

**PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA
SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.:PIDISDSC17524

Date Prepared/Updated: 02-Nov-2016

I. BASIC INFORMATION

A. Basic Project Data

| | | | |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------|
| Country: | Panama | Project ID: | P157575 |
| | | Parent Project ID (if any): | |
| Project Name: | Support for the National Indigenous Peoples Development Plan (P157575) | | |
| Region | LATIN AMERICA AND CARIBBEAN | | |
| Estimated Appraisal Date: | 18-Sep-2017 | Estimated Board Date: | 12-Dec-2017 |
| Practice Area (Lead): | Social, Urban, Rural and Resilience Global Practice | Lending Instrument: | Investment Project Financing |
| Borrower(s) | Ministry of Finance | | |
| Implementing Agency | Ministry of Government | | |
| Financing (in USD Million) | | | |
| Financing Source | | | Amount |
| Borrower | | | 5.00 |
| International Bank for Reconstruction and Development | | | 80.00 |
| Total Project Cost | | | 85.00 |
| Environmental Category: | B-Partial Assessment | | |
| Concept Review Decision: | Track II - The review did authorize the preparation to continue | | |
| Is this a Repeater project? | No | | |
| Other Decision (as needed): | It was agreed during the PCN meeting that the RSA would retain responsibility for review and clearance of safeguards oversight and management until the technical review meeting requested by the Country Director. | | |

B. Introduction and Context

Country Context

Panama's economic growth has been at the top of the Latin American and Caribbean (LAC) region in

recent years, and has been largely pro-poor. Over the period 2008-2014, Panama's real gross domestic product (GDP) grew on average by 7.1 percent, outpacing the LAC average (3 percent) and that of emerging economies (5.3 percent). This rapid growth has been largely pro-poor and translated into significant poverty reduction. Between 2007 and 2012, income poverty (using the national poverty line) declined from 39.9 percent of the population to 26.2 percent, continuing to fall to 23 percent in 2015. Extreme poverty also fell sharply, from 15.6 percent to 11.3 percent in 2012 and then to 10.3 percent in 2015. During the 2008-2013 period, income growth of households in the bottom 40 percent of the population increased 4.5 percent compared to the average per capita income, which only rose by 3.8 percent.

Despite these positive trends in poverty and shared prosperity in Panama, certain segments of the population continue to live in vulnerable conditions, in particular, Panama's Indigenous population. Despite strong and fairly inclusive growth at the national level, differing rates of poverty reduction have led to the poor becoming more concentrated in specific geographic areas. As a result, poverty in Panama is a rural and indigenous territories phenomenon. While in urban areas extreme poverty is below 4 percent, in rural areas it is about 27 percent. The poorest areas are the Indigenous comarcas and territories, with poverty rates reaching 87 percent in the Ngäbe-Buglé comarca in 2015, compared to 23 percent for the country as a whole and only 15 percent in the richest province. Indeed, 42 percent of Panama's poor lived in comarcas in 2012, despite the fact that the comarcas represented only 5.7 percent of the total population.

Panama is home to seven Indigenous ethnic groups or peoples with distinct cultural identities and governance structures: the Emberá, Wounaan, Naso, Guna, Bribri, Buglé and Ngäbe, representing a population of almost 418,000 or 12.3 percent of the Panamanian population. The majority of Indigenous Peoples in Panama live in twelve collectively owned territories of which five are semi-autonomous regions called "comarcas". In 2010, around 196,059 Indigenous people lived in comarcas, while 221,500 lived in other Indigenous territories or collective lands or had migrated to urban areas (see Figure 1 in the Project Concept Note, PCN). The Indigenous comarcas are sizeable, making up 22.2 percent of the country's area, or 16,634km² and comprising some of Panama's richest natural resources and cultural diversity. Each territory exercises a certain level of autonomy and is governed by its own Indigenous Congress or Council (there are ten Congresses and two Councils).

Moreover, there are large gaps between Indigenous and non-Indigenous Panamanians, across many dimensions, including access to basic services (see Table 1 in the PCN). According to the 2010 National Population and Housing Census, less than half the population living within Indigenous comarcas had access to potable water (44.8 percent) and less than one percent to a flush toilet. Furthermore, only 5.9 percent of the population living in the Indigenous comarcas, had access to electricity, compared to 89.6 percent of all other Panamanians. Only rural Indigenous populations in Bolivia experience lower levels of access to electricity than do the Panamanian Indigenous peoples living in comarcas. In education, enrollment rates for children between 6 and 18 years of age are almost ten percentage points lower among Indigenous children (whether or not they live in a comarca) than for non-Indigenous children. The gap in school attendance between Indigenous and non-Indigenous children begins at primary school (92 percent attendance among Indigenous children 6-11 year olds vs. 98 percent of non-Indigenous children 6-11 year olds) and continues to widen through secondary school (72 percent attendance for Indigenous children and 85 percent for non-Indigenous children). By 18 years of age, youth living within the comarcas are significantly more likely to have dropped out of school than either their rural or urban counterparts. Indigenous comarcas and territories also fare worse with respect to basic health indicators. In 2010, life expectancy in the comarcas was estimated to be between seven and nine years lower than in the rest of the country (77 years nationally compared with 66.9 years in the comarca of Embera-Wounaan in 2009). Significant gaps also exist

between Indigenous people and non-Indigenous people with respect to child mortality (up to 52.6 percent versus 18.1 percent nationally) and maternal mortality (up to 462 women per 100,000 live births versus 99 women per 100,000 live births nationally). The burden of related diarrheal illness in children also falls disproportionately on rural and Indigenous households, and is estimated to cause 130 premature deaths and one million cases of diarrhea in children under five each year.

Sectoral and Institutional Context

Public investment in Indigenous territories has been low, relative to overall national investments. In 2014-2015, total central government investment spending nationally was approximately US\$3.9 billion while total investment spending by the central government in the five Indigenous comarcas was approximated at US\$89.4 million (including social protection transfers of US\$17.5 million classified as investment). This represents only 2.3 percent of total central government investment spending, despite the fact that the five Indigenous comarcas contain 5.7 percent of the national population, and half of the extremely poor. Put slightly differently, per capita investment by the central government was US\$436 in the comarcas compared to US\$997 per capita in the whole country and US\$1,028 per capita outside of the comarcas. These lower levels of public investments correlate with lower welfare and service access levels across the territories and comarcas.

At the same time, the development impact of this investment was limited due to poor coordination among government agencies, and minimal engagement between Government and Indigenous authorities. Whereas the Ministry of Governance and Justice has held the mandate to promote and coordinate public policy and programs for IPs for several administrations, historically this mandate has been underfunded, understaffed and in general, non-operational. Given this institutional gap, line Ministries have invested in Indigenous territories in an ad hoc and marginal way, based on minimal dialogue, understanding, and capacity to work with Indigenous authorities to design and implement key investments. Line Ministries have rarely coordinated their investments with the priorities and development vision of the IP Congresses and Councils, despite the latter being recognized regionally and globally for their high levels of organization and self-governance. This capacity should serve as an enabling factor to allow for much more systematic planning and coordination with the Government in regards to investments and service delivery in their territories than has historically occurred.

In addition to low levels of investment and poor coordination, many public programs have delivered weak results or failed due to a lack of ownership and cultural and contextual pertinence. A qualitative study of the impact of the country's conditional cash transfer program, Red de Oportunidades, showed that a lack of cultural adaptation for Indigenous beneficiaries has undermined the outcomes of the program for certain populations. The disproportionately low school enrollment and drop-out rates observed among Indigenous children stem in part from distance and in part from an absence of a bilingual and culturally relevant curriculum. Health services are also under-utilized due to approaches that fail to integrate cultural practices and beliefs and/or the absence of health workers that speak the Indigenous languages. A review of water and sanitation investments in Panama found that historically the Government has failed to coordinate with territorial authorities in the prioritization of investments, has incorporated few aspects to build community ownership for long-term operation and maintenance of the systems, and solution designs ignored local knowledge on water sources, leading to a significant number of failed or at-risk systems.

However, important structural change is underway in the Government's engagement with IPs, spurred by a dialogue initiated in 2012. Violent confrontations between Ngäbe Indigenous communities and the police took place in 2012, when two Indigenous protestors were killed and many others injured. These conflicts were rooted in the proposed adoption of laws that would weaken rights around consultation and environmental assessment at the same time that large-scale mining and hydroelectric

projects were being proposed in the Ngäbe-Bugle comarca. The conflict precipitated a dialogue between the Ngäbe-Buglé and the Government, mediated by the Catholic Church and supported by the United Nations, and resulted in a political agreement signed on March 15th, 2012 to form a national Roundtable (referred to as the "Mesa"), consisting of representatives of all 12 Indigenous territories of Panama, the National Government and the National Assembly. The Mesa held its first meeting on May 11th, 2012 with the mandate to prepare a National Integrated Development Plan of the Indigenous Peoples of Panama (referred to as the "Plan").

The Plan represents, for the first time in Panamanian history, a national consensus among the 12 Indigenous Authorities on a common vision for their development. It is unique in that it outlines two critical conditions for development. The first condition is that the Indigenous Authorities and communities play a front-seat role as partners in defining, designing, implementing, and evaluating development investments and programs delivered within their territories. The Plan rejects the concept of development imposed by external actors that lacks the ownership and vision of the communities involved. The second condition is that all development policy, programs and projects delivered in Indigenous territories should address the multi-dimensional aspects of well-being using an integrated approach. This will require far stronger planning and coordination among line Ministries and a greater focus on cross-cutting outcomes across sectors. The Plan outlines objectives, actions, and indicators for 15 years and is considered a living document that should be continually evaluated, adjusted, and updated as necessary. The Plan is organized around three pillars, namely: (i) political and legal (governance and land rights); (ii) economic (productive activities and food security); and (iii) social (access to basic infrastructure and services).

The two-year process undertaken by the Mesa to develop the Plan was carefully designed to respect the traditions and customs of each group and ensure wide-spread community participation. During the first phase of the Plan's development (March-July 2013), a total of 94 consultation meetings were held in the 12 Indigenous territories where development priorities were identified for each territory. The second phase was dedicated to consolidating each territory's vision into a consolidated national Plan, carried out by the Mesa with Government participation and facilitated by the United Nations Development Programme (UNDP) as Secretariat. The Plan subsequently underwent a validation process within each of the 12 territories, culminating in the approval of the Plan by the 12 Indigenous Congresses and Councils in December 2013. Two draft laws have been prepared that would: (i) convert the Plan into a legally binding obligation of the State (not just the Government in turn), and (ii) legally institutionalize the Mesa into a permanent Council charged with supervising the implementation of the Plan. The draft laws have been presented to the Presidential Cabinet for consideration, but a commitment to present them to Congress for approval is still pending. In the meantime, the GoP and the Mesa are moving forward to align public investments with the Plan and support its implementation through the proposed project.

The Varela Administration has demonstrated strong commitment to engage with Indigenous authorities and close the development gaps currently faced in their territories. The Varela Administration, under the leadership of the Minister of Government (MINGOB), is undertaking significant efforts to create an institutional and governance platform to promote a more productive dialogue, improved coordination, and more effective investments in Indigenous territories. Upon assuming office, the Minister of Government elevated what was once a Directorate of Indigenous Affairs to the status of a Vice Ministry. MINGOB has also established an Inter-Institutional Roundtable to disseminate the Plan, improve coordination among government agencies and with the Mesa, and mobilize investments in line with the Plan's objectives and priorities. Dialogue with the Mesa is continuing with monthly meetings to discuss the draft laws and the Plan's implementation. MINGOB has effectively mobilized national resources to support all of these processes and has

requested financing and technical assistance from the World Bank to support the first five years of the Plan's implementation.

The proposed Project would aim to strengthen the long-term capacity of the Government and Indigenous Authorities to work as partners in their development and in the implementation of the Plan. In the short-term, the proposed Project would respond to urgent needs for basic services and infrastructure, as identified in the Plan, and, in doing so, provide quick tangible results for Indigenous territories. In the longer-term, the Project would build the capacity of both the Government and Indigenous authorities to effectively engage as partners to achieve development without sacrificing cultural identity. This engagement should be founded on a productive and ongoing dialogue and a robust institutional framework for effective planning, coordination, and investment.

Relationship to CAS/CPS/CPF

The World Bank Group's 2015-2021 Country Partnership Framework (CPF) seeks to support Panama's continued high growth, while ensuring inclusion and opportunities for marginalized groups, and is one of the World Bank's first CPFs with a specific focus on Indigenous Peoples. The proposed support for the National Indigenous Peoples Development Plan directly contributes to Pillar 2 of the CPF, related to ensuring inclusion and opportunities for marginalized and Indigenous peoples. In particular, this Project will contribute to the short-term objectives of more efficient and effective basic service and infrastructure delivery in Indigenous territories, while at the same time building longer-term capacity for the Government to engage with Indigenous peoples as partners in development.

The Project is being prepared and will be implemented in close coordination with other World Bank projects financing investments and programs under implementation within the Indigenous territories. These include the Strengthening Social Protection and Inclusion System Project (P155097), the Panama Inclusive Rural Productivity Project (P156008), and the Improving Access and Continuity of Health Care (P157311). It is also being informed by the poverty diagnostic work underway on rural water and sanitation (Water and Sanitation Services: Achieving Sustainable Outcomes with Indigenous Peoples in Latin America and the Caribbean, P152977), and the Supporting the Rural Water and Sanitation Information System (SIASAR) Projects (P148645 and P153736). An overarching monitoring and evaluation system is being established to measure the impacts of the World Bank's portfolio in Indigenous territories on a set of basic well-being and perception indicators. The line Ministries responsible for the other World Bank-supported interventions are actively collaborating and participating in MINGOB's Inter-Institutional Roundtable to coordinate actions for the implementation of the Plan. The participatory territorial processes to identify investments and carry out safeguards work are being carried out as one integrated process for both the proposed Project and the Panama Inclusive Rural Productivity Project (P156008).

C. Proposed Development Objective(s)

Development Objective(s) (From PCN)

A. Proposed Development Objective(s)

15. The development objective of the proposed Project is to strengthen governance capacity and improve access to basic services and infrastructure in Panama's Indigenous territories. This will be carried out in accordance with the Indigenous Peoples' vision and development priorities.

Key Results (From PCN)

Success in achieving the PDO will be measured using the following proposed indicators:

(1) Greater access to and use of basic infrastructure and services per the priorities established in the

- Indigenous territorial development plans;
- (2) Improved coordination and planning between Ministries and between Government and Indigenous authorities on resources allocated and invested in IP territories;
 - (3) Improved capacity of Indigenous Congresses and Councils to mobilize, administer, and implement resources in line with territorial priorities; and
 - (4) Number of project beneficiaries (disaggregated by gender and IP group).

D. Concept Description

The proposed Project would finance priority investments and technical assistance in support of Pillar 1 (Governance) and Pillar 3 (Social) of the Plan. Investments would be those that have been identified as urgent by Indigenous communities, would complement or create synergies with other public investments, and are considered viable from a technical, financial, environmental, and social perspective. The Project would also establish the institutional framework and build the capacity required for the long-term implementation and evaluation of the Plan. The proposed Project would support three components: (i) Strengthening Governance and supporting knowledge management; (ii) Improving access to basic infrastructure and services; and (iii) Project management.

Component 1: Strengthening Governance (estimated IBRD of US\$10 million)

The objective of this Component is to enhance planning, coordination and delivery of high quality and culturally appropriate investments and services in the 12 Indigenous territories. To do so, Component 1 would support capacity building and small-scale investments for both Indigenous authorities and key government ministries, support improved coordination between them, and enhance knowledge and learning through studies and feedback mechanisms. A rapid governance assessment will be carried out during project preparation to identify the most relevant types of technical assistance and investments to support.

? Subcomponent 1.1: Investments and technical assistance to strengthen Indigenous authorities governance capacity include: (a) support for the preparation of land use management plans for each territory ; (b) development of training and tools for enhanced financial management as well as project planning and management; (c) strengthening of intercultural systems to manage and resolve conflict; (d) hiring and training of local professionals in technical areas, such as planning, engineering, architecture, law, procurement, and environmental and social management, among others; and (e) supporting longer-term agreements to promote the distance learning or scholarship programs for technical training for Indigenous professionals.

? Subcomponent 1.2: Investments and technical assistance to strengthen the Government's capacity and improved planning and coordination include: (a) the creation and delivery of a training for public servants on Indigenous peoples in Panama, including on governance structures, territories, cultures, belief systems, etc.; (b) development of operational instruments to facilitate investments and work within Indigenous territories (recommended contractor lists, examples of terms of references, manual and protocol for consultation and participation, standard designs for small investment projects, etc.); (c) development of systems to ensure the integration of Indigenous territories priorities within central government planning and budgeting; (d) support for an inter-ministerial coordination platform for information exchange and policy dialogue; (e) creation of a consultation protocol and dialogue platform between the Indigenous Authorities and the Government; and (f) development of a robust information system that allows for real-time data exchange on materials, supplies, grievances, among other information.

? Subcomponent 1.3: Knowledge generation and impact assessment. All capacity building activities will be based on a strong foundation of data collection, analysis, and learning under the project so that skills and tools supported under this component are oriented toward actual needs and gaps in

knowledge and behaviors. This subcomponent would entail: (i) the project's impact evaluation, (ii) participatory monitoring and feedback and resolution mechanisms, and (iii) process monitoring and special studies (such as beneficiary assessments, technical quality and economic returns, capacity studies, etc.). Taken overall, this subcomponent would create short- to medium-term feedback loops on various areas of project interventions and expected change to facilitate adjustment, as appropriate, in related systems, capacities, activities, and strategies.

Component 2: Improving Access to Basic Infrastructure and Services (estimated IBRD of US\$65 million)

The objective of this Component is to increase access to basic infrastructure and/or services in line with Pillar 3 of the Plan. To avoid duplication and ensure maximum impact, only those investments and services that meet the following criteria would be eligible for Project financing: (i) identified as urgent or priority by the Indigenous authorities; (ii) agreed upon with the relevant sector line ministries as investments that build synergies or serve as a catalyst for other investments or programs in the area, and are aligned with sectoral strategies and approaches; (iii) do not duplicate or replace other similar public investments planned for the same territories or communities; and (iv) are viable and sustainable based on technical, economic, social and environmental assessments. A preliminary review of the Indigenous territorial plans suggests that potential priority investments include small-scale infrastructure, equipment, materials, and capacity building for service delivery in health, education, and water and sanitation. During project preparation, sector studies will be carried out to assess structural barriers for the delivery of basic infrastructure and services in Indigenous territories for WASH, health, education, and possibly rural access roads/transport. These studies will analyze supply and demand issues, cultural pertinence and community ownership in design and delivery, and key aspects impacting sustainability. These studies, together with the territorial prioritization process, will serve as key inputs to determine eligible investments for project support.

Given the remoteness of many of the territories in which the proposed Project would intervene under Component 2, various implementing mechanisms will be considered during preparation. For example, the feasibility will be assessed of aggregating (either geographically or by sector) basic service and infrastructure contracts to create larger procurement packages that would be more attractive to contractors. Contractors and service providers with a positive track record working in Indigenous territories would also be pre-identified. Another model for implementing investments could be the use of local indigenous organizations (registered NGOs) to manage packages of smaller infrastructure sub-projects (through simplified procurement arrangements). This second model, if deemed feasible, would not be rolled out until capacity building activities have been implemented and capable Indigenous partner organizations are in place. This approach would directly contribute to building local capacity to manage projects and funds, given the decentralization process underway in Panama, as well as serving as an incentive to reward strong Indigenous partnership in implementation.

Component 3: Project Management (estimated IBRD of US\$5 million)

The objective of Component 3 is to support the project management team and costs related to project implementation. To this end, this component will finance the establishment of a Central Coordination Unit (CCU) at national level (within MINGOB) to oversee planning, contracting, coordination, social and environmental management and reporting of project activities. The CCU will be supported by local offices that will be established in each IP territory to support fluid coordination and communication with Indigenous authorities as well as provide critical supervision and oversight support of contractors and service providers. A Fiduciary Agent will be hired to carry out procurement and financial management activities of the proposed Project in line with Government and World Bank

fiduciary requirements. This Component would cover the costs of external audits and a management information system for monitoring progress. Component 3 could also finance technical assistance or support staff for key line ministries if deemed necessary to facilitate their effective collaboration in project implementation.

II. SAFEGUARDS

A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The Project area covers all 12 collective Indigenous territories of Panama, where the majority of the Emberá, Wounaan, Naso/Teribe, Guna, Bribri, Buglé and Ngäbe ethnic groups reside. The Project area comprises some of Panama's richest natural resources and cultural diversity, including many of the country's protected areas such as the International Park and Biosphere Reserve La Amistad, Darien National Park, and Palo Seco Forest Reserve.

B. Borrowers Institutional Capacity for Safeguard Policies

The Project's core social and environmental safeguards staff will be based in the Central Coordination Unit (CCU), within the Ministry of Government's Vice Ministry of Indigenous Affairs. Social and environmental risk management under the Project will be undertaken by the CCU in close coordination with the regional level Project Coordination Units (PCU) that will be established in the 12 Indigenous territories in which the Project will be implemented. The ToRs for these 12 territorial PCUs will include core safeguards functions, given that these territorial PCUs will conduct a bulk of the construction supervision in the field and will serve as the first point of contact for beneficiary communities in the Indigenous territories.

With respect to capacity to implement the Bank's safeguards policies, the CCU will hire an Environmental Specialist, and has hired a Social Specialist who is already working as a core member of the Project preparation team within MINGOB's Vice Ministry of Indigenous Affairs. The Social Specialist is a regionally renowned female Panamanian Indigenous leader, with a strong working knowledge of the Bank's safeguards policies. As an Indigenous leader, she brings to the Project her profound knowledge of Panama's Indigenous territories, communities, and cultures, including the protocols and processes that pertain to the IP territories' governance structures, such as existing systems for decision-making and conflict resolution. This expertise will be critical for ensuring that the Project is prepared, designed, and implemented in a manner that is both culturally appropriate according to the views and priorities of the IP communities and Authorities, and compliant with the policies and requirements of the World Bank.

Notwithstanding this existing capacity on the social safeguards side, the institutional capacity of MINGOB as well as the other participating line Ministries and Indigenous organizations to implement social and environmental safeguards will be evaluated during Project preparation. Training and capacity building will be provided to the CCU and territorial PCUs during Project preparation, and will form a key aspect of implementation of the Project's Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF). Training and capacity building activities will focus on the specific and respective roles and responsibilities of the CCU and territorial PCUs.

C. Environmental and Social Safeguards Specialists on the Team

Cristina Elizabeth CoiroloGSU04

Tuuli Johanna BernardiniGEN04

D. POLICIES THAT MIGHT APPLY

| Safeguard Policies | Triggered ? | Explanation (Optional) |
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| Environmental Assessment OP/BP 4.01 | Yes | <p>OP/BP 4.01 is triggered as the Project investments in small-scale infrastructure, equipment, materials, and capacity building for basic service delivery in health, education, water and sanitation, and potentially rural access roads/transport are expected to generate overall moderate environmental risks and potential impacts. Based on the expected moderate scale of the investments, the Project is suggested to be categorized as B for its potential environmental and social risks.</p> <p>As the specific investments and their physical location will only be known during Project implementation, the project requires preparation of an Environmental and Social Management Framework (ESMF) to screen, assess, and manage environmental and social impacts related to a list of potential activities; the prioritized investments that will be developed during Project preparation. The ESMF will describe the key environmental and social aspects on the Project intervention area to be considered, the potential negative environmental and social impacts per planned types of investments, as well as their potential for positive impacts. Any subproject considered as Category A will be screened out as not eligible for Project funding. The ESMF will describe the applicable legal, institutional and cultural framework for environmental and social management, and the process to prepare the necessary environmental assessment and Environmental Management Plans (EMPs) for each investment as required by their scale and the characteristics of their location. The ESMF will provide specific guidelines to avoid or minimize risks and negative impacts and maximize positive impacts. The ESMF will also describe the responsibilities of different stakeholder groups and identify their related capacity building and training needs, as well as the human and other resources needed to secure adequate implementation of the ESMF.</p> <p>Preliminary consultations related with the</p> |

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| | | Project preparation have been carried out in the 12 Indigenous territories, while specific social and environmental consultations will take place during the ESMF preparation that will entail a strong field presence and continued consultations with the Indigenous organizations. The draft ESMF will be consulted with the Mesa before its finalization and publication. |
| Natural Habitats OP/BP 4.04 | Yes | <p>The Project will not finance any activity that could potentially cause significant conversion or degradation of natural habitats. OP/BP 4.04 is triggered for precautionary purposes as the Project area includes protected areas, close to which any proposed investment would require special management efforts to secure prevention of any negative impacts on the same. The ESMF will include criteria and procedures to avoid and minimize these risks and manage potential negative impacts on natural habitats.</p> <p>The ESMF will establish procedures and mechanisms (including content) for screening activities against OP/BP 4.04.</p> |
| Forests OP/BP 4.36 | TBD | OP/BP 4.36 might be triggered in case the forthcoming Project preparation results in prioritized investments on reforestation and other forest and watershed management related activities. The Project will not finance investments in commercial forestry. |
| Pest Management OP 4.09 | TBD | OP 4.09 might be triggered for precautionary purposes in case the Forests safeguard will be triggered, in order to make sure the Project will be fully equipped to deliver on potential forest/watershed management investments. |
| Physical Cultural Resources OP/BP 4.11 | TBD | OP/BP 4.11 might be triggered as a precautionary measure as the Project will invest in Indigenous Territories where aspects of cultural value and protection will require a particular focus in assessing and managing the risks and opportunities related with the proposed Project activities. |
| Indigenous Peoples OP/BP 4.10 | Yes | OP/BP 4.10 will be triggered since the primary beneficiaries of this Project are the IPs residing in the 12 Indigenous territories of Panama. Taking into account the fact that this Project will support the first phase of |

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| | <p>implementation of Panama's National Indigenous Peoples Development Plan, through which the Project aims to strengthen governance capacity and improve access to basic services and infrastructure in Panama's Indigenous territories in accordance with the Indigenous Peoples vision and development priorities, it will not be necessary to develop a separate Indigenous Peoples Plan for the purposes of OP 4.10. Instead, the central Project documents (e.g. the elaboration of 12 territorial plans to identify priority investments for each of the IP territories, the Project Appraisal Document, the Project Operations Manual, and the Loan Agreement) will be developed in accordance with the principles of OP 4.10. That is, Project preparation and design will follow processes of free, prior, and informed consultation to fully identify IP communities' views and to ensure that only the activities that achieve broad community support are carried out.</p> <p>Project preparation has and will continue to be undertaken by MINGOB, the World Bank, and the Mesa, the latter of which consists of representatives from all 12 IP territories. To ensure fluid communication and real-time participation, MINGOB is holding monthly meetings with the Indigenous authorities to report on Project preparation progress and consult on key design decisions. At the national level, broad community support will be achieved through the documented approval of Project activities by the Mesa.</p> <p>The Indigenous authorities have each nominated candidates to serve as focal points for their territory throughout the investment prioritization process, which will comprise the core Project preparation activity. During the territorial planning and prioritization process, community consultation protocols will be developed, which will be based on the decision-making and dispute resolution processes of each IP territory. These community consultation processes will provide the means of achieving and documenting broad community support for the implementation of specific investments in</p> |
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| | | <p>each territory. Culturally-appropriate protocols for ensuring communication and free flows of information between the Mesa and the Indigenous communities in the IP territories will also be established during Project preparation, and ramped up/adjusted as needed.</p> <p>The Social Assessment process will begin during Project preparation, and will analyze and document the following: community representation and support for Project activities at the national and territorial levels; issues of gender and intergenerational equity in the distribution of benefits from Project activities; IP territory processes/protocols for decision-making, for achieving broad community support, and for the resolution of internal disputes; establishment and implementation arrangements for culturally appropriate Grievance Redress Mechanisms (GRMs).</p> |
| Involuntary Resettlement OP/BP 4.12 | Yes | <p>OP/BP 4.12 will be triggered since Project investments in infrastructure for basic service delivery may lead to discrete land acquisition/economic displacement impacts on IP beneficiaries. The exact location of specific investments will be unknown until Project implementation, and therefore, a Resettlement Policy Framework (RPF) will be developed during Project preparation to provide guiding principles for the development of any social safeguards instruments that may become necessary during the course of Project implementation (e.g. Resettlement Action Plans). Once specific subproject sites are known, a screening of potential social risks and impacts will be conducted, as well as full blown social impact assessments, where necessary.</p> <p>The RPF will include an analysis of the customary collective and/or individual land rights characteristic of the 12 territories in which the Project will be implemented. This analysis will review the cultural and spiritual values that the IP communities attribute to their land and resources, as well as natural resource management practices and the long-term sustainability of such practices across the</p> |

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| | | <p>12 IP territories.</p> <p>Physical relocation of IPs will be avoided to the extent possible. In cases where it is not feasible to avoid relocation, such relocation will only proceed after obtaining broad support for it from the affected IP communities as part of the free, prior, and informed consultation process. In such cases of relocation, a RAP will be developed that is compatible with IP cultural preferences, and that includes a land-based resettlement strategy. As part of the RAP, the Borrower will document the results of the consultation process. Where possible, the RAP should allow the affected Indigenous Peoples to return to the lands and territories they traditionally owned, or customarily used or occupied, if the reasons for their relocation cease to exist.</p> <p>Involuntary restrictions on Indigenous Peoples' access to legally designated parks and protected areas, in particular access to sacred sites, should be avoided to the extent possible. The Project team will assess during project preparation whether the project may involve potential involuntary restriction of access to legally designated parks and protected areas, and if this is the case, the Borrower will prepare a Process Framework with the free, prior, and informed consultation of the affected IP communities prior to appraisal. The Process Framework would guide the preparation of an individual parks and protected areas management plan, and would ensure that affected IP communities participate in the design, implementation, monitoring, and evaluation of the management plan, and share equitably in the benefits of the parks and protected areas. The management plan would also give priority to collaborative arrangements that enable the Indigenous community, as the custodians of the resources, to continue to use them in an ecologically sustainable manner.</p> |
| Safety of Dams OP/BP 4.37 | No | OP/BP 4.37 is not triggered as the Project will not support the construction or rehabilitation of major dams nor will it support other investments that would rely on the services of |

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| | | an existing major dam. |
| Projects on International Waterways OP/BP 7.50 | No | OP/BP 7.50 is not triggered as any subproject activity that might affect international waterways will not be eligible for Project funding. |
| Projects in Disputed Areas OP/BP 7.60 | No | OP/BP 7.60 is not triggered as there will be no subprojects in disputed areas. |

E. SAFEGUARD PREPARATION PLAN

1. Tentative target date for preparing the Appraisal Stage ISDS:

26-Sep-2016

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.

The Project preparation will include preparation of an Environmental and Social Management Framework (ESMF), a Social Assessment, and a Resettlement Policy Framework (RPF). The team will assess during project preparation whether the project may involve potential involuntary restriction of access to legally designated parks and protected areas, and if this is the case, the Borrower will also prepare a Process Framework prior to appraisal. The terms of reference for both an environmental consultant and for the social safeguards activities (to be undertaken by the PCU Social Specialist) are under development and will be finalized during the preparation mission scheduled at the beginning of May, 2016. Once contracted, the ESMF preparation is expected to take four months. The ESMF and RPF, and Process Framework (if needed), or advanced drafts of each document, will be consulted by the Mesa and disclosed in-country and at the Bank InfoShop prior to Project appraisal.

III. Contact point

World Bank

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Borrower/Client/Recipient

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IV. For more information contact:

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V. Approval

| | | |
|---------------------------|-------------------------------------|-------------------|
| Task Team Leader(s): | Name:Dianna M. Pizarro,Sean Bradley | |
| <i>Approved By:</i> | | |
| Safeguards Advisor: | Name: Agnes I. Kiss (SA) | Date: 02-Nov-2016 |
| Practice Manager/Manager: | Name: Jan Weetjens (PMGR) | Date: 03-Nov-2016 |
| Country Director: | Name:Maryanne Sharp (CD) | Date:28-Mar-2017 |

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.