adversely affect the program's execution timeline. | | CGR to minimize the need for corrections, so that authorization for procurements can be obtained more quickly. |
| Impact on MIDES's allocated budget resources due in the increased deficit impacting the central government's fiscal accounts and revenue | Medium | The Bank will facilitate a permanent dialogue between the MEF and MIDES to ensure that the UEAF has the budget and technical assistance it needs. |

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

| |
|---|
| Conditions precedent to the first disbursement: There are no fiduciary conditions. |
| Exchange rate: The legal currency in Panama is the balboa, which is at parity and freely traded with the U.S. dollar. |
| Audited financial reports: MIDES will provide the Bank with the program's annual audited financial reports regarding its support for vulnerable populations during the loan disbursement period and within 120 days following the close of the fiscal year. The financial reports must be examined by an independent auditing firm acceptable to the Bank. |

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

Exceptions to policies and guidelines

| | |
|---|---|
| <ul style="list-style-type: none"> None. | |
| Bidding documents | <ul style="list-style-type: none"> For procurement of works, goods, and nonconsulting services executed according to the procurement policies (document GN-2349-15), subject to international competitive bidding, the Bank's standard bidding documents will continue to be used. Consulting services will be selected and procured in accordance with the Policies for the Selection of Consultants (document GN-2350-15), and the Bank-issued standard request for proposals will continue to be used. The project team leader is responsible for reviewing the technical specifications and the terms of reference for procurement during preparation of the selection processes. This technical review may be done ex ante and is independent of the procurement review method. |
| Use of country systems | <ul style="list-style-type: none"> The framework agreement subsystem may be used to procure goods and nonconsulting services up to a maximum of US\$250,000, with the approval of the Bank's Board of Executive Directors. The operation's procurement plan will indicate which procurements are to be executed through the country system in the approved scope. If the Board expands the approved scope for use of the country system, this will apply to the operation. |
| Retroactive financing and/or advance procurement | <ul style="list-style-type: none"> Not applicable. |

| | |
|--|--|
| Expenses incurred before the amendatory contract takes effect | <ul style="list-style-type: none"> The Bank may reimburse MIDES for eligible expenditures made in June and September of 2021 related to the Opportunities Network as per Component 4, up to US\$7,839,900.41 (51.5% of the redirected funds). |
| Additional procurement support | <ul style="list-style-type: none"> Not applicable. |
| Alternative procurement arrangements | <ul style="list-style-type: none"> Not applicable. |
| Projects with financial intermediaries | <ul style="list-style-type: none"> Not applicable. |
| Procurement officers | <ul style="list-style-type: none"> Not applicable. |
| Direct contracting | <ul style="list-style-type: none"> Not applicable |

| | |
|---|--|
| Operating expenses: <input type="checkbox"/> Not applicable | Domestic preference: <input type="checkbox"/> Not applicable |
|---|--|

| |
|---|
| Overall project procurement supervision method: Ex ante. |
|---|

Country thresholds: www.iadb.org/procurement

Main procurements

| Procurement description | Selection method | New procedures/ tools | Estimated date | Estimated amount US\$000 |
|---|-------------------------|------------------------------|-----------------------|---------------------------------|
| Goods | | | | |
| Equipping of CAIPs | NCB | N/A | Pending | 200 |
| Works | | | | |
| Remodeling of regional offices in Chorrera, Darién, and Los Santos | NCB | N/A | Pending | 272 |
| Remodeling of existing CAIPs (Utstupu and Tikantiki) and a new CAIP (Veracruz) | NCB | N/A | Pending | 1,363 |
| Improvements to 21 CAIPs - San Miguelito (5); Los Santos (4); Coclé (6); Veraguas (6) | NCB | N/A | Pending | 468 |
| Improvements to 9 CAIPs - Colón (2); Panamá Oeste (2); Herrera (3); Chiriquí (2) | NCB | N/A | Pending | 1,410 |
| Remodeling of 8 CAIPs - Pueblo Nuevo, Alegres Corazón, San Antonio, Rayito de Sol, Tinajas, Dos Ríos, Abejitas, Caritas Felices | NCB | N/A | Pending | 350 |

| Procurement description | Selection method | New procedures/ tools | Estimated date | Estimated amount US\$000 |
|---|------------------|-----------------------|----------------|--------------------------|
| Consulting firms | | | | |
| Operational audit of the CUIDARTE project | QCBS | N/A | Pending | 200 |
| Impact evaluation | QCBS | N/A | Pending | 250 |
| CUIDARTE program information system | CQS | N/A | Pending | 132 |
| Supervision of new renovations | QCBS | N/A | Pending | 250 |

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

| | |
|---|---|
| Programming and budget | <ul style="list-style-type: none"> The budget law that will take effect in 2022 creates the National Public Investment System codes and lines for IDB financing. |
| Cash flow and disbursements | <ul style="list-style-type: none"> The disbursement mechanism will be manual. The IDB will transfer resources to a program-specific account in the Single Treasury Account, which will be requested by MIDES and opened by the MEF. Disbursements will be made based on advances that covers liquidity needs according to the specific financial plan for a period of up to 180 days. A new advance can be requested once 80% of the unjustified balance of accumulated resources has been accounted for. It will also be possible to reimburse payments or make direct payments to suppliers. |
| Accounting, information systems, and reporting | <ul style="list-style-type: none"> The UEAF is responsible for financial management, accounting, preparing budgets and disbursement requests, drafting the procurement plan, writing financial and technical reports, and commissioning a financial audit. Accounting will be governed by the standards issued by the CGR, which are based on International Public Sector Accounting Standards. Accountability reporting will be done through the ISTMO system. The accrual-based accounting method will be used, and the currency that will be used is the balboa, which is at parity and freely traded with the U.S. dollar. |
| External control | <ul style="list-style-type: none"> Given its weak audit capacity, the CGR has focused its action on preaudit of records regarding the disposal of government assets. It also participates in administrative processes through preaudits, not having the independence required to perform audits. The project's audited financial statements will be requested annually by an independent auditing firm acceptable to the Bank, within 120 days following the end of each fiscal year or the date of the final disbursement. |
| Financial supervision of the program | <ul style="list-style-type: none"> The financial supervision will be focused on the reports mentioned in operational policy OP-273-12 and the disbursement supporting documentation will be subsequently reviewed by the auditors when they conduct the audits or during any financial inspection visits. |

V. INFORMATION RELEVANT FOR THE OPERATION

Applicable policies and guidelines

| Financial management | Procurement |
|---|---|
| <ul style="list-style-type: none">• GN-2811 [OP-273-12] | <ul style="list-style-type: none">• GN-2349-15 [ES]• GN-2350-15 [ES] |

Records and archives

MIDES does not have a centralized physical archive. Instead, each location or office manages their files, without security measures to control access to documents and their backups. MIDES will receive assistance to improve their physical and digital archiving system and update the policies on its use and maintenance. Particularly for the project, the Operating Regulations will include a section with standards for the minimum content of procurement records, as well as for how to manage and safeguard them.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Panama. Reformulation of the Social Inclusion and Development
Program in Panama (3512/OC-PN)

The Board of Executive Directors

RESOLVES:

1. To approve the reformulation of the Social Inclusion and Development Program in Panama (Loan Contract No. 3512/OC-PN), authorized by Resolution DE-69/15, in order to use the uncommitted resources, up to an amount of US\$15,213,938.71, to support minimum income for the population in extreme poverty affected from COVID-19 and to continue investments in the coverage and quality of services aimed at early childhood, including support for the reopening of children's centers closed by the pandemic, according with the terms and conditions described in Document PR-_____.
2. 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, to amend Loan Contract No. 3512/OC-PN for the purposes described in this Resolution.

(Adopted on __ _____ 2021)