

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PANAMA

SOCIAL INCLUSION AND DEVELOPMENT PROGRAM PHASE II

(PN-L1177)

LOAN PROPOSAL

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LINKS
REQUIRED <ol style="list-style-type: none">1. Multiyear execution plan / annual work plan2. Monitoring and evaluation plan3. Summary environmental and social review4. Procurement plan
OPTIONAL <ol style="list-style-type: none">1. Project economic analysis2. Environmental and social analysis and environmental and social management plan3. Sociocultural analysis4. Climate change analysis5. Infrastructure analysis6. Program Operating Regulations7. Report on consultations8. Bibliography9. Preliminary map of districts for social and production-related inclusion10. Preliminary list of districts for implementation of Cuidarte11. Project financial plan12. Environmental and social evaluation filter13. Environmental and social management framework

ABBREVIATIONS

CAIPI	Centro de Atención Integral a la Primera Infancia [Comprehensive early childhood care center]
CCTP	Conditional cash transfer program
CGR	Office of the Comptroller General
DIDS	Dirección de Inclusión y Desarrollo Social [Social Inclusion and Development Office]
ECD	Early childhood development
EDGE	Excellence in Design for Greater Efficiencies
EML	Encuesta de Mercados Laborales [Labor Markets Survey]
ESMP	Environmental and Social Management Plan
FUPS	Ficha Única de Protección Social [Single social protection file]
INEC	National Institute of Statistics and Census
IT	Information technology
MEF	Ministry of Economy and Finance
MIDES	Ministry of Social Development
PIIB	Plataforma Informática Integrada de Beneficiarios [Integrated Beneficiary Platform]
RENAB	Registro Nacional de Beneficiarios [National Beneficiary Registry]
RSU	Registro Social Universal [Universal social registry]
SOFR	Secured Overnight Financing Rate
UEAF	Unidad de Enlace Administrativo y Financiero [Administrative and Financial Liaison Unit]
WHO	World Health Organization

PROJECT SUMMARY

PANAMA SOCIAL INCLUSION AND DEVELOPMENT PROGRAM PHASE II (PN-L1177)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Republic of Panama			Amortization period:	15 years
Executing agency:			Disbursement period:	4 years
Ministry of Social Development (MIDES)			Grace period:	4.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital):	20,000,000	93.9	Credit fee:	(c)
Local contribution	1,300,000	6.1	Inspection and supervision fee:	(c)
Total	21,300,000	100.0	Weighted average life:	9.75 years
			Approval currency:	U.S. dollars
Project at a Glance				
Project objective: The general objective is to help reduce the vulnerability of Panama's population. The specific objectives are to: (i) strengthen the coverage of the National Beneficiary Registry (RENAB); (ii) enhance the social and production-related inclusion of rural and indigenous women; (iii) enhance the coverage and quality of early childhood development services; and (iv) help expand a comprehensive caregiving system.				
Special conditions precedent to the first disbursement: (i) The program Operating Regulations will be approved under the terms previously agreed upon with the Bank, and the annexes to these regulations will include the environmental and social management system, the environmental and social management plan, and the environmental and social action plan; and (ii) a socioenvironmental officer will be hired or designated to serve on the Administrative and Financial Liaison Unit (paragraph 3.3).				
Special contractual conditions of execution: (i) Before the bidding process for each work, legal possession of the land for the work will be secured; and (ii) before resources are used to pay caregivers in the pilot caregiving program, the operations manual for the caregiving program for dependent older adults will be approved (paragraph 3.4). For environmental and social conditions, see Annex B of the summary environmental and social review.				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges: ^(d) SI <input checked="" type="checkbox"/> PI <input type="checkbox"/> EI <input type="checkbox"/>				
Crosscutting themes: ^(e) GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/> CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/> IC <input checked="" type="checkbox"/>				

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **The COVID-19 pandemic increased poverty and inequality.** Panama averaged 6.8% annual economic growth from 2005 to 2019, which contributed to a significant reduction in poverty and extreme poverty.¹ The COVID-19 crisis² caused a 17.9% drop in gross domestic product (GDP) in 2020. The economy, despite growing by 15.3% in 2021, failed to return to pre-pandemic levels. Amid the decline in economic activity, unemployment rose from 7.1% in 2019 to 18.5% in 2020 before falling back to 11.3% in 2021 and 9.9% in April 2022 [1]. The general and extreme poverty rates increased by 4.3 and 0.8 percentage points³ to 26.6% and 9.7%, respectively, between 2019 and 2021.⁴ Inequality, as measured by the Gini coefficient, increased from 50.8 to 52.7 over the same period.⁵ Preexisting regional imbalances remained, meanwhile. In 2021, the poverty rate was three times higher in rural (49.7%) than in urban areas (16.1%), and the poverty rate in indigenous comarcas exceeded 80%.⁶ Rural residents and indigenous people are also vulnerable to extreme climate events such as heavy rain, drought, and rising sea levels [2].
- 1.2 **The pandemic-related socioeconomic crisis was especially hard on women.** The socioeconomic crisis took a heavier toll on women's income and jobs than on men's. Women already had a higher poverty rate than men in 2019 (22.8% and 21.7%, respectively). In 2021, women continued to be more likely than men to be living in poverty (26.9% versus 26.1%).⁷ This is partly due to unequal access to the labor market. Women's unemployment continued to be higher than men's: the rate in 2019 was 5.8% among men and 8.8% among women, and in 2022 it was 8.8% and 11.5%, respectively [3]. The crisis took a particularly heavy toll on rural and indigenous women, who were already at a disadvantage in the labor market before the pandemic. As of 2021, 65.3% of indigenous women were living in poverty, compared to 26.9% of women nationwide. Women's overall workforce participation declined sharply between 2019 and 2022 (from 55% to 49.7%); among rural and indigenous women, it fell by 5.1 and 15.5 percentage points, respectively.⁸ Rural women are the group most likely to lack their own income: 31.9% of rural women, compared to 7.9% of rural men, did not have their own income (this rate is 22.5% among urban women) (UN Women, 2020). Economic dependency is particularly acute in indigenous comarcas, where most women declare US\$2 to US\$101 in

¹ Between 2006 and 2017, the poverty and extreme poverty rates fell from 38.3% to 20.7% and from 17.6% to 9.8%, respectively.

² In March 2020 the Panamanian government issued [Cabinet Resolution 11 of 13 March 2020](#) to declare a national state of emergency in response to the COVID-19 pandemic.

³ Calculated by the project team using data from the 2019 and 2021 Labor Markets Surveys (EMLs) conducted by the National Institute of Statistics and Census (INEC).

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Calculated by the project team using data from the 2019 and 2021 EMLs conducted by INEC.

⁸ According to INEC, the workforce participation rate among rural and indigenous women fell from 51.7% to 46.6% and from 70.3% to 54.8%, respectively, between 2019 and 2022.

self-employment income, which is below the poverty line;⁹ such is the case among 93% of Guna women, 86.4% of Emberá women, and 85.1% Ngäbe women (United Nations Development Programme, 2016).

- 1.3 **The crisis widened the gap in child poverty and early childhood development (ECD) services.** Not only did the crisis increase the poverty rate among children under 5, but it widened existing gaps in access to ECD services. While the poverty rate among people age 19 or older was below 25% in 2021, the rate among children under 5 was over 40%, up six percentage points from 2019 [4]. The overall poverty rate among children under 5 in indigenous comarcas rose 5.8 percentage points, from 85% to 90.8%, between 2019 and 2021.¹⁰ Early childhood education services had a low coverage rate before the pandemic, with a coverage gap of 97.8% among children ages 0 to 3.¹¹ Coverage is near zero (below 1%) among children in indigenous comarcas. While the coverage rate among children ages 4 and 5 is 67.2%, sizable gaps exist in higher-poverty areas. In the comarcas of Ngäbe Buglé and Guna Yala, for example, the coverage rate is only 32.7% and 42.3%, respectively.¹² Education and caregiving services were disrupted for a two-year period¹³ due to the pandemic, leaving some 80,000 children with no in-person childcare or early childhood education services. This disruption has caused significant learning loss. Evidence from Uruguay, for example, shows that the suspension of early childhood education services has had negative impacts on child development, particularly in motor and cognitive development [5]. Evidence from Chile [6] shows a similar trend, with substantial losses in children's speech development and behavior. In addition, the economic cost of suspending these services for 12 months equates to 7.9% of Panama's annual GDP due to a drop in income stemming from declining levels of development and learning [7].
- 1.4 **The pandemic highlighted the social fragility of older adults.** The COVID-19 pandemic took the heaviest toll on the elderly.¹⁴ In the first year of the pandemic, mortality in the region rose by about 20% over previous years, and people age 50 and older accounted for more than three fourths of these additional deaths.¹⁵ As in

⁹ The Ministry of Economy and Finance (MEF) defines the poverty line as the minimum monthly monetary income needed to purchase enough food to meet the energy needs of an average person. In rural areas in 2019, the overall poverty line was B 107.84, the extreme poverty line, B 59.18. See <https://www.mef.gob.pa/wp-content/uploads/2021/03/MEF-DAES-Pobreza-e-Indigencia-por-ingreso-2019.pdf>.

¹⁰ According to INEC, the overall poverty rate among children under 5 in the indigenous comarcas of Ngäbe Buglé, Emberá Wounaan, and Guna Yala was 91.5%, 91.2%, and 86.5%, respectively, in 2021.

¹¹ Calculated by the project team using INEC's nationwide population estimates and projections and the Statistical Data Integration System of the Ministry of Education, MIDES, and the Panama City municipal government.

¹² Ibid.

¹³ In April 2020, the Government of Panama ordered the nationwide closure of comprehensive early childhood care centers (CAIPs) and preschools; this order was extended to March 2022.

¹⁴ According to the [Pan American Health Organization \(PAHO\)](#), this was due to the weak immune systems and prevalence of chronic disease among this population.

¹⁵ IDB (2022). [Aging in Latin America and the Caribbean: Social Protection and Quality of Life for Older Persons](#).

the rest of the region,¹⁶ Panama's population is aging rapidly. People 65 and older accounted for 8.7% of the population in 2020, and this percentage will rise to 11.7% by 2030 (an increase of 52%).¹⁷ The functional dependency rate¹⁸ among those age 65 or older in Panama is 17%, which is above the average for Latin America and the Caribbean (14.4%) [8]; this means that 62,690 older people rely on other people for care. This rate will grow to 18.5% by 2050, which in turn, due to aging of the population, will result in a 209% increase in the number of dependent older people [9]. Panama, however, lacks caregiving services¹⁹ for dependent older people.²⁰ This deficiency makes it hard for women—who perform most of the caregiving—to participate in the workforce. Before the pandemic, women in Panama were already spending an average of 31.5 hours on unpaid housework and caregiving, compared to 12.9 hours among men [10]. Caregiving is the leading reason for the low rate of economic activity among women. Thirty-seven percent of women outside the labor market cite family obligations as the main factor preventing them from working [11].

- 1.5 **The social protection response helped to contain the impacts of the pandemic.** In response to the crisis, the Government of Panama implemented a temporary social assistance plan known as Panamá Solidario. This plan included Vale Digital (Digital Coupon), a temporary cash transfer of US\$120 per month²¹ for 450,375 beneficiaries.²² This transfer is paid to beneficiaries for the purchase of food and medicine at authorized retailers. The Panamanian government continued to maintain four conditional cash transfer programs (CCTPs) that serve some 454,328 beneficiaries²³ and are administered by MIDES:²⁴ (i) the Opportunities

¹⁶ According to [Aging in Latin America and the Caribbean: Social Protection and Quality of Life for Older Persons](#), Latin America and the Caribbean is the fastest-aging region in the world. While it took France 67 years for people over 65 to go from 10% to 20% of the total population, this transition is expected to take less than half this long (32 years) in the average country in Latin America and the Caribbean.

¹⁷ Calculated by the project team using INEC's nationwide population estimates and projections.

¹⁸ Dependency is defined as a state in which a person, for reasons related to a lack or loss of physical, mental, or intellectual autonomy, requires assistance or aid from other people to carry out activities of daily living (eating, getting dressed, bathing, using the bathroom, etc.) (Bango, 2020).

¹⁹ Caregiving services are activities that ensure that dependent people (or those at risk of becoming dependent) can "maintain a level of functional capacity consistent with their basic rights, fundamental freedoms, and human dignity" (WHO, 2015).

²⁰ The Social Security Fund offers its Comprehensive Home Care System to some 6,000 insured dependent persons. This system does not provide caregiving, but rather home health care. MIDES, meanwhile, runs 77 long-term residential facilities serving 1,593 people.

²¹ Panamá Solidario, created by Decree 400 of 27 March 2020, consists of: (i) a food bank; (ii) a food voucher; and (iii) the Digital Coupon. Starting in 2022, it has been administered by MIDES in accordance with [Executive Decree 3 of 18 January 2022](#), which created the office for the Digital Coupon under Panamá Solidario.

²² 2021 data from the Roll Department of the DIDS.

²³ The calculation of the number of beneficiaries of the Opportunities Network and Bono Alimentario is based on the average number of people in the beneficiary households for these programs: 6.2 persons per household.

²⁴ MIDES was created by Law 29 of 1 August 2005.

Network,²⁵ which provides US\$50 per month to 42,495 households in extreme poverty with children under 18, contingent on the fulfillment of education and health co-responsibilities;²⁶ (ii) the Family Food Voucher, which provides US\$50 per month to 8,071 poor rural households with school-age children for food purchases at authorized retailers; (iii) “120 at 65,” which provides US\$120 per month to 121,712 people over 65 who are living in poverty and lack social security, contingent on a yearly health checkup; and (iv) Guardian Angel, which provides US\$80 per month to 19,107 people with disabilities who have dependent status and are living in extreme poverty, contingent on yearly health appointments. The Institute for Human Resources Training and Development continued to implement PASE-U, which provides annual transfers of US\$270, US\$360, and US\$450, paid on a quarterly basis, to 821,000 primary, middle school, and high school students. These cash transfers are contingent upon school attendance and a minimum grade point average per quarter (see [description of CCTPs](#)). Overall, cash transfers helped to contain the rise of poverty during the crisis. In the absence of such programs, the overall poverty rate in 2021 would have been 8.32 percentage points higher, i.e. 33.9%.²⁷ On a complementary track, the Government of Panama is implementing the Colmena Plan, a poverty reduction strategy that targets interagency action in 300 *corregimientos* across Panama that have high rates of multidimensional poverty.²⁸

- 1.6 The ECD programs administered by MIDES helped to contain the widening of gaps in child development. Though MIDES suspended in-person services at the CAIPs, its “Your CAIP at Home” program provided households with supervised, structured activities twice per month. It also implemented Mochila Cuidarte, an adaptation of the Cuidarte community program, which provided an activity and game guide for 5,000 children under 3 in rural and indigenous areas. Before the pandemic, MIDES made strides in enhancing the coverage and quality of ECD services with support from the Social Inclusion and Development Program (loan 3512/OC-PN): 495 new spots²⁹ were created for children under 3 in the CAIPs, which equates to 20% of current enrollment, and a curriculum and quality management system leveraged by a per capita and results-based payment system was designed. MIDES also began the cultural adaptation and implementation of Cuidarte to serve 1,200 children in rural and indigenous areas that lack CAIPs. Cuidarte is the community modality for comprehensive early childhood services, which provides early stimulation for children ages 6 to 36 months in rural and indigenous areas.

²⁵ The Opportunities Network was created in 2007 (brought under government purview by Law 54 of 8 November 2016); Bono Alimentario, in 2005 (as part of the National Coordination and Monitoring Plan for the Food and Nutrition Plan); “120 at 65,” through Law 44 of 2009; and Guardian Angel, through Law 39 of 2012.

²⁶ For health, children under 5 and pregnant women must regularly attend growth and development checkups. For education, children ages 5 to 17 must enroll in school and attend at least 85% of their classes.

²⁷ Calculated by the project team using data from INEC’s 2021 labor markets survey.

²⁸ Thirty-seven of the 300 *corregimientos* covered by the Colmena Plan are in the provinces of Panamá and Panamá Oeste and were prioritized by the Government of Panama due to markers of social vulnerability, such as gaps in access to quality jobs, low educational levels, and poor quality of basic services.

²⁹ These spaces were created by the construction of three new CAIPs and the comprehensive remodeling of 15 others.

The program focuses on supporting and strengthening the social-emotional and parenting skills of family members and caregivers to promote the harmonious, comprehensive development of children. It was the Panamanian adaptation of the [Reach Up and Learn](#) program,³⁰ which has been implemented in multiple countries in the region and has yielded favorable short- and long-term results in cognitive and speech development, with sustained long-term impacts that have resulted in higher wages in adulthood.³¹

- 1.7 Amid higher demand and the need to promote women's workforce participation and reduce gender inequalities, Panama has taken steps in recent years to build a comprehensive caregiving system to serve people in situations of dependency. The Public Policy Council was established in 2019 to develop a comprehensive caregiving system³² with the aim of setting guidelines for coordination between agencies whose work is related to caregiving. In addition, MIDES's Social Policy Office has developed general public policy guidelines for caregiving in Panama, conducted a supply-and-demand analysis of caregiving services, and projected the economic and social impacts of investment in caregiving. It has also made progress in the preliminary design of a pilot initiative to be carried out in the *corregimiento* of Juan Díaz, in the province of Panamá.
- 1.8 **The crisis, however, revealed challenges in the social protection and caregiving system.** The pandemic exposed limitations in Panama's social protection system, particularly in its capacity to identify and classify the population living in poverty, extreme poverty, and conditions of vulnerability. In the post-pandemic recovery phase, the system has also shown limitations in supporting social and production-related inclusion of poor and vulnerable people, particularly of rural and indigenous women. Lastly, the efforts to enhance the coverage and quality of ECD services need to be strengthened, as do the caregiving services available to dependent older people.
- 1.9 **Need for a broad, updated social registry with greater interoperability.** With support from loan 3512/OC-PN and the programmatic series "Program for Transparency and Equity in Spending on Social Protection" (loans 3485/OC-PN, 3724/OC-PN, and 4594/OC-PN), MIDES improved the management of CCTPs. It standardized criteria for identifying and recertifying beneficiaries living in poverty and extreme poverty, as well as for implementing these criteria through a single social protection file (FUPS).³³ It also implemented the Integrated Beneficiary Platform (PIIB), which consolidates the beneficiary rolls of the various CCTPs through the National Beneficiary Registry (RENAB) and automates operational processes. RENAB now includes the data and socioeconomic classification of

³⁰ Reach Up and Learn is an evidence-based program developed with the benefit of 20 years of research into effective early childhood intervention programs.

³¹ Gertler, Paul et al. (2021). [Effect of the Jamaica Early Childhood Stimulation Intervention on Labor Market Outcomes at age 31](#). National Bureau of Economic Research.

³² This council was established by [Executive Decree 22 of 28 May 2019](#) and supported by the Program to Support Gender Equality Policies I and II (loans 4777/OC-PN and 5397/OC-PN). It consists of government entities, private sector entities, and civil society organizations.

³³ The FUPS is used to determine, in accordance with a proxy means test, whether potential beneficiaries are eligible for programs by virtue of living in poverty or extreme poverty.

current and former applicants and beneficiaries of MIDES's CCTPs. The socioeconomic classification evaluates the structural poverty of households. However, to implement a dynamic and responsive social protection system, Panama needs a broader social registry, one that includes the socioeconomic data of most of the country's population (or, at least, of all people living in poverty or conditions of vulnerability) and features multiple tools to evaluate and frequently update the data on vulnerability of each household to various types of shocks (e.g. extreme climate events, food crises, or pandemics). Integration of data from the Vale Digital program poses an opportunity to expand the RENAB database and move toward a broad universal social registry (RSU) by using the FUPS to complement the data from Vale Digital.

- 1.10 Meanwhile, for frequent updates to the socioeconomic profile of the population, the registry needs to have a higher degree of interoperability with other government databases. After the legal framework for the PIIB was approved,³⁴ MIDES pursued information exchange agreements with 21 institutions. Only four of these agreements are in effect,³⁵ however, due to the lack of an implementation protocol and a lack of resources to develop web services for the exchange of information. Interoperability would help MIDES update the population profile by cross-referencing databases from primary sources of updated information on households or individuals (e.g. births, deaths, income, employment, pensions), which would reduce the need for, and frequency of, data collection through the FUPS. To this end, MIDES also needs to strengthen its information technology (IT) infrastructure with higher-capacity servers and robust backup systems.
- 1.11 Still, despite progress in recent years, challenges remain in terms of updating the socioeconomic data of beneficiaries of existing CCTPs. While MIDES made strides in recertifying the eligibility of 43,149 beneficiaries of the Opportunities Network and “120 at 65” during loan operation 3512/OC-PN, periodic recertification between 2017 and 2020 was adversely affected by a lack of human and budgetary resources to conduct canvassing in the field. Today, 145,000 eligible beneficiaries are awaiting recertification, and MIDES needs to update the beneficiary list on a continuous basis to improve targeting. This operation makes social investment more efficient, which is a core objective of the MEF, by supporting operational processes in the field for recertification through the FUPS and by developing interoperability with the government's administrative databases, for ongoing verification of beneficiary eligibility and continuous updates to the beneficiary list.
- 1.12 **Social and production-oriented inclusion.** During the recovery from the COVID-19 crisis, the Panamanian government's priority is to link CCTP beneficiary households to economic reactivation strategies that will enhance production-related inclusion of households living in poverty, particularly those led by rural and indigenous women. CCTPs complemented by technical training, access to productive assets, support for families, and the promotion of savings can help reduce extreme poverty [12]. Until 2021, MIDES was executing two programs for production-related inclusion—the “Regional Networks” and “Social Cohesion”

³⁴ [Law 54 of 8 November 2016](#), which created RENAB.

³⁵ MIDES maintains interoperability with the Electoral Tribunal, MINSA, IFARHU, and the Public Registry.

programs³⁶—which combined to provide productive assets, training, and technical assistance to 6,308 beneficiary households [13] for development of agroecological parcels of land whose outputs were aimed at own consumption or income generation and diversification.³⁷ An impact assessment of the Social Cohesion program conducted in 2021 shows that the program increased beneficiaries' knowledge of agricultural practices, the land area devoted to crops, and the consumption of diverse foods, helping to improve food security [14]. To gain efficiency in implementation, MIDES needs to combine both initiatives into a single program by merging their objectives, targeting criteria, operations manuals, and supervision arrangements. To ensure their sustainability and increased coverage, MIDES needs to strengthen and consolidate current family-based production systems through technical assistance customized for beneficiary households, as well as expand the scope with additional agroecological land. The proposed productive activities consist of small-scale agricultural production through a process of developing production profiles, training in farming practices, and production systems through model family farms, as well as technical assistance at home. This effort should maintain a differential approach toward the interventions in indigenous districts by making culturally appropriate adjustments, include environmentally sustainable practices, and develop nature-based solutions³⁸ that will make it possible to simultaneously address social, environmental, and climate change adaptation problems.

- 1.13 MIDES also seeks to promote the social inclusion of Opportunities Network households through services to help connect them to social service jobs, particularly for comprehensive early childhood services. Extensive literature shows that quality care in the early years of life helps to develop cognitive and social-emotional skills and has a positive effect on a child's long-term trajectory [15]. By promoting the accumulation of human capital, ECD services enhance the inclusion of children from poor households. The operation proposes a family assistance service led by trained social outreach workers, to conduct diagnostic assessments of the capacities and social vulnerability of Opportunities Network households and develop a caregiving plan based on available programs and services, with special emphasis on referring these households to early childhood services. Evidence from programs to assist the most marginalized families show improvements in access to social programs [16].
- 1.14 **Coverage and quality of ECD services.** Challenges in coverage and quality of early childhood services persist. Before the pandemic, MIDES's services covered only 0.8% of children under 3. MIDES needs to expand the coverage of its services by building new CAIPs and the coverage of community services by expanding Cuidarte in rural and indigenous areas that lack services, by ensuring that these services are interculturally adapted. Family- and community-based programs have proven effective in promoting child development and strengthening best practices

³⁶ The Social Cohesion program was carried out with financing from the World Bank (Strengthening the Social Protection and Inclusion System Project, loan 8532-PA).

³⁷ Operations manuals for the Regional Networks and Social Cohesion programs.

³⁸ IDB (2021), [Nature-Based Solutions in Latin America and the Caribbean](#). Nature-based solutions are defined as actions to protect, sustainably manage, and restore ecosystems, while providing human well-being and biodiversity benefits.

for childrearing in vulnerable households [17]. Expanded coverage of Cuidarte will help rural and indigenous women enter the workforce, as these women will be hired as community outreach workers and supervisors. In addition to enhancing coverage, MIDES needs to enhance the quality of service delivery. An evaluation of CAIPs in 2018³⁹ found that these centers' processes maintained high quality scores ranging from 2.5 to 4 points on a scale from 1 to 7 [18]. This evaluation also showed that teachers spend the most time on activities that do not foster meaningful interactions.⁴⁰ With support from loan 3512/OC-PN, MIDES began to make quality improvements to the CAIPs—including infrastructure, equipment, updated curricula, development of standards for teacher quality and training—leveraged by a per capita and results-based payment system. The improvement process, however, was interrupted when the centers shut down during the pandemic. As a result, MIDES needs to resume implementing the quality standards along with a system of regular monitoring to ensure compliance. It also needs to resume teacher training with a focus on in-service training and mentorship. The evidence from studies on quality of child development centers in the region shows that effective interactions (warm, reciprocal, language-rich) between caregivers and children are associated with higher levels of child development [19]. Studies also show that teachers who receive training and customized coaching in effective teaching practices can change their daily interactions with children, thereby enhancing their learning and development [20].

- 1.15 **Comprehensive caregiving system.** Despite recent regulatory and programmatic progress (paragraph 1.9), Panama still lacks a legal framework to promote the development of a comprehensive caregiving system. It also lacks an institutional architecture for system governance and the duties and purviews of each service-providing institution with their respective quality parameters. This architecture should include an arrangement for interagency articulation to coordinate and oversee services at the national and regional levels. As part of building a caregiving system, Panama also needs to design a methodology to evaluate the functionality and need for assistance to help people with or at risk of functional impairment with their activities of daily living. This evaluation will help to determine the type of long-term caregiving services that are needed, as well as to refer beneficiaries to these services within a caregiving system [21]. To this end, multiple countries in Latin America and the Caribbean have developed assessment scales of functionality and dependency in caregiving [22]. Panama, however, has no assessment scale to evaluate and rate functionality and dependency levels in caregiving for older people, and this hinders the government's ability to guide the system and the supply of caregiving services. The country, moreover, has very low levels of coverage and quality of caregiving services for dependent older people [23]. A recent IDB analysis revealed a lack of quality standards for residential care facilities and a lack of quality control

³⁹ The Infant/Toddler Environment Rating Scale (ITERS) was used; it measures the quality of childcare centers in seven dimensions on a scale from 1 to 7: (i) space and furnishings; (ii) personal care routines; (iii) listening and talking; (iv) activities; (v) interaction; (vi) program structure; and (vii) parents and staff.

⁴⁰ The Caregiver Interaction Scale (CIS) was applied to CAIPs and found that, while 90% of them carry out activities that promote gross motor skills, only 60% carry out outdoor play activities and reading activities. The teachers spend most of their time on activities such as changing diapers, feeding, naps, and cleanup.

mechanisms for home care. Also lacking are training or certification requirements for the workers providing these services [24]. The evidence from countries with developed caregiving services and systems shows they improve users' quality of life (including physical and cognitive improvements), help create formal-sector jobs, and reduce health care spending [25]. To move toward a comprehensive system that can narrow gaps in coverage and quality, MIDES needs to make progress in developing a proof of concept for a comprehensive caregiving system at the local level.

- 1.16 **Relationship with other Bank operations.** The program will help consolidate the social protection system, particularly in the efficient management of CCTPs, and will help expand the ECD services begun under loan 3512/OC-PN (paragraphs 1.6, 1.9, 1.11, and 1.14).⁴¹ It also complements the Bank's current portfolio in Panama, specifically the Fiscal Intelligence Program to Improve Spending Quality in Panama (loan 5533/OC-PN), whose objective is to increase spending efficiency and equity by implementing the smart tax ecosystem. The smart tax ecosystem to be developed by the MEF will benefit from the expansion of RENAB because it will use updated, purged, and systematized data on beneficiaries of social programs for the purposes of simulating fiscal policy scenarios. The smart tax ecosystem will also benefit from the interoperability and exchange of information with an expanded, more robust IT system of MIDES. The program also complements the Social Inclusion Program for Persons with Disabilities in Panama (loan 5127/OC-PN) by supporting an interagency coordination mechanism for the provision of caregiving services to people in situations of dependency, including persons with disabilities. The program will coordinate efforts with the Sustainable and Inclusive Agricultural Innovation Project (loan 5316/OC-PN), whose executing agency is the Ministry of Agricultural Development and whose objective is to improve the food security and incomes of smallholder farmers and members of agricultural producer associations through agroecological systems for own consumption and sale. Coordination is aimed at ensuring that the lessons on crop profiling and development of productive system improvement plans from the design and implementation of loan 5316/OC-PN (paragraph 1.23) are incorporated in the design of production-related inclusion activities. The program will also exchange knowledge with the IDB Lab technical cooperation operation Leveraging ICT Solutions for Preventive Strategies in Aging Population in Latin America and the Caribbean (ATN/IM-19400-PN).

⁴¹ On 5 August 2015, the IDB Board of Executive Directors approved operation 3512/OC-PN, in the amount of US\$60 million. On 24 August 2016, the loan became eligible for disbursements. In 2019, a 24-month extension of the disbursement period was approved through 1 December 2021. On 9 December 2021, the Board of Executive Directors approved a reformulation of the program, in order to use its resources to support a minimum level of income for the population in extreme poverty affected by the pandemic. The reformulated program would also facilitate support to reopen childcare centers that had been closed during the pandemic, and the disbursement period would be extended to 1 December 2023. On 16 September 2022, the Panamanian government decided to forego US\$7.8 million in resources that were to be used for conditional cash transfers, leaving a balance of US\$1.8 million to be disbursed as of November 2022. These resources would be used to fund CAIPI works that were already under way and to develop a community-based model of early childhood care. The decision to forego the portion of the loan that was to be used for cash transfers made it possible to complete the investments planned under the program.

- 1.17 **The Bank's experience and lessons learned.** The implementation of 12 social protection response programs during the pandemic-related socioeconomic crisis⁴² shows that countries in the region need mechanisms to expand the coverage of CCTPs and provide a more flexible response to shocks. The existence of extensive social registries and interoperability with multiple government databases are crucial to developing poverty and vulnerability profiles of the population and implementing temporary cash transfers when needed [26]. These lessons informed the design of Component 1, which finances the expansion of RENAB into an RSU that can identify people living in poverty, extreme poverty, and conditions of vulnerability and can provide interoperability with other government agencies to keep data and classifications up to date. Component 2 incorporates the lessons from the impact evaluation of the pilot initiative to help 1,000 beneficiary households of the Bono Vida Mejor program rise out of extreme poverty through the Program to Support the Social Inclusion Network with Priority in Western Honduras (loan 3723/BL-HO), which include the importance of supporting the transfer of productive assets with family assistance, technical training, and consumption support interventions. It also incorporates lessons learned from the "Prevention of Childhood Malnutrition in Indigenous Populations in Panama" (ATN/ME-13727-PN) by including at-home monitoring of agricultural techniques to ensure the appropriation of knowledge and practices on agricultural production. Lessons have been drawn from Investment in the Quality of Child Development Services (loan 4607/OC-EC), which has shown the importance of monitoring compliance with quality standards in the scaling of ECD services. This lesson is incorporated into Component 3 with the development of information systems to monitor the implementation of quality standards in the delivery of CAIPs' services. Component 3 also includes per capita and performance-based payment as a tool for leveraging compliance with quality standards in ECD services, in view of lessons learned from the Health Equity Improvement and Services Strengthening Program (loan 2563/OC-PN) and the Integrated Health Service Networks Strengthening Program (loan 3615/OC-PN), which show that this arrangement can help improve the quality of social services by providing incentives for providers. The program incorporates lessons from the implementation of loan 3512/OC-PN,⁴³ which experienced delays in building and upgrading CAIPs due to difficulties in securing legal status for land, by establishing a special contractual condition for execution that legal possession of the land must be secured before the works are put out for bid. The program draws lessons from the evaluation of the Bank's Country Strategy with Panama 2015-2019, which found that an effective strategy for cultural adaptation was to maintain close dialogue with indigenous communities and their traditional authorities, which is incorporated into Components 2 and 3 through the cultural adaptation of family assistance and production-related inclusion programs and the community modality of early childhood services.

⁴² The Bank approved 12 operations in Latin America and the Caribbean to support vulnerable population groups affected by COVID-19, which used existing social registries to target and deliver temporary cash transfers. The Bank also approved three reformulations of operations, including that of the Sanitation Program for the Districts of Arraiján and La Chorrera (loan 3799/OC-PN) (see [list of operations](#)).

⁴³ The reformulation of loan 3512/OC-PN was approved by the Bank's Board of Executive Directors in 2021. The program's original target was to build five new CAIPs and complete the comprehensive remodeling of 44; these targets were adjusted to 3 and 15, respectively.

- 1.18 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is aligned with the challenge of: (i) social inclusion and equality, by enhancing access to public services for people living in poverty and extreme poverty, as well as for young children. It is aligned with the crosscutting themes of: (i) institutional capacity and rule of law, as it will strengthen MIDES's capacity to expand the coverage of RENAB, improve services for social and production-related inclusion, and expand caregiving services for people in situations of dependency; (ii) gender equality and diversity, as it will help narrow income gaps between women-led beneficiary households of the Opportunities Network and male-led households in areas where productive-related inclusion efforts will be carried out, as well as directly creating jobs for women as part of the Cuidarte program; both of these actions are aligned with the theme of diversity, as 51.2% of the women who will benefit from production-related inclusion and family assistance efforts are indigenous, and 9 of the 15 districts where women will be employed as part of the Cuidarte program are indigenous comarcas; and (iii) climate change and environmental sustainability, as it will use criteria for bioclimatic architecture, energy efficiency, and low-carbon materials in building and remodeling the CAIPs, as well as sustainable agricultural practices and nature-based solutions in the production-related inclusion actions. The program contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) through (i) indicator 2.1 (students benefited by education projects) under the "social inclusion and equality" priority; and (ii) indicator 2.26 (agencies with strengthened digital technology and managerial capacity) under the "institutional capacity and rule of law" priority. The program also contributes to indicator 3.1 (projects supporting social inclusion and equality) under the "social inclusion" priority.
- 1.19 The program is also aligned with the IDB Group Country Strategy with Panama 2021-2024 (document GN-3055) in the strategic objectives of "expand access to, and quality of, social protection, health, and water and sanitation services for vulnerable population groups" and "improve quality and relevance in the educational system," as well as the expected results of "improved efficiency and targeting of social protection programs" and "increased school attendance in early childhood." It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-12) in its first line of action to support efficient and flexible cash-transfer programs that alleviate structural poverty and provide protection against systemic shocks, as well as in its second line of action through support for the expansion of caregiving services for dependent older people. The program is also consistent with the Early Childhood Development Sector Framework Document (document GN-2966-2) in its first line of action, by promoting efficient management and well-informed public policy, as well as its second line of action, by implementing ECD services with quality at scale. Lastly, the program is aligned with the Panamanian government's 2020-2024 Strategic Plan.
- 1.20 In accordance with the multilateral development banks' [joint methodologies for tracking climate finance](#), 35.09% of the operation's resources will be invested in climate change mitigation and adaptation activities ([optional link 4](#)). These activities are: (i) in Component 1, tools to analyze predictive data in shock scenarios, including development of algorithms to classify the population by

socioeconomic status and vulnerability to climate change; (ii) in Component 2, training in environmentally sustainable, low-carbon, climate-resilient agricultural practices; and (iii) in Component 3, works that satisfy criteria related to bioclimatic architecture, energy efficiency, water conservation equipment, and low-carbon materials for the Excellence in Design for Greater Efficiencies (EDGE) certification.

B. Objectives, components, and cost

- 1.21 The general objective is to help reduce the vulnerability of Panama's population. The specific objectives are to: (i) strengthen the coverage of RENAB; (ii) enhance the social and production-related inclusion of rural and indigenous women; (iii) enhance the coverage and quality of ECD services; and (iv) help expand a comprehensive caregiving system.
- 1.22 **Component 1. Expanded coverage of RENAB (IDB: US\$2,588,000; local contribution: US\$412,000).** Investments for this component will help expand the coverage of RENAB, thereby contributing to a more flexible and responsive social protection system in the event of shocks that cause temporary poverty. Financing will be provided to: (i) design and implement an RSU with broad coverage and the capacity for beneficiaries to look up information on their own benefits;⁴⁴ (ii) design and implement a new interoperability platform for the exchange of social data;⁴⁵ (iii) develop a system to update information through the reporting of administrative data by means of interoperability; (iv) develop tools to analyze predictive data in shock scenarios, including developing algorithms to classify the population by socioeconomic status and vulnerability to climate change;⁴⁶ (v) procure technological equipment to strengthen the IT architecture of the Social Inclusion and Development Office (DIDS); and (vi) provide services to develop a profile of the vulnerable population and recertify eligible CCTP beneficiaries through operational processes in the field to fill out the FUPS and train outreach workers.
- 1.23 **Component 2. Social and production-related inclusion of rural and indigenous women (IDB: US\$3,193,406.88; local contribution: US\$456,000).** Investments for this component will help increase the income of some women-led beneficiary households of the Opportunities Network and will help increase the use of social services.⁴⁷ Financing will be provided to: (i) provide technical assistance to women beneficiaries of the Opportunities Network who participate in the Regional Networks and Social Cohesion programs and who carry out activities for

⁴⁴ The RSU contains socioeconomic data on most people in Panama (at least all those living in poverty or in a situation of vulnerability) and features tools for evaluating and frequently updating the vulnerability assessment of each household in various shock scenarios.

⁴⁵ The interoperability platform facilitates the development and functioning of web services with the 17 public agencies with which MIDES has signed or is in the process of signing information-exchange agreements: Ministry of Education, Social Security Fund, Traffic and Land Transportation Authority, the National Disability Office, Ministry of Housing and Land Management, National Bank of Panama, National Land Authority, Ministry of Labor and Workforce Development, Government Innovation Authority, Savings Fund, Ministry of Agricultural Development, Ministry of Environment, Office of the Comptroller General, National Charity Lottery, General Revenue Directorate, Maritime Authority of Panama, and Ministry of Commerce and Industry.

⁴⁶ The [climate change vulnerability index](#) of the Ministry of Environment will be used.

⁴⁷ Activities for this component will be designed and implemented in close coordination with the activities for loan 5316/OC-PN, which was approved on 28 July 2021 and became eligible on 7 September 2022.

production-related inclusion;⁴⁸ (ii) design, implement, and evaluate a single culturally relevant program for production-related inclusion of women beneficiaries of the Opportunities Network in *corregimientos* prioritized by the Colmena Plan,⁴⁹ including training in environmentally sustainable, low-carbon, climate-resilient agricultural practices, such as nature-based solutions, delivery of productive assets, and technical assistance (see [optional link 9](#)); and (iii) design and implement a culturally relevant family assistance model for the same Opportunities Network beneficiaries that can identify vulnerabilities such as a lack of access to basic services, education, or health care and can refer them to local social services for ECD, education, and primary health care.

- 1.24 **Component 3. Coverage, quality, and cultural relevance of ECD services (IDB: US\$11,744,139.12).** This component will help enhance the coverage and quality of ECD services, particularly for those living in severe poverty. Financing will be provided to: (i) build and equip five new CAIPs in the provinces of Panamá, Los Santos, and Colón, using criteria for bioclimatic architecture, energy efficiency, water conservation equipment, and low-carbon materials;⁵⁰ (ii) refurbish and equip infrastructure (minor works) at 10 existing CAIPs, using energy efficiency criteria;⁵¹ (iii) implement at the CAIPs a per capita and results-based payment system linked to enforcement of quality standards;⁵² (iv) design and implement an in-service training plan for human talent at all CAIPs; (v) design and implement an information system to monitor coverage and quality in service delivery at CAIPs; and (vi) culturally adapt and expand the Cuidarte and Mochila Cuidarte programs to children under 4 in rural and indigenous areas, respectively, including the employability of women serving as community teachers and supervisors (see [optional link 10](#)), through the hiring of service provider organizations using a per capita payment model.⁵³

⁴⁸ As of August 2022, according to MIDES, about 85% of the Opportunities Network beneficiaries (5,362) who participated in the Regional Networks and Social Cohesion programs were maintaining productive activity and need technical assistance to ensure effective monitoring and sustainability. These beneficiaries are located in the provinces of Bocas del Toro, Coclé, Colón, Chiriquí, Darién, Herrera, Los Santos, Panamá, and Panamá Oeste and in the comarcas of Guna Yala, Emberá Wounaan, and Ngäbe Buglé, particularly in districts and *corregimientos* covered by the Colmena Plan.

⁴⁹ Production-related inclusion activities will be carried out in 62 *corregimientos* that are covered by the Colmena Plan; 51.2% of the women beneficiaries live in the two indigenous comarcas.

⁵⁰ The CAIPs in the province of Panamá are in the *corregimientos* of Chepo, 24 de Diciembre, and Juan Díaz; those in the province of Colón are in the *corregimiento* of Portobelo; and those in the province of Los Santos are in the *corregimiento* of Macaracas. The locations were selected using the following criteria: (i) a lack of available early childhood services in the CAIP modality; (ii) availability of land; and (iii) legal possession of land.

⁵¹ See [optional link 5](#) for a complete list of the ownership status of the land where the CAIPs are to be located, along with a description of energy efficiency and water conservation criteria on small works. Out of a total of 15 works planned for Component 3 (5 new and 10 upgraded CAIPs), MIDES holds title to the land for 60% of them. Fifty-three of 104 CAIPs were refurbished through loan 3512/OC-PN. The CAIPs to be refurbished in this operation were selected because title to the land is held or the process is at an advanced stage.

⁵² The per capita and results-based payment model was adopted via [Resolution 380 of 11 August 2015](#).

⁵³ The Cuidarte implementation arrangement through the Pan American Health Organization using a per capita payment model was designed and executed in loan 3512/OC-PN. This program will finance the expansion of coverage by replicating this arrangement.

- 1.25 **Component 4. Pilot comprehensive caregiving system (IDB: US\$1,500,000).** Financing will be provided to design, implement, and evaluate a pilot model of a comprehensive caregiving system in the *corregimiento* of Juan Díaz.⁵⁴ To this end, financing will be provided to: (i) design a local caregiving plan for Juan Díaz;⁵⁵ (ii) design and implement a caregiving model with quality standards for people over 65 in situations of mild or moderate dependency in a day care center,⁵⁶ as well as for dependent persons receiving home care; (iii) design and implement a program for training and certifying caregivers; (iv) design and implement a payment system for certified and placed caregivers;⁵⁷ (v) develop a module in the RSU to consolidate the list of beneficiaries in the *corregimiento* who are in a situation of dependency, as well as to monitor the coverage and quality of caregiving services provided by the pilot initiative; and (vi) implement a coordinating unit as part of the Social Policy Office to support implementation of the pilot initiative.
- 1.26 **Administration and supervision (IDB: US\$944,454; local contribution: US\$432,000).** Financing will be provided for administrative, financial, auditing, and supervisory needs related to project management, including financial audit of the program and midterm and final reports. The costs associated with hiring personnel for the project coordination unit, including personnel for coordination, procurement, finance, monitoring, and architecture, as well as environmental and social specialists, will be financed by MIDES.
- 1.27 **Beneficiaries.** In addition to the people listed in the RSU (who will benefit from the program), the program will directly benefit 5,362 women beneficiaries of the Opportunities Network who will receive technical assistance for the sustainability of their productive activities; and 4,000 women beneficiaries of the Opportunities Network who will participate in the program for production-related inclusion and family assistance (an estimated 24,800 people live in these households); 3,270 children under 4 attending quality CAIPs (170 of these children will be at new CAIPs financed by the program); 352 CAIP teachers who will receive training; 7,000 children under 4 in rural and indigenous areas who will participate in the Cuidarte and Mochila Cuidarte programs; 480 rural and indigenous women who will receive training and gain direct access to employment;⁵⁸ and 450 adults over 65 who will receive caregiving services at day care centers and at home.

C. Key results indicators

- 1.28 **Indicators.** The Results Matrix calls for improvements in the following indicators: (i) percentage of the Panamanian population listed in the RSU; (ii) percentage of

⁵⁴ The *corregimiento* of Juan Díaz is one of the *corregimientos* covered by the Colmena Plan.

⁵⁵ This comprehensive system will include services of the National Disability Office, the Social Security Fund, the Ministry of Health, and the Ministry of Education.

⁵⁶ The number of people in conditions of dependency to be served by the trained caregivers was estimated using an approximate ratio of 3.5 users per caregiver. This estimated potential demand is reasonable since, according to MIDES (Master Beneficiary Registry, May 2022), some 19,000 people over age 65 live in Juan Díaz, and 3,900 them are living in situations of dependency.

⁵⁷ Before resources are used to pay caregivers, the operations manual for the caregiving program for dependent older adults will be approved. See paragraph **Error! Reference source not found..**

⁵⁸ Cuidarte includes the hiring of trained outreach workers to conduct the weekly visits and supervisors to ensure quality in service delivery.

the population listed in the RSU with a complete, updated socioeconomic profile; (iii) percentage of the population listed in the RSU with a shock vulnerability classification; (iv) percentage of women beneficiaries of the Opportunities Network receiving family assistance; (v) percentage of women beneficiaries of the Opportunities Network receiving a production-related inclusion package; (vi) coverage of comprehensive caregiving services for children under 4; (vii) percentage of CAIPs offering quality ECD services; (viii) percentage of older people in the *corregimiento* of Juan Díaz whose level of functional dependency has been evaluated; and (ix) percentage of dependent older people receiving caregiving services through the pilot initiative. The program's impact indicators are linked to the narrowing of the gap between the average per capita income of women-led beneficiary households of the Opportunities Network receiving the production-related inclusion package and the average per capita income of male-led households in the same areas where the interventions for Component 2 will be carried out, as well as to quality improvements in the home environment of children participating in the ECD community-based model, as measured by the Family Care Indicators.

- 1.29 **Economic evaluation.** The interventions whose benefits are monetized are those related to Components 1, 2, and 3. The costs associated with the components whose benefits are quantified in this document account for 86% of the total program cost. An analysis has been carried out of the benefit resulting from improved efficiency of the CCTPs through the consumption multiplier effect; the benefits stemming from skills gained by women beneficiaries of the Opportunities Network as a result of production-related inclusion actions; and benefits stemming from increased schooling of children from households in the Opportunities Network who receive services at an early age. In the base case scenario of expected impacts and at a 6% discount rate, the program has a net present value of US\$27,733,411 and a benefit-costs ratio of 2.45. The project's internal rate of return is 21.53%, which is consistent with similar projects (see [optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The total program cost is US\$21.3 million, to be financed by a specific investment loan for US\$20 million from the Bank's Ordinary Capital and a local contribution of US\$1.3 million. The loan modality is justified since its scope, costs, and works are well defined and its components cannot be divided without impacting their logic. The disbursement period is four years.⁵⁹ Table II.1 shows the proposed distribution of the total program amount.

⁵⁹ A four-year execution period was established, inasmuch as: (i) the executing agency has an allocated budget for the 2023 fiscal year; and (ii) because this is Phase II of operation 3512/OC-PN, technical specifications and bidding documents have been prepared for the main procurement operations.

Table II.1. Estimated program costs (US\$)⁶⁰

Components	IDB	Local contribution	Total	%
Component 1. Expanded coverage of RENAB	2,588,000.00	412,000.00	3,000,000.00	14.00
Business architecture and data governance for RSU development	365,000.00	0.00	365,000.00	
Development of web services for exchange of administrative data	750,000.00	0.00	750,000.00	
Development of algorithm for classification of socioeconomic and climate vulnerability	510,000.00	0.00	510,000.00	
MIDES central office equipped with IT architecture	640,000.00	0.00	640,000.00	
Logistical services and training for the recertification process	323,000.00	412,000.00	735,000.00	
Component 2. Social and production-related inclusion of rural and indigenous women	3,193,406.88	456,000.00	3,649,406.88	17.13
Opportunities Network beneficiaries receiving training and monitoring for production-related inclusion	335,113.00	0.00	335,113.00	
Opportunities Network beneficiaries receiving the production-related inclusion package	2,664,293.88	0.00	2,664,293.88	
Opportunities Network beneficiaries receiving family assistance	194,000.00	456,000.00	650,000.00	
Component 3. Coverage, quality, and cultural relevance of ECD services	11,774,139.12	0.00	11,774,139.12	55.27
CAIPs built with EDGE certification	2,849,500.00	0.00	2,849,500.00	
Existing CAIPs improved with minimal measures for EDGE certification	1,400,000.00	0.00	1,400,000.00	
Students benefiting from education projects	1,069,920.00	0.00	1,069,920.00	
Early childhood information systems designed and in operation	425,000.00	0.00	425,000.00	
CAIP teachers trained	250,000.00	0.00	250,000.00	
Children under 4 receiving community-based services	5,779,719.12	0.00	5,779,719.12	
Component 4. Pilot comprehensive caregiving system	1,500,000.00	0.00	1,500,000.00	7.04
Local pilot caregiving plan designed	50,000.00	0.00	50,000.00	
Caregiving model for dependent older people designed	50,000.00	0.00	50,000.00	
Caregivers trained and paid	1,150,000.00	0.00	1,150,000.00	
Caregiving coordination unit integrated into the institutional landscape	250,000.00	0.00	250,000.00	
Administration and supervision	944,454.00	432,000.00	1,376,454.00	6.46
Total	20,000,000.00	1,300,000.00	21,300,000.00	100

Table II.2. Projected disbursements (US\$)

Source	2023	2024	2025	2026
IDB	356,640	7,058,847	8,091,367	4,493,146
Local contribution	210,000	388,000	297,000	405,000
Total	566,640	7,446,847	8,388,367	4,898,146
%	2.7	35	39.4	23

B. Environmental and social risks

- 2.2 In accordance with the Environmental and Social Policy Framework, this program is classified as a category “B” operation with moderate environmental and social risk and moderate disaster and climate change risk. The anticipated social and environmental impacts are primarily associated with the construction of five CAIPs with social and environmental impacts that are expected to be localized, brief, and unscalable and for which effective mitigation actions are available. An environmental and social analysis and an Environmental and Social Management

⁶⁰ The costs per main activity are indicative.

Plan (ESMP) ([optional link 2](#)) have been prepared for all works. Component 2 also has an Environmental and Social Management Framework and a sociocultural analysis ([optional link 3](#)) that addresses issues related to the possession and cultural uses of land, as well as crop management, in the Ngäbe, Buglé, Emberá, and Wounaan communities. The sociocultural analysis proposes intercultural adaptations to the production-related inclusion model to ensure that the program remains culturally relevant. The following types of disaster risks were identified: (i) a moderate risk of earthquakes; (ii) a moderate risk of storm surge and tsunamis for the CAIPI in María Chiquita, which is 125 meters from the coastline; (iii) a moderate risk of exposure to tropical storms and hurricanes; and (iv) a high risk of exposure to heat waves. As a result, the environmental and social analysis includes a disaster risk analysis for step 3 of the disaster risk narrative, and the ESMP includes measures to prevent and minimize disaster risk, an emergency contingency plan, and design measures. The indicative classification of criticality and vulnerability for this type of social infrastructure is low to moderate, due to: (i) the small surface area covered by the infrastructure (less than two square kilometers); (ii) the small size of the beneficiary population (less than 100); (iii) the moderate capacity of the infrastructure (50 to 500 people); (iv) the moderate size of the buildings (200 to 1,000 square meters), which will be single-story; (v) the small number of critical personnel during a potential event (fewer than 10 staff members are assigned to each CAIPI); and (vi) crude and redundant communication methods, which means that this aspect of criticality is low.

- 2.3 From 6 to 19 September 2022, meaningful consultations on the construction of five new CAIPIs were held with program stakeholders, featuring 332 representatives of civil society organizations; national, regional, and local public entities; universities; parents; residents; and local authorities. The consultations resulted in unanimous support for the program, as the stakeholders recognize the CAIPIs' role in promoting cognitive and social development at an early age. As for environmental and social impacts, agreement was reached with the stakeholders for mechanisms of continuous communication on the status of works, as well as mechanisms for complaints and claims. Consultations for Component 2 were held by telephone with traditional authorities, comarca leaders, and associations of women from the comarcas of Ngäbe Buglé and Emberá Wounaan, who expressed their support for the proposed productive activities due to their contribution to the population's food security. The people consulted recommended that the gender focus of the interventions and the ongoing involvement of traditional authorities be maintained. The environmental and social analysis, the ESMP, and the sociocultural analysis are available on the Bank's website.

C. Fiduciary risks

- 2.4 Medium-high fiduciary risks were identified in the operation. The first such risk is related to the impact of allocating budgetary resources to MIDES, as the increased deficit will affect fiscal accounts and central government revenues. On this note, the Bank will facilitate ongoing dialogue between the MEF and MIDES to ensure the necessary budget and provide technical assistance to the UEAF in preparing program planning instruments for timely submittal of the annual draft budget to the MEF. The second such risk is related to delays in the Office of the Comptroller General's (CGR's) review of contracts and payments due to its use of ex ante and ex post fiscal oversight, which could cause delays in program procurement and

payments. This risk will be mitigated by facilitating dialogue with the CGR to make it aware of the program and its objectives, activities, and targets, as well as by creating a monthly agreement plan with MIDES's fiscal control office. Moreover, the Bank will provide model bid evaluation reports that have been agreed upon with the CGR to minimize the need for corrections, so that approval for procurement processes may be secured more quickly. The executing agency's update to the institutional capacity assessment⁶¹ found no risks that could have an adverse impact on the efficient, effective, responsible execution of the program. The executing agency has the technical, administrative, and fiduciary capacities to execute the program. However, it was found to have minor limitations and mitigable risks due to: (i) weakness in its evaluation and monitoring capacity; (ii) a lack of procedures and policies for preventive maintenance of works and goods; (iii) challenges in documentation of procurement processes; and (iv) a lack of institutional policies to manage environmental and social impacts. The identified limitations, however, have been taken into account in preparing the program Operating Regulations and the [summary environmental and social review](#).

D. Other key issues and risks

- 2.5 A medium-low risk was identified in the lack of coordination between entities of the Panamanian government for the design and implementation of the regional pilot initiative of the comprehensive caregiving system (Component 4; paragraph 1.24), which could cause delays in execution if a specific timetable for planning and executing activities and reviewing outputs is not agreed upon and fulfilled. To mitigate this risk, the task force described in paragraph 3.2 will be designated. Another medium-low risk was identified in the lack of coordination between MIDES and the Ministry of Agricultural Development in local productive activities. To mitigate this risk, the Bank will facilitate coordination between the two entities to ensure that production-related inclusion activities are designed to incorporate the lessons learned on crop profiling and improvement plans for the production systems created (paragraph 1.23) as part of loan 5316/OC-PN, as well as to ensure that actions are coordinated at the local level.
- 2.6 **Sustainability.** Most program activities will enhance the coverage and quality of existing services (RENAB, production-related inclusion, ECD services). Expanding the coverage of RENAB and enhancing its capacity to identify and classify people living in poverty, extreme poverty, and conditions of vulnerability will contribute to an efficient, responsive social protection system in Panama. The expansion of production-related inclusion activities will complement the cash transfers of the Opportunities Network, as it will increase beneficiary households' consumption and capacities. For CAIPI infrastructure, the infrastructure analysis ([optional link 5](#)) includes the following measures to ensure that works are maintained: (i) the contractors building the CAIPIs will submit operation and maintenance manuals to ensure the buildings' sustainability; and (ii) the bidding documents will include an 18-month warranty for maintenance and replacement of parts and a 36-month warranty for the architectural improvement, after which MIDES will assume responsibility for maintenance. The sustainability of ECD services is supported by

⁶¹ The Institutional Capacity Assessment Platform was used on MIDES in 2021 as a requirement for the reformulation of loan 3512/OC-PN. This assessment has been updated for this operation.

passage of the law on comprehensive protection of early childhood and ECD,⁶² which adopts the Comprehensive Early Childhood Services Roadmap to ensure that permanent programs, policies, and budgets are implemented for comprehensive early childhood development and protection.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Panama. The executing agency is MIDES, acting through the UEAF, which includes a coordinator and financial, accounting, procurement, and monitoring and evaluation specialists. The UEAF will be responsible for planning, management, procurement, and monitoring activities. MIDES has experience in the execution of five Bank operations, including the Social Protection Program (loan 1867/OC-PN), loan 3512/OC-PN, and the programmatic series executed between 2016 and 2018 (loans 3485/OC-PN, 3724/OC-PN, and 4594/OC-PN), as well as operations of other multilateral organizations.
- 3.2 For the activities under Component 2, the executing agency will use the services of a specialized agency that will provide the technical assistance to the women beneficiaries, as well as training in agricultural practices for this component, delivery of productive assets, and technical assistance for the production-related inclusion program (paragraph 1.23). To facilitate cross-sector coordination of the Panamanian government entities involved in designing and implementing the local pilot initiative of the comprehensive caregiving system (paragraph 1.25), a task force that reports to the Public Policy Council will be assigned to establish a comprehensive caregiving system, whose program-related duties will be included in the program Operating Regulations.
- 3.3 **The special conditions precedent to the first disbursement are as follows: (i) the [program Operating Regulations](#) will be approved under the terms previously agreed upon with the Bank, and the annexes to these regulations will include the environmental and social management system, the ESMP, and the environmental and social action plan.** The Operating Regulations are needed to establish the operation's execution, verification, monitoring, and evaluation mechanisms; and **(ii) a social and environmental officer will be hired or designated to serve on the UEAF.** This condition is needed to ensure that the borrower is prepared to manage the program's environmental and social considerations, particularly for Components 2 and 3.
- 3.4 **The special contractual conditions of execution will be as follows: (i) Before the bidding process for each work, legal possession of the land for the work will be secured,** to ensure the appropriate use of resources, as well as for operation and maintenance; and **(ii) before resources are used to pay caregivers in the pilot caregiving program, the operations manual for the caregiving model for dependent older people will be approved.**

⁶² See [Law 171 of 15 October 2020](#).

- 3.5 **Procurement.** Procurement will be carried out 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). Annex III provides the general framework for procurement management. Procurement items will be supervised by the Bank in accordance with the procurement plan ([required link 4](#)). For Component 2 and output 4.4 (in the Results Matrix) of Component 4, MIDES will commission the services of a specialized agency.
- 3.6 **Financial management and audits.** Financial management of the program will be carried out in accordance with the Financial Management Guidelines for IDB-financed Projects (document OP-273-12), which sets forth the disbursement modalities and external audits of the program's financial reports, which will be agreed upon with the Bank. MIDES will use loan proceeds to hire an independent Bank-eligible firm to audit the program's financial statements on an annual basis.
- B. Summary of arrangements for monitoring results**
- 3.7 **Monitoring.** In addition to the annual work plan ([required link 1](#)) and annual procurement plans, the UEAF will submit semiannual progress reports within 60 days after the end of each six-month period (see the monitoring and evaluation plan in [required link 2](#)). A midterm review of the project will be carried out to evaluate progress in execution once 50% of the proceeds have been disbursed, and a final review will be carried out to verify the fulfillment of indicators in the Results Matrix. Moreover, the UEAF will keep all relevant administrative information on hand to facilitate this review.
- 3.8 **Evaluation.** A before-and-after analysis will be carried out using available time series data on outcome indicators, particularly on coverage of the RSU, and MIDES's administrative data (records of productive activities and participation in ECD services). An experimental impact evaluation, financed with loan proceeds, will measure the impact of Cuidarte in children's skills development, as well as the interaction between them and their caregivers, using the family caregiving indicator instrument adapted from the "Home Observations for Measuring Environment" instrument. Beneficiaries are expected to be exposed to the program for a full two years. Since the size of the eligible population exceeds the space available, the evaluation will be carried out using a three-prong randomization mechanism in which program-eligible communities will be assigned at random to the Cuidarte or Cuidarte Mochila program or to the control group, which will not participate in the programs. The evaluation will be carried out at the community level, which will help avoid conflicts within communities and prevent the program's potential externalities from influencing our evaluation (see [required link 2](#)).

Development Effectiveness Matrix		
Summary		PN-L1177
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 -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Students benefited by education projects (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3055	Improve access and quality of social protection, health, and water services for vulnerable populations, and Improve the efficiency and targeting of of social protection programs, Improve the quality and relevance of the education system, and Increase school attendance among early childhood.
Country Program Results Matrix		The intervention is not included in the 2022 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		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
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: This project is a loan aimed at helping reduce the vulnerability of the Panamanian population. The project involves \$20 million in IDB ordinary capital and \$1.3 million in local financing. The specific objectives are to: (i) strengthen the coverage of the National Registry of Beneficiaries (RENAB); (ii) increase the social and productive inclusion of rural and indigenous women; (iii) improve the coverage and quality of Early Childhood Development (ECD) services; and (iv) contribute to the expansion of a comprehensive care system.

The diagnosis is adequate and well documented by international evidence, highlighting the specific problems in Panama. The main problem lies in the impact of the COVID pandemic in Panama in terms of poverty and inequality (with special emphasis on women, rural populations, and indigenous communities), the widening of the gap in child poverty and Early Childhood Development services, as well as the social fragility of the elderly population. The pandemic also exposed the limitations of Panama's social protection system, particularly its capacity to identify and classify the population in poverty, extreme poverty and vulnerability.

The results matrix is consistent with the vertical logic of the operation and presents reasonable, well specified, and adequate impact and results indicators to measure the achievement of the specific objectives. The evaluation plan includes an evaluation with attribution that will measure the effects of the "Cuidarte" program on the development of children's skills, and on the interaction between them and their caregivers.

The economic analysis includes a cost-benefit evaluation that considers the benefits associated with most of the investments while considering all the costs of the project, providing a return of over 12% in the base scenario. The project has received an overall medium-low risk rating, as well as a category B rating under the Environmental and Social Policy Framework, due to the construction of five Early Childhood Care Centers. Appropriate mitigation or scaling up measures have been proposed and can be monitored throughout the project.

RESULTS MATRIX

Program objective:	The specific objectives of this operation are to: (i) strengthen coverage of the National Beneficiary Registry (RENAB); (ii) enhance the social and production-related inclusion of rural and indigenous women; (iii) enhance the coverage and quality of early childhood development (ECD) services; and (iv) help expand a comprehensive caregiving system. The fulfillment of these objectives will contribute to the general objective of reducing the vulnerability of Panama's population.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year fulfilled	Target	Means of verification	Comments
General development objective: Reduce the social vulnerability of Panama's population							
Indicator 1: Gap between the average per capita income of women-led beneficiary households of the Opportunities Network receiving the production-related inclusion package and the average per capita income of male-led households in the same areas	Percentage	70%	2022	2026	68%	Labor Markets Survey (EML) 2022; survey of beneficiary households of the Opportunities Network receiving the production-related inclusion package at start and end of program, for measurement of income	<p>YM_EML = per capita income in male-led households in the areas of intervention, as measured in the EML.</p> <p>YF_EP = average per capita income of women-led beneficiary households of the Opportunities Network receiving the production-related inclusion package, as measured in the survey administered by the program.</p> <p>Gap = (YM_EML - YF_EP) / YM_EML.</p> <p>The gap is calculated at the start and end of the program. To calculate a baseline at this time, EML data are used to approximate YF_EP.</p> <p>Notes: The EML found that the average monthly per capita income in the areas of intervention is US\$288 in male-led households and US\$85.4 in women-led beneficiary households of the Opportunities Network. The gap is 70% ((US\$288-US\$85.4)/US\$288).</p> <p>The intervention should increase household income by US\$50, or US\$8.3 per capita. This would narrow the gap by 2 percentage points. The baseline (or more specifically, the figure of US\$85.4 used to calculate the baseline) will be reviewed before the start of the intervention.</p>

Indicators	Unit of measure	Baseline value	Baseline year	Expected year fulfilled	Target	Means of verification	Comments
Indicator 2: Quality of home environment in beneficiary households of Cuidarte (compared to households in the control group), based on family care indicators (FCI) score	Standard deviations	0	2022	2026	0.15 ¹	Baseline survey and final evaluation of FCI in beneficiary households of Cuidarte and control group households	The FCI instrument, developed by the United Nations Children's Fund (UNICEF) (Kariger et al., 2012), is an abbreviated version of the Home Observation Measurement of the Environment (HOME) (Caldwell and Bradley 1984, 1992) and measures the quality of the home environment or childrearing practices.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Specific development objective 1. Strengthen coverage of the National Beneficiary Registry (RENAB)										
Indicator 1: Percentage of the Panamanian population listed in the universal social registry (RSU)	Percentage	10.3	2022	0	0	0	20.5	20.5	RSU database	Numerator: Number of people with data ² in the RSU (people in the Opportunities Network, ³ the Family Food Voucher, "120 at 65," Guardian Angel, or Vale Digital): 904.703. Denominator: Estimated total population of Panama in 2022. ⁴ The target was calculated by adding the 454,328 beneficiaries of conditional cash transfer programs (CCTPs) in 2022 to the number of people (450,375) who were Vale Digital beneficiaries when MIDES opened the Vale Digital Solidario office (Executive Decree 3 of 18 January 2022).

¹ Calculation of the target is based on subscales for play materials to which the child has access and play activities that an adult caregiver does with the child. Based on the results of a similar intervention in Colombia (Attanasio et al. 2014), a combined increase of 0.15 standard deviations is estimated in the variety of materials and play activities between children in the treatment group and those in the control group.

² Includes basic demographic data on individuals.

³ The total number of individual beneficiaries of the Opportunities Network and the Family Food Voucher is calculated based on a figure of 6.2 people per household.

⁴ INEC estimates Panama's total population in 2022 at 4,395,414 people.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Indicator 2: Percentage of the population listed in the RSU with a complete, updated socioeconomic profile ⁵		13.3 ⁶		0	0	0	17.6	17.6		Numerator: Number of people with single social protection files (FUPs). Denominator: Number of people in the RSU as of 2025. The target is based on the number of beneficiaries to be recertified through the activities under Component 1.
Indicator 3: Percentage of the population listed in the RSU with a climate change vulnerability classification		0		0	0	0	10.3	10.3		A new variable is included in the socioeconomic profile of households through the FUPS. The target is based on the number of people currently listed in RENAB for whom a climate change vulnerability classification will be added.
Specific development objective 2. Enhance the social and production-related inclusion of rural and indigenous women										
Indicator 1: Percentage of women beneficiaries of the Opportunities Network receiving family assistance	Percentage	0	2022	0	4.8	7.2	9.6	9.6	Social Inclusion and Development Office (DIDS) and RSU administrative data	Numerator: Women beneficiaries of the Opportunities Network receiving family assistance. Denominator: Total number of women beneficiaries of the Opportunities Network (41,610 as of 2022). The target is based on the number of beneficiaries to be targeted in the intervention.
Indicator 2: Percentage of women beneficiaries of the Opportunities Network in prioritized areas in households with children in extreme poverty receiving the production-related inclusion package		0		0	4.3	6.5	8.7	8.7	DIDS and EML administrative data	Numerator: Number of women beneficiaries of the Opportunities Network receiving the production-related inclusion package in prioritized areas. Denominator: Total number of women in households in extreme poverty with children in prioritized areas (45,967 as of 2022). The target is based on the number of beneficiaries to be targeted in the intervention.

⁵ FUPS data gathered in the past five years.

⁶ This value is based on the 60,729 CCTP beneficiaries with FUPs as of September 2022 compared to those listed in RENAB.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Specific development objective 3. Enhance the coverage and quality of early childhood development services										
Indicator 1: Percentage of children under 4 receiving MIDES's comprehensive caregiving services in the institutional and community modalities	Percentage	1.45	2022	0	2.12	2.4	3.14	3.14	Social Protection Services Office (DISPROS) administrative data; national census	Numerator: Number of children under 4 enrolled in MIDES's institutional and community modalities. Denominator: Total number of children under 4 as of 2020 (295,820 as of 2020). The target is based on the number of children to be targeted in the intervention.
Indicator 2: Percentage of CAIPs offering quality services (satisfying at least 80% of MIDES-approved quality standards) ⁷		0		0	0	0	60	60	DISPROS report	Numerator: Number of CAIPs meeting 80% of quality standards. Denominator: Total number of CAIPs administered by MIDES (109 as of 2020). The target is based on a percentage of CAIPs to be covered by the per capita and results-based payment model.
Specific development objective 4. Help expand a comprehensive caregiving system										
Indicator 1: Percentage of older people in the corregimiento of Juan Díaz whose level of functional dependency has been evaluated	Percentage	0	2022	0	0	0	4.5	4.5	Report of the Social Policy Office	Numerator: Number of older people in Juan Díaz whose level of functional dependency has been evaluated (600 older people). Denominator: Total number of older people in Juan Díaz as of 2022 (13,147 as of 2020). The target is based on the number of older adults to be targeted in the intervention.
Indicator 2: Percentage of dependent older people receiving caregiving services through the pilot initiative		0		0	0	15	15	30		Numerator: Number of dependent older people receiving caregiving services (450) Denominator: Total number of dependent older people in Juan Díaz (1,500 as of 2020). ⁸ The target is based on the number of older adults to be targeted in the intervention.

⁷ For a quality standard to be deemed satisfied, the means of verification for each standard must be fulfilled in the following areas: infrastructure and equipment; health and nutrition; management and administration; pedagogy and human talent; and identity, family, and community. For a CAIPI to be considered high quality, it must satisfy at least 80% of the standards in DISPROS's annual final evaluation.

⁸ During implementation, the denominator will be updated using an actual rate determined through use of the functional dependency evaluation.

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Component 1. Expanded coverage of RENAB										
1.1. RSU designed and in operation with portal for beneficiaries to look up their information	Registry	0	2022	0	0	0	1	1	MIDES annual report	
1.2. Number of web services in operation for exchange of administrative data	Web services	3		0	1	7	10	21		
1.3. Algorithm for classifying socioeconomic vulnerability to shock scenarios designed	Algorithm	0		0	0	0	1	1	RSU report	
1.4. MIDES central office equipped with servers and cybersecurity system (Corporate Results Framework indicator)	Equipment	0		0	0	1	0	1	Certificate of delivery and receipt of equipment from providers to MIDES	
1.5. Number of paid outreach workers trained in the recertification protocol	Number of outreach workers	0		0	140	0	0	140	Outreach worker contract	
Component 2. Social and production-related inclusion of rural and indigenous women										
2.1 Number of women beneficiaries of the Opportunities Network receiving technical assistance in production-related inclusion, disaggregated by rural and indigenous	Number of beneficiaries	5,302	2021	0	5,302	5,302	0	5,302	DIDS reports	Not included in end-of-project (EOP) value. Beneficiaries receive technical assistance for two years.
2.2 Number of women beneficiaries of the Opportunities Network receiving training and the production-related inclusion package, disaggregated by rural and indigenous	Number of beneficiaries	0	2022	0	2,000	4,000	2,000	4,000	Delivery certificates	Not included in EOP.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
2.3 Number of women beneficiaries of the Opportunities Network receiving family assistance, disaggregated for rural and indigenous	Number of beneficiaries	0	2022	0	2,000	4,000	2,000	4,000	MIDES report	Not included in EOP.
Component 3. Coverage, quality, and cultural relevance of ECD services										
3.1 Number of CAIPs built with EDGE certification	Number of CAIPs	0	2022	0	0	3	2	5	DISPROS report; CAPTUDATA	Built in accordance with MIDES's quality standards and in compliance with the EDGE Level 1 green building standard (20% water and energy savings).
3.2 Number of existing CAIPs upgraded using energy efficiency and water conservation criteria and meeting minimum standards for EDGE certification	Number of CAIPs	0		0	0	5	5	10	DISPROS report; CAPTUDATA	
3.3 Students benefiting from education projects (indicator 2.1 of the Corporate Results Framework)	Number of students	0		1,000	2,107	0	0	3,107	DISPROS administrative data	Children enrolled in MIDES-administered CAIPs covered by the per capita payment model.
3.4 Early childhood information system designed and in operation	System	0		0	0	2	0	2	MIDES annual report	
3.5 Number of CAIP teachers trained	Number of teachers	0		0	0	0	352	352	DISPROS report	
3.6 "Cuidarte" community modality culturally adapted for children under 4 in indigenous areas	Number	1		0	0	1	0	2	DISPROS report	The adaptation has been completed for the Ngäbe Buglé comarca. The adaptation for the Wounaan Emberá comarca will be carried out.
3.7 Number of children under 4 served in the Cuidarte community modality, disaggregated for rural and indigenous	Number of children	1,200		0	3,000	4,000	4,000	7,000	DISPROS administrative data	Not included in EOP.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Component 4. Pilot comprehensive caregiving system										
4.1 Pilot local caregiving plan designed	Model	0	2022	0	0	1	0	1	Report of the caregiving coordination unit	
4.2 Caregiving model for dependent older people designed	Model	0		0	0	1	0	1	Report of the caregiving coordination unit	
4.3 Number of caregivers trained	Number of caregivers	0		0	0	450	0	450	Report of the caregiving coordination unit	These are caregivers at the day care center and for home care.
4.4 Number of caregivers paid	Number of caregivers	0		0	0	450	0	450	Report of the caregiving coordination unit	Not included in EOP.
4.5 RSU module for monitoring caregiving pilot initiative created	Module	0		0	0	0	1	1	Report of the caregiving coordination unit	
4.6 Caregiving coordination unit integrated into institutional landscape	Unit	0		0	0	0	1	1	Ministerial decree	

Country: Panamá

Division: SCL/SPH

Operation: PN-L1177

Year: 2023

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Social Development (MIDES)

Project name: Social Inclusion and Development Program Phase II

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

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 checked="" type="checkbox"/> Framework agreement
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input type="checkbox"/>	Cofinancing	None
<input type="checkbox"/>	Coexecuting/subexecuting agencies	None
<input type="checkbox"/>	Features of fiduciary execution	None

3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency will be responsible for all technical, administrative, and fiduciary aspects of the program and will execute the program through the Administrative and Financial Liaison Unit (UEAF), a multidisciplinary entity within the organizational structure of MIDES that reports directly to the Social Inclusion and Development Office (DIDS). The UEAF will be supported by MIDES's line units and the appropriate government entities in implementation.</p> <p>The fiduciary capacity assessment found the executing agency to have a medium level of fiduciary capacity.</p>
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4. Fiduciary risks and risk response

Risk	Level of risk	Risk response
Delays in executing fiduciary activities (procurement, financial, accounting) could adversely affect the program's execution timeline.	Medium-low	The Bank's fiduciary team will work closely with the executing agency, providing training on the Bank's financial and procurement policies to streamline processes, improve procurement planning and execution, and strengthen internal and external controls and financial reporting. Support for supervision will be provided throughout program execution.
Constant corrections required by the Office of the Comptroller General (CGR) during the audit process prior to procurements and payments could delay program execution.	Medium-high	The Bank will foster proactive dialogue between the executing agency and the CGR regarding procurement on the program's critical path. The Bank has also been working to reach agreement with the CGR on standardized bid evaluation reports for executing agencies to use, so as to minimize the need for corrections during the procurement authorization process.
If insufficient budget resources are allocated to the executing agency for the program, the start of procurement processes and the awarding of contracts for program execution may be delayed.	Medium-high	The Bank will facilitate coordination between the executing agency, the Bureau of Administration and Finance (DAF), and the National Budget Directorate (DIPRENA) for timely and adequate budgeting.

5. Policies and guidelines applicable to the operation: The following Bank policies and guidelines apply: Access to Information Policy (operational policy OP-102), Financial Management Guidelines for IDB-financed Projects (document OP-273-12), Disaster Risk Management Policy (operational policy OP-704); and the procurement policies set forth in documents GN-2349-15 and GN-2350-15.
6. Exceptions to policies and guidelines: None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Special conditions precedent to the first disbursement: No fiduciary conditions apply.
Exchange rate for justifying expenses made in the borrower's local currency: Legal tender in Panama is the balboa, which is equivalent to and freely interchangeable with the U.S. dollar.
Audited financial reports: The executing agency will submit annual audited financial statements to the Bank during the loan disbursement period and within 120 days after the close of the fiscal year. The financial reports will be examined by an independent audit firm acceptable to the Bank.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	The Bank's standard bidding documents will be used for the procurement of works, goods, and nonconsulting services subject to international competitive bidding (ICB) in accordance with Bank procurement policies (document GN-2349-15). Consulting services will be selected and procured in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), and the Bank-issued standard request for proposals will be used. The project team leader is responsible for reviewing the technical specifications and terms of reference for procurement during preparation of the selection processes. This technical review may be performed ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of country systems	The framework agreement subsystems may be used to procure goods and nonconsulting services up to the NCB threshold of US\$250,000 and for small purchases of up to US\$50,000 with the approval of the Bank's Board of Executive Directors (document GN-2538-11). 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.
<input checked="" type="checkbox"/>	Procurement supervision	Ex post supervision will be used, except for international procurement processes (ICB and international short list) or small procurement and selection processes that, due to their technical complexity, the project team leader deems more suited for ex ante review. The country system for supervision will apply to procurement items executed using the country system. The (i) ex ante, (ii) ex post, or (iii) country system method of supervision will be determined for each selection process listed in the procurement plan. Ex post reviews will be conducted every 12 months in accordance with the project supervision plan, subject to changes during execution. The ex post review reports will include at least one physical inspection visit chosen from among the procurement processes subject to ex post review. At least 10% of the contracts will be physically reviewed. The threshold amounts for ex post review are as follows:

		<table><tr><td>Works</td><td>Goods / nonconsulting services</td><td>Consulting services</td></tr><tr><td>US\$250,000</td><td>US\$50,000</td><td>Individual consultants</td></tr></table>	Works	Goods / nonconsulting services	Consulting services	US\$250,000	US\$50,000	Individual consultants
Works	Goods / nonconsulting services	Consulting services						
US\$250,000	US\$50,000	Individual consultants						
<input checked="" type="checkbox"/>	Records and files	The program Operating Regulations will include procedures and instructions to ensure that appropriate records and files are kept.						

Main procurement items

Description	Procurement method	New procedures / tools	Estimated date	Estimated amount (US\$000)
Works				
Remodeling of 10 CAIPs	NCB	N/A	Q3 2024	1,400
Construction of three CAIPs in central Panama City and Panamá Este (24 de Diciembre, Chepo, and Juan Díaz)	NCB	N/A	Q3 2023	1,876
CAIP construction in Los Santos (Macaracas)	Shopping	N/A	Q2 2024	625
CAIP construction in Colón (María Chiquita)	Shopping	N/A	Q3 2024	347
Goods				
Procurement of servers and cybersecurity system for MIDES	ICB	N/A	Q3 2023	640
Procurement of backpacks for children under 3 in hard-to-reach areas	NCB	N/A	Q3 2023	120
Consulting firms				
Redesign of business architecture and data governance for the universal social registry (RSU) on a platform that allows beneficiaries to look up their own information	Quality- and cost-based selection (QCBS)	N/A	Q2 2023	365
Development and implementation of an interoperability platform for RENAB	QCBS	N/A	Q3 2023	750

Description	Procurement method	New procedures / tools	Estimated date	Estimated amount (US\$000)
Development of the data analysis system and design of the algorithm for classification of vulnerability to shocks	QCBS	N/A	Q3 2023	510
Contracting of a specialized agency to support Component 2	QCBS	N/A	Q2 2023	3,650
Design and development of the Cuidarte information system, including training for outreach workers	QCBS	N/A	Q2 2023	250
Training of teachers on how to use the information system	QCBS	N/A	Q3 2024	250
Contracting of service provider organizations to execute the Cuidarte model and the Mochila program	QCBS	N/A	Q2 2023	5,228
Design and implementation of the service delivery model at day care centers or at home	QCBS	N/A	Q3 2023	1,000
Impact evaluation of the Cuidarte program	QCBS	N/A	Q2 2025	550
Cultural adaptation of the Cuidarte program	Selection based on the consultants' qualifications (CQS)	N/A	Q3 2023	70
Design and development of, and training on, the CAIPI information system	CQS	N/A	Q2 2023	175
Caregiver training and certification program	CQS	N/A	Q3 2025	180
Development of an RSU module for monitoring caregiving	CQS	N/A	Q2 2024	100
Implementation of the caregiving coordinating unit	CQS	N/A	Q2 2024	150
Hiring of the external financial audit firm for the program	QCBS	N/A	Q2 2023	120

Description	Procurement method	New procedures / tools	Estimated date	Estimated amount (US\$000)
Individual consultants				
Hiring of individual outreach workers for MIDES	Service contractors	N/A	Q2 2023	735
Design of the local caregiving plan	Selection of individual consultant (3CV)	N/A	Q2 2024	50
Midterm program evaluation	3CV	N/A	Q2 2024	75
Final program evaluation	3CV	N/A	Q4 2025	75

To see the initial procurement plan, use this [link](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	The budget law that will take effect in 2023 creates the National Public Investment System codes and lines for IDB financing.
<input checked="" type="checkbox"/>	Treasury and disbursement management	<ul style="list-style-type: none"> Disbursements will be made in the form of advances of funds to the borrower for direct payments to providers. Disbursement requests will be submitted in physical form. Disbursements will be made manually. The Bank will transfer resources to a program-specific account in the Treasury Single Account, which will be requested by the project execution unit, approved by the Public Finance Directorate, and opened by the National Bank of Panama. Disbursements will be made in the form of advances of funds to cover liquidity needs in accordance with the corresponding financial plan for up to 180 days. A new disbursement may be requested once 80% of the cumulative resources pending justification have been accounted for. Reimbursements or direct payments may be made to providers as well.
<input checked="" type="checkbox"/>	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. The ISTMO system will be used for accountability reporting. To complement the policies and guidelines applicable to the operation, the program Operating Regulations will be updated to specify documented workflows and internal controls.

		<ul style="list-style-type: none"> ▪ 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.
<input checked="" type="checkbox"/>	External control and financial reports	<ul style="list-style-type: none"> ▪ Given its weak audit capacity, the CGR has focused its action on preauditing records regarding the disposal of government assets. Moreover, its participation in administrative processes through preaudits means that it lacks the independence required to perform audits. ▪ The project's financial statements will be audited on an annual basis by an independent audit firm acceptable to the Bank within 120 days after the end of each fiscal year or the date of the last disbursement.
<input checked="" type="checkbox"/>	Internal control and audit	<ul style="list-style-type: none"> ▪ Internal audits of the project will be carried out through the CGR in the form of preaudits of the executing agency's transactions.
<input checked="" type="checkbox"/>	Financial supervision of the operation	<ul style="list-style-type: none"> ▪ Financial supervision will focus on the reports described in document OP-273-12, and the supporting documentation for disbursements will be reviewed ex post by the auditors when they conduct the audits or during any financial inspection visits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Panama. Loan ____/OC-PN to the Republic of Panama
Social Inclusion and Development Program Phase II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Panama, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Social Inclusion and Development Program Phase II. Such financing will be for the amount of up to US\$20,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2023)