

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**PANAMA**

**SUPPORT FOR STRENGTHENING THE SOCIAL PROTECTION SYSTEM IN  
PANAMA**

**(PN-L1178)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

CAIPI	Centro de Atención Integral a la Primera Infancia (comprehensive early childhood care center)
CAIPM	Centro de Atención Integral para Personas Mayores (comprehensive care center for older adults)
CCT	Conditional cash transfer
DIDS	Dirección de Inclusión y Desarrollo Social (Social Inclusion and Development Office)
DISPROS	Dirección de Servicios de Protección Social (Social Protection Services Office)
FUPS	Ficha Única de Protección Social (single social protection file)
IFARHU	Instituto para la Formación y Aprovechamiento de Recursos Humanos (Institute for Human Resources Training and Development)
INEC	Instituto Nacional de Estadística y Censo (National Institute of Statistics and Census)
MEF	Ministry of Economy and Finance
MICS	Multiple Indicator Cluster Survey
MIDES	Ministry of Social Development
PAHO	Pan American Health Organization
PENDIS	Primera Encuesta Nacional de Discapacidad (First National Disability Survey)
PIIB	Plataforma Informática Integrada de Beneficiarios (Integrated Beneficiary Platform)
PBP	Programmatic policy-based loan
RAIPI	Ruta de Atención Integral a la Primera Infancia (Comprehensive Early Childhood Services Roadmap)
RENAB	Registro Nacional de Beneficiarios (National Beneficiary Registry)
RENACER	Registro Nacional de Certificación (National Certification Registry)
RSU	Registro Social Universal (Universal Social Registry)
SENADIS	Secretaría Nacional de Discapacidad (National Disabilities Office)
SINIP	Sistema Nacional de Inversión Pública (National Public Investment System)
SOFR	Secured Overnight Financing Rate

## PROJECT SUMMARY

### PANAMA SUPPORT FOR STRENGTHENING THE SOCIAL PROTECTION SYSTEM IN PANAMA (PN-L1178)

Financial Terms and Conditions						
<b>Borrower</b>			<b>Flexible Financing Facility<sup>(a)</sup></b>			
Republic of Panama			<b>Amortization period:</b>	20 years		
<b>Executing agency</b>			<b>Disbursement period:</b>	1 year		
Ministry of Economy and Finance			<b>Grace period:</b>	2 years <sup>(b)</sup>		
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>		SOFR-based	
<b>IDB (Ordinary Capital)</b>	300,000,000	100	<b>Credit fee:</b>		(c)	
			<b>Inspection and supervision fee:</b>		(c)	
<b>Total:</b>	300,000,000	100	<b>Weighted average life:</b>		11 years	
			<b>Approval currency:</b>		U.S. dollar	
Project at a Glance						
<b>Project objectives/description:</b> The project's general objective is to contribute to improving the quality of life of vulnerable populations in situations of dependency. Its specific objectives are to: (i) strengthen the social protection system's capacity to respond to shocks and (ii) protect populations in situations of dependency (early childhood, persons with disabilities, and older adults) from the risk of lags in development and functional dependency, while also promoting their productivity and protecting their caregivers.						
<b>Special contractual condition precedent to the first and sole disbursement of the loan:</b> The loan disbursement will be contingent on the fulfillment of the policy reform conditions, in accordance with the terms of the Policy Matrix (Annex II) and Policy Letter <a href="#">required link 1</a> , as well as other conditions established in the loan contract (paragraph 3.2).						
<b>Exceptions to Bank policies:</b> None.						
Strategic Alignment						
<b>Objectives:<sup>(d)</sup></b>	O1 <input checked="" type="checkbox"/>		O2 <input checked="" type="checkbox"/>		O3 <input type="checkbox"/>	
<b>Operational focus areas:<sup>(e)</sup></b>	OF1 <input checked="" type="checkbox"/>	OF2-G <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input checked="" type="checkbox"/>	OF5 <input type="checkbox"/>	OF6 <input type="checkbox"/>
		OF2-D <input checked="" type="checkbox"/>				OF7 <input type="checkbox"/>

<sup>(a)</sup> Under the terms of the Flexible Financing Facility (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.

<sup>(b)</sup> 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.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with applicable policies.

<sup>(d)</sup> O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).

<sup>(e)</sup> OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); OF7 (Regional integration).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problems addressed, and rationale

- 1.1 **Panama has recovered its prepandemic growth levels and maintains a stable macroeconomic environment, albeit with medium-term risks.** The country is classified as a high-income economy, and its growth rates were consistently above the average for Latin America and the Caribbean between 2005 and 2019 (6.8% versus 2.2% per year, on average, respectively).<sup>1</sup> Following a contraction of 18% in 2020, the Panamanian economy saw a cumulative expansion of 34% between 2021 and 2023. However, growth has been unequal among sectors and accompanied by a weak labor market.<sup>2</sup> The country's macroeconomic framework remains stable due to the continued reduction of countercyclical spending during the post-pandemic period and the solid rebound in economic growth, which has also allowed the country to maintain its investment grade status.<sup>3</sup> Fiscal pressure will persist in the medium term owing to decreased tax revenues,<sup>4</sup> the increased cost of external financing, and the defined benefit pension subsystem's deficit.
- 1.2 **Despite the sustained reduction in poverty, its prevalence exceeds that of countries with similar income levels.** Panama's economic growth in recent decades contributed to a sustained reduction in poverty and extreme poverty.<sup>5</sup> The general poverty rate fell from 38.2% to 21.5% between 2007 and 2019, while that of extreme poverty declined from 17.6% to 10%, according to data from the Ministry of Economy and Finance (MEF). The pandemic led to increases in the rates of general and extreme poverty of 4.3 and 0.8 percentage points, respectively, between 2019 and 2021.<sup>6</sup> The economic recovery that began in 2022 resulted in a reduction in the rates of poverty and extreme poverty to 21.8% and 9.5%, respectively. However, Panama's poverty rates continue to be more than double those of countries with similar income levels, such as Chile or Uruguay.<sup>7</sup> Moreover, the country has persistent and marked territorial inequalities. In 2022, the rural poverty rate (40.5%) more than tripled that of urban poverty (13.8%), while 80% of people in Indigenous comarcas (territories) were living in poverty.<sup>8</sup>
- 1.3 **The COVID-19 crisis highlighted two challenges that are the focus of this operation. The first is the failure of the social protection system to include people living in vulnerable conditions.** Some 32.2% of the population lives in

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<sup>1</sup> World Economic Outlook, April 2024.

<sup>2</sup> Unemployment and informality rates increased from 7.1% to 7.4% and from 44.9% to 47.4%, respectively, between 2019 and 2023.

<sup>3</sup> Moody's credit rating for Panama is Baa3, while the Fitch rating for the country is BBB- and the Standard & Poor's rating is BBB.

<sup>4</sup> Tax revenues decreased from 10.8% to 7.5% of gross domestic product (GDP) between 2010 and 2023. (MEF).

<sup>5</sup> The 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. The overall poverty lines for urban and rural areas in 2021 were US\$144.22 and US\$108.24, respectively, while those of extreme poverty were US\$70.40 and US\$60.17, respectively.

<sup>6</sup> [MEF, 2022](#).

<sup>7</sup> World Development Indicators 2023.

<sup>8</sup> [MEF, 2022](#).

vulnerable economic conditions,<sup>9</sup> which means they are susceptible to falling into poverty in the event of a shock such as an extreme weather event, a food crisis, or a pandemic. The Intergovernmental Panel on Climate Change (IPCC) (2022) defines climate change vulnerability as the propensity of a community to be adversely affected by the consequences of climate change,<sup>10</sup> and the main determinants of climate change vulnerability include poverty and social inequalities.<sup>11</sup> Panama is susceptible to natural disasters and vulnerable to the effects of climate change, ranking 18<sup>th</sup> in Latin America and the Caribbean and 70<sup>th</sup> in the world for disaster risk.<sup>12</sup> The most vulnerable populations to the effects of climate change include women and girls, especially Indigenous, migrant, and rural women and girls.<sup>13</sup> Panama's rural and Indigenous populations<sup>14</sup> are especially vulnerable to extreme climate events<sup>15</sup> such as floods, droughts, fires, and rising sea levels,<sup>16</sup> and they also have less adaptive capacity than the rest of the population.<sup>17</sup> In the absence of social safety nets, short-term livelihood losses can have adverse medium- and long-term effects. There is ample evidence that extreme weather events and disasters, like other shocks, can lead poor households to adopt negative adaptation strategies such as selling productive assets, incurring catastrophic expenses, and discontinuing school attendance and medical checkups, which affect their human capital accumulation and productive capacity.<sup>18</sup>

- 1.4 **The second challenge is the greater vulnerability of children, persons with disabilities with high support needs, and older people with functional dependencies. These populations also lack caregiving services,**<sup>19</sup> which has adverse effects on their quality of life and future productivity and also contributes to the feminization of poverty. In Panama, the poverty rate is almost double among children under 5 than among the adult population (40% versus 25% in 2021).<sup>20</sup> In Indigenous comarcas, children under 4 represent the largest group in the

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<sup>9</sup> The vulnerable population is defined as people with incomes above the poverty line but below the middle-class threshold (between US\$5.5 and US\$12.5 per day per person); authors' own calculations based on multipurpose survey data, 2022.

<sup>10</sup> IPCC, 2022: Annex II: Glossary [Möller, V. et al.]. In: Climate Change 2022.

<sup>11</sup> Cardona, O. D., et al., 2012. Determinants of Risk: Exposure and Vulnerability. In: Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation: Special Report of the Intergovernmental Panel on Climate Change (pp. 65-108). Cambridge University Press.

<sup>12</sup> The [World Risk Report 2021](#) classifies Panama as a high-risk country.

<sup>13</sup> United Nations, [Commission on the Status of Women 66 Agreed Conclusions](#), March 2022.

<sup>14</sup> Ministry of Environment. [Third National Communication on Climate Change](#).

<sup>15</sup> Ministry of Environment. [Climate Change Vulnerability Index](#).

<sup>16</sup> For example, the sea level in the archipelago of the Guna Yala comarca has risen by approximately 6 mm per year over the past seven years. This has led to more floods and coastline regression. See: Environmental Hydraulics Institute, University of Cantabria. [Desarrollo de una Base de Datos de Dinámica Marina de las Costas Panameñas para evaluar la Vulnerabilidad y los Impactos del Cambio Climático ante la Subida del Nivel del Mar](#). 2023.

<sup>17</sup> Ministry of Environment. [Climate Change Vulnerability Index](#).

<sup>18</sup> [Bagolle, et. Al, 2023](#).

<sup>19</sup> Caregiving services are activities ensuring that people with, or at risk of, situations of dependency can "maintain a level of functional ability consistent with their basic rights, fundamental freedoms, and human dignity" (World Health Organization, 2015).

<sup>20</sup> Authors' own calculations based on multipurpose survey data, 2021.

population pyramid (2023 census), and their child and adolescent poverty rates, at around 90.8%, are the highest in the country.<sup>21</sup> This poverty is associated with significant delays in cognitive development.<sup>22</sup> Moreover, child development services have persistent deficits in quality, sustainability, and direct support, and these are more pronounced in Indigenous communities. Early childhood education has limited coverage, with a gap of 95% among children ages 3 and under.<sup>23</sup> The coverage rate for this age group is 1.3% in Indigenous comarcas. Although the net coverage rate among children ages 4 and 5 is 40.9%, significant gaps persist in areas with the highest poverty rates. For example, the coverage rate for this age group is only 24.5% in Indigenous comarcas. Children living in poverty are at greater risk of facing adversities such as family stress, lack of learning materials and quality interactions, violence, and food insecurity. These adversities, in turn, create inequalities in early childhood development that can lead to lower productivity in adulthood and perpetuate poverty (Black et al., 2017). High-quality early childhood development programs for vulnerable children ages 5 and under can generate an annual return on investment of 13.7% (García et al., 2020), one of the highest rates of return among social programs. Conversely, there is a high cost of inaction, which is defined as the lost (net) benefits when governments fail to invest today in the recommended early childhood development interventions and children are denied the possibility of earning higher wages and incomes in adulthood. The cost of inaction for Panama is 2.11% of gross domestic product (GDP), almost five times higher than in high-income countries (0.58%).

- 1.5 **Persons with disabilities<sup>24</sup> have high poverty rates<sup>25</sup> as a result of lower workforce participation and the high costs associated with personal assistance, transportation, health, and assistive technologies.<sup>26</sup>** Households with at least one member with a disability have a probability that is six percentage points higher of being in the two lowest income quintiles, compared to households without persons with disabilities.<sup>27</sup> For persons with disabilities, exercising their autonomy and having the ability to perform the activities of daily living is often limited by the need for support. In Panama, 60% of persons with disabilities need support,<sup>28</sup> a percentage that is higher among persons with multiple, systemic, and

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<sup>21</sup> National Institute of Statistics and Census (INEC), 2021. The general poverty rates among children under 5 in the Indigenous comarcas of Ngäbe Buglé, Emberá Wounaan, and Guna Yala are 91.5%, 91.2%, and 86.5%, respectively.

<sup>22</sup> Multiple Indicator Cluster Survey (MICS), 2014. This survey shows that 27.5% of children under 5 in the lowest income quintile have adequate development for their age, compared to 67% in the highest quintile.

<sup>23</sup> According to gross coverage data from the 2023 National Population and Household Census. Ministry of Social Development and Ministry of Education.

<sup>24</sup> According to estimates based on the 2010 National Population and Household Census and the 2017 Multipurpose Survey, there are 317,391 persons with disabilities in Panama, representing 7.8% of the population.

<sup>25</sup> An analysis of 13 household surveys in developing countries shows that households with adults with disabilities are poorer than the average household in terms of per capita consumption. World Health Organization and World Bank. World Report on Disability, 2011.

<sup>26</sup> According to the 2011 World Report on Disability (World Health Organization and World Bank), persons with disabilities in low-income countries are 50% more likely to face ruinous healthcare costs than people without disabilities.

<sup>27</sup> National Population and Household Census 2010.

<sup>28</sup> Authors' own calculations based on the First National Disability Survey (PENDIS), 2006.



- mental disabilities, over 70% of whom require support.<sup>29</sup> Of those who report needing support, most receive it from family members (46.6%), while 11.4% do not receive any type of assistance.<sup>30</sup>
- 1.6 **Approximately 17%<sup>31</sup> of older people also depend on care provided by others.** This functional dependency rate in Panama is above the average for Latin America and the Caribbean (14.4%). Due to the rapid aging of the population, estimates indicate that the number of older people with functional dependencies will double by 2035 and triple by 2050.<sup>32</sup> This demographic trend creates a growing unmet demand for care.
- 1.7 **Most of those who provide support to populations in situations of dependency<sup>33</sup> are women,<sup>34</sup> which contributes to the feminization of poverty.** Panamanian women disproportionately carry out domestic and care work for household members in situations of dependency. They spend 22.7% of their weekly time doing unpaid household work, while men dedicate 8.7% of their time to the same. Of the time spent doing unpaid household work, women dedicate one quarter to caring for children, adolescents, persons with disabilities, and older adults, while men dedicate only 7% of their time to caregiving.<sup>35</sup> This unequal distribution of caregiving has several consequences. The 2023 Global Gender Gap Report highlights that inadequate caregiving systems represent one of the most significant barriers to decreasing the gap in women's workforce participation. In Panama, women have lower workforce participation rates than men (50.8% versus 74.9%), and a higher proportion of women are economically inactive than men (67.9% versus 32.1%).<sup>36</sup> Family responsibilities, including caregiving, are cited as the main barrier preventing economically inactive women from working (31.4%).<sup>37</sup> Among those who are employed, the gender gap in time spent on care disproportionately affects lower-income women in informal, irregular, or poorly-paid jobs.<sup>38</sup>
- 1.8 This program focuses on two sectoral themes (shock-responsive social protection system and comprehensive caregiving system) that fall under the purview of the Ministry of Social Development (MIDES)<sup>39</sup> as the lead agency for social policies

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<sup>29</sup> Authors' own calculations based on PENDIS. PENDIS and the census use different methodologies to calculate the types and prevalence of disabilities. PENDIS uses the WHO-DAS 2.0 instrument, while the census uses the recommendations of the International Group of Experts on Disability Statistics.

<sup>30</sup> Ibid. According to PENDIS, 39.6% of persons with disabilities report not needing support. Of those who do require support, 46.6% report receiving it from their families, 11.4% do not receive support from anyone, 1.1% receive support from friends or neighbors, 0.9% do not know or did not respond, and 0.5% receive support from a hired person.

<sup>31</sup> This percentage is equivalent to 63,000 people over 65.

<sup>32</sup> [Aranco, et al., 2022.](#)

<sup>33</sup> 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 (Bango, 2020).

<sup>34</sup> Huete, A., 2019.

<sup>35</sup> INEC. Time-Use Survey, 2011.

<sup>36</sup> [INEC, 2023.](#)

<sup>37</sup> Ibid.

<sup>38</sup> UN Women, 2022.

<sup>39</sup> MIDES was created by Law 29 of 1 August 2005.

and those targeting priority populations such as women, children, persons with disabilities, and older adults.

- 1.9 **Income support.** To alleviate poverty, MIDES has implemented four conditional cash transfer (CCT) programs serving some 346,000 beneficiaries:<sup>40</sup> Red de Oportunidades (Opportunities Network),<sup>41</sup> which provides US\$50 per month to 43,334 households in extreme poverty with children under 18, contingent on the fulfillment of education and health co-responsibilities;<sup>42</sup> Bono Alimentario (Food Voucher), which provides US\$50 per month to 7,823 poor rural households with school-age children, for food purchases at authorized retailers; the noncontributive *120 a los 65* (120 at 65) pension, which provides US\$120 per month to 122,312 adults over 65 who are living in poverty and lack social security, contingent on a yearly health checkup; and Ángel Guardián (Guardian Angel), which provides US\$80 per month to 19,462 persons 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 (IFARHU) also implements 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. In all, these programs benefited 87% of the population living in poverty in 2019.<sup>43</sup> Lastly, as a temporary income support program for vulnerable populations during the pandemic, the Government of Panama implemented a temporary social assistance plan known as Panamá Solidario (Solidary Panama).<sup>44</sup> One of the program's modalities, Vale Digital (Digital Coupon), provided US\$120 per month to 1,106,642 people in 2021.<sup>45</sup> This program's implementation ended in October 2023. The COVID-19 pandemic demonstrated that social protection systems (regular cash transfers and temporary ones activated in response to shocks) can play a key role in alleviating poverty, which helps to reduce households' vulnerability to climate threats (IPCC, 2022). In the specific case of Panama, the transfers, overall, 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.<sup>46</sup>
- 1.10 MIDES, with the support of the Social Inclusion and Development Program ([3512/OC-PN](#)), developed the Integrated Beneficiary Platform (PIIB) merging the beneficiary rosters of the various CCT programs through the National Beneficiary

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<sup>40</sup> Data from MIDES Registry Department as of 2023.

<sup>41</sup> Red de Oportunidades was created in 2007 (formalized by Law 54 of 8 November 2016); Bono Alimentario was created in 2005 (as part of the National Plan for Coordinating and Monitoring the Food and Nutrition Plan); *120 a los 65* was created by Law 44 of 2009; and Ángel Guardián was created by Law 39 of 2012.

<sup>42</sup> 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.

<sup>43</sup> [Stampini et al., 2023](#).

<sup>44</sup> Panamá Solidario, created by Decree 400 of 27 March 2020, included: (i) a food bank; (ii) a food voucher; and (iii) Vale Digital. Starting in 2022, its administration was taken over by MIDES pursuant to Executive Decree 3 of 18 January, which created the Vale Digital Solidario office.

<sup>45</sup> When the Vale Digital Solidario office was established in MIDES in 2022, the number of beneficiaries had decreased to 450,375.

<sup>46</sup> Authors' own calculations based on INEC's 2021 Labor Market Survey.

Registry (RENAB).<sup>47</sup> However, RENAB data is limited to current and former applicants and beneficiaries of MIDES's CCT programs. The COVID-19 pandemic highlighted the lack of a more extensive social registry containing the socioeconomic data of most of the country's population (or, at least, of all people vulnerable to the risk of falling into poverty). Only 15% of Panamanians are currently registered in RENAB,<sup>48</sup> and only slightly more than half (56%) of those registered have an updated socioeconomic profile.<sup>49</sup> RENAB lacks information pertaining to households' exposure and vulnerability to climate threats, and the registry has limited interoperability capacity with other government databases containing updated information on households or individuals (e.g., births, deaths, incomes, employment, pensions). These limitations make it difficult to maintain updated sociodemographic data on the population. Although MIDES has signed agreements with several institutions to facilitate the exchange of data on beneficiaries,<sup>50</sup> it lacks a standard implementation protocol and the web services that are needed to operationalize this exchange. Without an updated operating system with high coverage, interoperability, and mechanisms to develop the climate change vulnerability profiles of the population, Panama's social protection system has limited capacity to respond quickly and on a large scale to future shocks. It took other countries in the region an average of 60 days, from the day the first mobility restrictions were implemented, to pay extraordinary transfers in response to the pandemic.<sup>51</sup>

- 1.11 **Caregiving.** Amid higher demand and the need to reduce gender inequalities, Panama has taken steps in recent years to build a caregiving system to serve people in situations of dependency (early childhood, persons with disabilities needing support, and older adults with functional dependencies) as well as a population of caregivers. MIDES established the Public Policy Council in 2019 to develop a comprehensive caregiving system<sup>52</sup> with the aim of setting guidelines for coordination between agencies whose work is related to caregiving. MIDES's Social Policy Office has developed general public policy guidelines for caregiving and designed a pilot initiative to be implemented in the province of Panama. Despite these gains, the country lacks a regulatory framework that establishes care as a right, defines the beneficiary populations and the caregiving services they receive, and creates a governance structure for its implementation and coordination. Moreover, although the country has decided to build a national caregiving plan based on local experiences, it has not yet defined the elements of a local caregiving plan as a first step towards the design of the national system. Lastly, Panama lacks a recent time-use survey to determine the scope of gender gaps in caregiving.<sup>53</sup> In Latin America and the Caribbean, time-use surveys have been central to the discussion on recognizing and redistributing unpaid work and

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<sup>47</sup> RENAB was created by Law 54 of 8 November 2016.

<sup>48</sup> Authors' own calculations based on MIDES administrative data (2024) and the Population and Household Survey (2023).

<sup>49</sup> The value is calculated as the ratio between the number of CCT program beneficiaries with a single social protection file (FUPS), as of January 2024, and all CCT program beneficiaries registered in RENAB.

<sup>50</sup> MIDES has information-exchange agreements with 21 public institutions.

<sup>51</sup> [Bagolle, et.al, 2023](#).

<sup>52</sup> The council was established by Executive Decree 22 of 28 May 2019.

<sup>53</sup> The last time-use survey was carried out by INEC in 2011.

- have guided the formulation of public policies that address the social needs of care through social co-responsibility, by transferring responsibilities from the family to the public and private sectors.<sup>54</sup>
- 1.12 To ensure quality early childhood care, MIDES adopted Law 171 on the comprehensive protection of early childhood and early childhood development.<sup>55</sup> Based on a Comprehensive Early Childhood Services Roadmap (RAIPI), this law establishes the care and services that all children under 8 must receive for their comprehensive development. Thus, MIDES serves children under 4 in 100 comprehensive early childhood care centers (CAIPs) and monitors 262 private and institutional centers.<sup>56</sup> CAIPs offer a comprehensive portfolio of services (caregiving, nutrition, monitoring of growth and development, early education, and family support).<sup>57</sup> In recent years, MIDES has invested in improving the quality and coverage of the CAIPs that it manages. With IDB support ([3512/OC-PN](#)), new slots have been created<sup>58</sup> in CAIPs for children under 4, and a curriculum and quality management system leveraged by a per capita and results-based payment system was designed.<sup>59</sup> Public and private CAIPs currently serve 8,850 children under 4. In rural and Indigenous areas lacking these centers, with Bank support through operations [3512/OC-PN](#) and [5734/OC-PN](#), MIDES designed and implemented Cuidarte (Caring for You), a community modality for comprehensive care that benefited 1,200 children under 36 months and that adopted an intercultural approach in Indigenous areas. The program focuses on supporting and strengthening the social-emotional and parenting skills of family members to promote the harmonious, comprehensive development of children. Cuidarte is an adaptation to the Panamanian context of the Reach Up and Learn<sup>60</sup> program, which has been implemented in Latin America and the Caribbean with positive results in cognitive and speech development and sustained long-term impacts that have resulted in higher wages in adulthood.<sup>61</sup> Moreover, the program is implemented through community promoters, i.e., rural or Indigenous women from difficult-to-access areas. Therefore, it contributes to generating formal employment and employability for women with limited resources and training.
- 1.13 Despite these gains, Panama needs to consolidate its early childhood public policies and address the challenges associated with the quality of the services that are provided. Monitoring compliance with Law 171 is hindered by the lack of institutionalization of the Technical Secretariat for Comprehensive Early Childhood

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<sup>54</sup> [Economic Commission for Latin America and the Caribbean, 2019.](#)

<sup>55</sup> See Law 171 of 15 October 2020.

<sup>56</sup> MIDES, 2024.

<sup>57</sup> The comprehensive portfolio of services and the payment system were adopted through Resolution 380 of 11 August 2015.

<sup>58</sup> The 495 new slots were created through the construction, comprehensive remodeling, and improvement of 69 CAIPs between 2016 and 2023.

<sup>59</sup> The quality standards were adopted through Ministerial Resolution 238 of 4 May 2016.

<sup>60</sup> Reach Up and Learn is an evidence-based program developed with the benefit of 20 years of research into effective early childhood intervention programs.

<sup>61</sup> 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.

Care. In addition, the RAIPI's services are not earmarked in the national budget,<sup>62</sup> which jeopardizes their sustainability. The absence of updated information on gaps in health, nutrition, care, and education affecting early childhood also represents a barrier to the formulation of effective policies. The last MICS for childhood and adolescence in Panama was developed over a decade ago. An evaluation of CAIPIs in 2018 yielded scores ranging between 2.5 and 4 points on a scale of 1 to 7 for the quality of public centers' processes.<sup>63</sup> Thus, CAIPIs' quality care standards must be updated and their implementation strengthened, especially after the closure of the centers during the pandemic.<sup>64</sup> To foster the social inclusion and autonomy of persons with disabilities, Panama adopted the Convention on the Rights of Persons with Disabilities<sup>65</sup> and established the National Disabilities Office (SENADIS)<sup>66</sup> as the lead agency for inclusion policies. To identify persons with disabilities and give them access to the benefits stemming from Law 134,<sup>67</sup> SENADIS implements the national disability certification system. Panama established its disability certification system in 2014 using the biopsychosocial approach of the International Classification of Functioning, Disability and Health (ICF) and the International Classification of Diseases, Tenth Revision (ICD-10). For this, it created disability assessment committees. In addition, with the support of the Social Inclusion Program for Persons with Disabilities in Panama ([5127/OC-PN](#)), SENADIS has strengthened the National Certification Registry (RENACER), which automates the certification process. However, challenges to expanding certification include the centralization of the process in SENADIS's central headquarters, owing to the absence of regulations supporting its decentralization, as well as the lack of physical space, technological equipment, and human resources in the nine regional offices. SENADIS lags in the development of personal assistance alternatives that ensure support for persons with disabilities in situations of dependency. The Convention on the Rights of Persons with Disabilities recommends that the country create these alternatives to promote the independent living model, including personal assistance services<sup>68</sup> that also free caregivers' time for productive activities and create new employment opportunities in the care sector.

- 1.14 MIDES has taken significant steps towards promoting and protecting the rights of older adults.<sup>69</sup> At the policy level, the country has National Policy for Older People

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<sup>62</sup> Budget tagging consists in identifying, in the national budget, the budget line items and amounts that each public institution contributes to the provision of the RAIPI's services, including: identity, health, nutrition, and early education.

<sup>63</sup> 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.

<sup>64</sup> In April 2020, the Government of Panama ordered the closing of the country's CAIPIs and preschool centers, which continued until March 2022.

<sup>65</sup> Adopted through Law 25 of 10 July 2007.

<sup>66</sup> SENADIS is an autonomous agency with independent legal status that is represented in the Executive Branch by MIDES.

<sup>67</sup> Law 134 of 31 December 2013 provides health care, education, and discounts on services.

<sup>68</sup> Recommendations in the Panama Report (CRPD/C/PAN/1) for its 350<sup>th</sup> session, 2017.

<sup>69</sup> Law 36 of 2 August 2016 establishing regulations for the comprehensive protection of the rights of older people and Law 149 of 24 April 2020 amending Law 36 of 2016.



(2004) and a National Plan for Older People (2022-2025).<sup>70</sup> At the institutional level, Panama has created the National Institute for Older People as the entity responsible for the comprehensive protection of older adults. This institute monitors the operation of 82 comprehensive care centers for older adults (CAIPMs)<sup>71</sup> in accordance with quality standards.<sup>72</sup> To determine eligibility for these services and others that may be created as part of the caregiving system, the country must design a methodology to evaluate functionality and needs for assistance with activities of daily living. Several countries in the region have scales to assess dependency.<sup>73</sup> The absence of this instrument in Panama limits the government's capacity to guide the supply of caregiving services. An IDB analysis reveals that the country also has a limited availability of long-term care for older people in situations of dependency.<sup>74</sup>

- 1.15 **Rationale.** To address the identified gaps, the Government of Panama has requested IDB support to: (i) strengthen the social protection system's capacity to respond to shocks and (ii) protect the population in situations of dependency (early childhood, persons with disabilities, and older adults). The program is structured as a programmatic policy-based loan (PBP) with three components, two of which respond to the identified gaps.
- 1.16 **The program's strategy** to strengthen the social protection system's capacity to respond to shocks, especially climate events and disasters, is to strengthen its operational and legal framework and develop management tools. At the governance level, the program's reforms will support the development of a regulatory framework creating the Universal Social Registry (RSU). This system incorporates information on all people and households that could potentially access income support programs and generates their socioeconomic profiles. The new legislation establishes the RSU's definitions and scope, MIDES's management authority and responsibilities, and the roles of the other government entities involved in its operation. The second operation focuses on the development of planning instruments, the design and programming of information technology systems for the RSU's operation, and the construction of a database (by cross-referencing administrative registries and conducting canvassing in the field) of the vulnerable population (paragraph 1.4). In terms of operating mechanisms, the reforms promote the adaptation of MIDES's information systems to facilitate their interoperability with other government entities, which enables the continuous updating of the information on the population registered in the RSU. At the level of instruments, the program's reforms will develop and implement a mechanism to classify the environmental and climate vulnerability of people registered in the RSU. These reforms will enable the Government of Panama to manage resources (such as an emergency voucher) to responsively and efficiently support the incomes of households affected by transitory shocks. MIDES's gains over the last decade in strengthening the social protection system with the IDB's support, especially through the development and launch of the PIIB as the main

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<sup>70</sup> MIDES, 2023. [National Plan for Older People, 2022-2025](#).

<sup>71</sup> Decree 238 of 23 June 2021 formalized its creation and regulations and empowers MIDES to monitor the public and private centers. Coverage data provided by MIDES up to 2024.

<sup>72</sup> [MIDES, 2022](#).

<sup>73</sup> [Oliviera et al., 2022](#).

<sup>74</sup> [Aranco et al., 2022b](#).

information technology system for managing CCT programs, represent the foundation for the rollout of this strategy.

1.17 To protect populations in situations of dependency, specifically the early childhood population, persons with disabilities with high support needs, and older adults with functional dependencies, while simultaneously enhancing their productivity, the program's strategy is to create the comprehensive caregiving system. Establishing caregiving systems is a complex process developed over decades and involving multiple actions. Furthermore, it involves the interaction of different actors whose responsibilities are related to this area (including those linked to social development, health, early childhood, older adults, women, and persons with disabilities)<sup>75</sup> (PAHO and IDB, 2023). For example, Uruguay's National Integrated Care System was launched in 2015 and currently covers 11% of the population over 65. Likewise, in 2017, Chile implemented Chile Cuida (Chile Cares), a program supporting people with dependencies that now operates in 22 of the country's 346 municipalities.<sup>76</sup> With this program's reforms, Panama is taking the first step towards establishing the comprehensive caregiving system and initiating its implementation. Specifically, the reforms create the system's legal framework, establish care as a right, define the system's beneficiary population, and establish its governance structure.<sup>77</sup> The reforms also promote the design and approval of national and territorial implementation plans and the design and implementation of a range of quality programs. In addition to positioning the country for the future expansion of caregiving services for early childhood, persons with disabilities with high support needs, and older adults in situations of dependency, the creation of this system helps to reduce gender disparities. Caregiving services are one of the most effective measures for promoting the integration of women into the workforce. For example, government-provided childcare services have been shown to increase mothers' employment rates by up to 22% and extend the workday by six to eight hours. The creation of the caregiving system also helps to create new employment opportunities, especially for women. The policies and conditions of the program's Component 3 (paragraph 1.37) associated with the creation of the comprehensive care system (3.1.1 and 3.1.2), as well as the design and implementation of the comprehensive early childhood care services (3.7a.1 and 3.7.2), those for older adults in situations of dependency and persons with disabilities (3.9.1, 3.9.2, 3.11.1, and 3.11.2) contribute to the achievement of the program's impact indicators.

1.18 **Programmatic approach and additionality.** Panama's programmatic approach to social protection has focused on: (a) improving the targeting and management

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<sup>75</sup> [La situación de los cuidados a largo plazo en América Latina y el Caribe](#). Washington, D.C.: PAHO and IDB; 2023.

<sup>76</sup> [Aranco, N., et. Al, 2022](#).

<sup>77</sup> Care systems frequently target vulnerable populations. Uruguay's care system, for example provides free care services for low-income older adults in situations of dependency, while high-income beneficiaries contribute through a co-payment mechanism (see: <https://publications.iadb.org/es/envejecimiento-y-atencion-la-dependencia-en-uruguay>). In addition to socioeconomic characterization, targeting is also based on care needs determined by a dependency assessment (see: <https://publications.iadb.org/es/el-uso-de-baremos-de-valoracion-de-la-funcionalidad-y-de-la-dependencia-de-cuidados-en-personas>).

Both types of targeting (socioeconomic and by level of dependency) seek to enhance financial sustainability given sociodemographic trends and limited fiscal space (<https://publications.iadb.org/en/funding-options-long-term-care-services-latin-america-and-caribbean>).

of social protection programs through beneficiary selection mechanisms, the development of social registries, and the institutionalization of programs supporting vulnerable populations; (b) supporting enhanced flexibility and adaptability to shocks; and (c) strengthening caregiving policies, programs, and services as a new pillar of social protection while simultaneously addressing the needs of people who depend on care (early childhood, persons with disabilities, and older adults) and those who provide the care. The reforms supported by this PBP provide continuity to the Bank's support to MIDES over the past decade to protect vulnerable populations in situations of dependency. Since 2106, the Bank has helped MIDES strengthen the social protection system through an investment loan ([3512/OC-PN](#)) and a programmatic series ([3485/OC-PN](#); [3724/OC-PN](#); [4594/OC-PN](#)), the implementation of which was supported by technical cooperation operations ([ATN/OC-15865-PN](#); [ATN/OC-18631-PN](#)). These projects have bolstered the Government of Panama's efforts to: (i) improve the targeting of CCT programs and, therefore, the quality of public spending through the design and application of a single scoring system to classify the poverty and extreme poverty status of applicants and beneficiaries of CCT programs; (ii) design and implement the (FUPS) as a necessary instrument to gather information to calculate the single score; (iii) design and implement a recertification protocol for the beneficiary population; (iv) create the Social Inclusion and Development Office (DIDS) as the entity responsible for CCT programs' supervision, census departments, rosters, payments, and monitoring and evaluation; and (v) design and approve the legal framework governing RENAB and the single payment platform. RENAB consolidates the beneficiary databases of the CCT programs administered by MIDES, enables the monitoring of program overlaps, and conducts audits based on cross-referencing with other administrative databases to ensure that government transfers reach the poorest and to minimize leakage to the nonpoor. Meanwhile, the single payment platform centralizes the transfer payment process.

- 1.19 The PBP also lends continuity to the support that the Bank has provided since 2020 to make the social protection system more flexible and responsive to shocks. The reformulation of loan operation 3799/OC-PN in 2020 supported the incomes of 1,106,642 people vulnerable to falling into poverty by financing the temporary support program Vale Digital,<sup>78</sup> and it sustained the implementation of CCT programs for 194,751 beneficiaries. The IDB's support maintained the coverage of social safety net programs and partially financed Vale Digital to support workers from the formal and informal sectors who lost their incomes during the crisis. An IDB analysis shows that, 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, or 33.9%.<sup>79</sup> Based on the need for a social protection system that is responsive to these shocks, loan operation 5734/OC-PN, currently in execution, finances the expansion of RENAB's coverage to include Vale Digital beneficiaries, a population that is vulnerable to poverty. This operation also finances the development of the interoperability platform enabling RENAB to exchange data with other government institutions, as

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<sup>78</sup> These beneficiaries made at least one purchase during the loan execution period.

<sup>79</sup> Authors' own calculations based on INEC's 2021 Labor Market Survey.



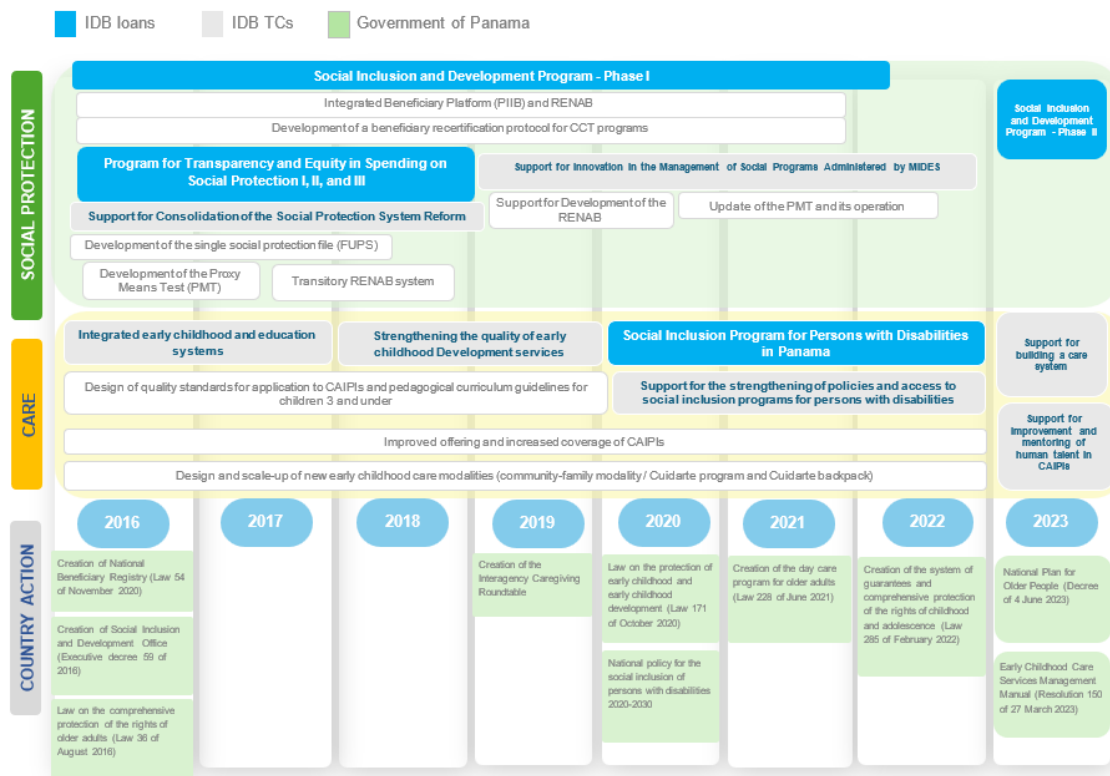
- well as computer equipment to facilitate its implementation.<sup>80</sup> The IDB also supports the development of interoperable information systems through operation [5533/OC-PN](#), led by the Fiscal Management Division and executed by the MEF.
- 1.20 The PBP also builds on the Banks's support for the country's strengthening of policies and programs protecting dependent populations, especially early childhood, persons with disabilities, and older people in situations of dependency. The establishment of the comprehensive caregiving system proposed by this PBP lends continuity to two PBP operations initiated in 2019 ([4777/OC-PN](#) and [5397/OC-PN](#)) and a technical cooperation operation ([ATN/OC-17841-PN](#)). These operations helped to establish strategic guidelines for the comprehensive caregiving system and the creation of the Interagency Caregiving Roundtable. This operation strengthens the Government of Panama's efforts to generate gender-based statistics by supporting the implementation of the time-use survey. Through [ATN/OC-18640-PN](#), the IDB has supported the Government of Panama in creating the National Gender Statistics Roundtable, which is a key contribution to obtaining statistics to guide the formulation of gender equity policies, including statistics on the time spent by men and women on unpaid caregiving. This operation also leverages the investments made in operations [5734/OC-PN](#) and [ATN/OC-19998-PN](#), which support the design and implementation of the first local caregiving plan including its governance structure, mechanisms for identifying populations in situations of dependency, and services associated with the system.<sup>81</sup>
- 1.21 The programmatic series ensures that these investments are implemented within a coherent regulatory framework, thereby maximizing their impacts and contributing to their sustainability. The timeline of the Bank's support for the Government of Panama, which underpins this program's reforms, is summarized in Figure 1.1.

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<sup>80</sup> RENAB was created by Law 54 (2016) as a technical instrument that enables the concentration of all beneficiaries of government CCT programs, as well as their classification and the prioritization of the most vulnerable social strata. To verify the eligibility and classification of beneficiaries, RENAB must interoperate with different government entities including the Ministry of Education, Social Security Fund, Traffic and Land Transportation Authority, the National Disabilities Office, Ministry of Housing and Land Management, National Bank of Panama, National Land Authority, Ministry of Labor and Workforce Development, Government Innovation Authority, Savings Bank, Ministry of Agricultural Development, Ministry of Environment, Office of the Comptroller General of the Republic, National Charity Lottery, General Revenue Directorate, Maritime Authority of Panama, and Ministry of Commerce and Industry.

<sup>81</sup> The corregimiento (a small population that depends administratively on a nearby municipality) of Juan Díaz is one of the corregimientos covered by the Colmena Plan, a poverty reduction strategy that targets interagency action in 300 corregimientos throughout the country with high multidimensional poverty rates. In all, 37 of these corregimientos belong to the provinces of Panamá, including Juan Díaz, and Panamá Oeste, prioritized by the Government of Panama due to social vulnerability characteristics such as gaps in access to quality jobs, low levels of educational attainment, and low quality of basic services.

Figure 1.1. IDB's previous work supporting the reform process



1.22 **Lessons learned.** The PBP's design benefits from the IDB's knowledge and operational work strengthening social protection systems in Panama and the region. The Bank's 25 years of experience supporting the design, implementation, and evaluation of CCT programs, including during the response to the COVID-19 pandemic, show that the use of technology improves the efficiency and effectiveness of social safety nets.<sup>82</sup> The Bank's knowledge<sup>83</sup> also demonstrates that the design of shock-responsive social protection systems must include, as key components, mechanisms to identify populations in at-risk areas and their different socioeconomic levels, and interoperability platforms for the exchange of data. The IDB's Social Protection and Poverty Sector Framework Document (GN-2784-7) identifies the creation of social registries as an international good practice for effective shock response. These lessons are reflected in the design of Component 2 through the creation of an interoperable social registry that includes an environmental vulnerability index. This knowledge is backed by growing operational experience in designing responsive adaptive systems, including the Program to Support the Comprehensive Social Protection System II ([5681/BL-HO](#)) in Honduras and the Shock-Responsive Social Protection in El Salvador program ([5785/OC-ES](#)). In terms of interoperability, previous operational work in Panama ([5501/OC-PN](#)) has revealed that effective data exchange between institutions requires more than cooperation agreements. It also depends on the establishment

<sup>82</sup> Ibarrarán et al., 2017.

<sup>83</sup> Bagolle, et al., 2023.

- of the exchange's parameters and variables, and the inclusion of its management in institutional budgets. This lesson is reflected in conditions 2.2.1 and 2.2.2 supporting the development and approval of a standard interoperability protocol and the development and ongoing functioning of 14 web services.
- 1.23 The Bank also has experience supporting countries' reform processes to create caregiving systems that help to eliminate barriers to accessing the labor market and generate quality employment opportunities in the care economy.<sup>84</sup> The analysis of the Bank's operational experience, specifically the Program to Support Gender Equality Policies ([4622/OC-AR](#)), reveals that the policy-based loan instrument is appropriate to promote reforms in the regulatory and institutional framework for gender, and this is incorporated in Component 3. The Bank's experience in operations [3706/OC-UR](#) and [5445/OC-DR](#) shows that the construction of comprehensive caregiving systems is a complex process involving coordination between multiple institutions, sometimes with different incentives. Addressing this challenge is the rationale for including: (i) condition 3.1.1, which includes the design and approval of a law establishing the comprehensive caregiving system with its governance and interagency coordination system and (ii) conditions 3.2.1 and 3.2.2 involving the development and implementation of local caregiving plans with their local interagency coordination mechanism, facilitating the coordination of services that target the system's different populations.
- 1.24 The reforms focusing on early childhood development services are informed by the Early Childhood Development Sector Framework Document (GN-2966-2), which highlights the following key elements to foster optimal childhood care and development: (i) institutional frameworks that facilitate coordinated interagency actions, a lesson learned that is incorporated into condition 3.3.1 supporting the functioning of the Technical Secretariat for Comprehensive Early Childhood Care; (ii) sustainable financing, a lesson learned that has informed the design of condition 3.4.1, which facilitates the earmarking of institutional budgets for the services that comprise the RAIPI, and condition 3.5.2, which ensures the financial sustainability of these services; and (iii) high-quality services, especially for the most vulnerable populations, a lesson learned that is incorporated in condition 3.7a.1 through the approval of the Early Childhood Care Services Management Manual institutionalizing the early childhood care modalities (institutional, family, community, and flexible) and condition 3.7b.1 approving the updating of the institutional modality's quality standards. Lessons learned also stem from the operations Investment in the Quality of Child Development Services ([4607/OC-EC](#)) and Social Inclusion and Development Program ([3512/OC-PN](#)), as their implementation demonstrates the importance of monitoring compliance with quality standards when scaling up early childhood development services. This lesson learned informs condition 3.7b.1 approving the updating of the institutional modality's quality standards and condition 3.7.2 establishing a quality management system for the other service modalities.
- 1.25 The IDB's Social Protection and Poverty Sector Framework Document (GN-2784-7) and the existing literature<sup>85</sup> document the importance of national

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<sup>84</sup> UN Women, 2021. Towards the Construction of Comprehensive Care Systems in Latin America and the Caribbean. Elements for Implementation.

<sup>85</sup> Huete, A. *Autonomía e Inclusión de las PcD en el ámbito de Protección Social*, Resumen de Políticas IDB-PB-305, 2019.

disability certification systems to reduce gaps in persons with disabilities' access to social programs. This sectoral knowledge led to the inclusion of condition 3.8.1 approving the decentralization of the national disability certification system to give the government certification capacity in SENADIS's nine regional headquarters, thereby extending the service nationwide. The same sector framework document also recommends the creation of personal assistance programs that promote the autonomy of people in situations of dependency while also reducing the unpaid workload on family members, especially women. This knowledge justifies condition 3.9.1 supporting the design and implementation of a personal assistance model for people with high support needs.

- 1.26 The Bank's studies<sup>86</sup> and its Social Protection and Poverty Sector Framework Document highlight the importance of long-term services to protect the quality of life of older people with functional dependencies. This is the rationale for condition 3.11.1 promoting the development and implementation of the care model in day care centers for older adults in situations of dependency. Likewise, the Bank's sectoral knowledge work shows that developing a scale for assessing dependency, in order to determine eligibility, is key step in building a long-term caregiving system.<sup>87</sup> This is reflected in condition 3.10.1 under subcomponent 3.4.
- 1.27 **Coordination with multilateral agencies and other donors.** The program builds on previous technical assistance work developed by UN Women, in coordination with the IDB, to support MIDES in building a caregiving system. With this technical assistance, MIDES prepared a technical guidelines document for building a national caregiving system. This document outlines the "territories that care" strategy as a mechanism for implementing the caregiving system at the territorial level, an initial supply-and-demand analysis for caregiving services, and a proposed law to create the caregiving system. This PBP also builds on the technical assistance provided by the United Nations Children's Fund, which, in coordination with the Bank, has supported MIDES in updating the RAIPI known as *Contigo en la Primera Infancia* (With You in Early Childhood) adopted in 2022,<sup>88</sup> developing the Early Childhood Care Services Management Manual, and evaluating the first scaling up of Cuidarte. This program, with the support of [5734/OC-PN](#), is about to be implemented in the group modality.
- 1.28 **Strategic alignment.** The program is aligned with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) through its objectives: (i) reducing poverty and inequality by expanding the social protection system's capacity to respond to shocks and (ii) addressing climate change, by classifying the climate and environmental vulnerability risk of the population in situations of poverty, extreme poverty, and vulnerability. Likewise, it is aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action; (ii) gender equality and inclusion of diverse population groups; (iii) institutional capacity, rule of law, and citizen security; and (iv) social protection and human capital development.
- 1.29 The program is aligned with the Social Protection and Poverty Sector Framework Document (GN-2784-12) in its first line of action, by contributing to income support

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<sup>86</sup> [Aranco et al., 2022b](#).

<sup>87</sup> [Oliveira et al., 2022](#); [Medellín et al., 2018](#); and [Cafagna et al., 2019](#).

<sup>88</sup> The updated RAIPI was adopted through Decree 13 of 24 November 2022.

programs (through the creation of the social registry), and in its second line of action, by establishing a caregiving system for people with dependencies. It is aligned with the Early Childhood Development Sector Framework Document (GN-2966-2) in its first and second lines of action by promoting well-informed public policy and quality early childhood development services. The program is aligned with the Gender and Diversity Sector Framework Document (GN-2800-13) and the IDB Group Gender and Diversity Action Plan 2022-2025 (GN-3116-1) through the creation of economic opportunities for women and institutional strengthening in the areas of gender and diversity. The program is aligned with the Employment Action Framework with a Gender Perspective (GN-3057) by including analyses, interventions, and indicators related to the creation of a comprehensive caregiving system (Component 3) and the anticipated effects on women's workforce participation and employment. The program is aligned with the strategic objectives "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" of the IDB Group Country Strategy with Panama 2021-2024 (GN-3055), as well as the strategy's expected results "improved efficiency and targeting of social protection programs" and "increased school attendance in early childhood." Lastly, it is aligned with the pillar of combatting poverty and inequality in the Government of Panama's Strategic Plan 2020-2024.

- 1.30 **Gender and diversity.** Gender alignment stems from the consolidation of a comprehensive caregiving system that helps to close the gap between women and men in the time they spend engaged in unpaid caregiving. Diversity alignment stems from the intercultural adaptation of childhood care services and the decentralization of the disability certification system, as well as the design and implementation of the personal assistance model for persons with disabilities.
- 1.31 **Climate finance.** According to the [joint methodology of the multilateral development banks for tracking climate adaptation finance](#), 6.67% of the operation's resources are invested in activities that will contribute to climate change adaptation.
- 1.32 **Paris alignment.** This operation has been reviewed using the [Joint MDB Assessment Framework](#) for Paris alignment and the IDB Group Paris Alignment Implementation Approach (GN-3142-1) and is deemed to be: (i) aligned with the adaptation target of the Paris Agreement and (ii) universally aligned with the mitigation target of the Paris Agreement.

## **B. Objectives, components, and cost**

- 1.33 **Objectives.** The general objective of the PBP is to contribute to improving the quality of life of vulnerable populations in situations of dependency. Its specific objectives are to: (i) strengthen the social protection system's capacity to respond to shocks and (ii) protect populations in situations of dependency (early childhood, persons with disabilities, and older adults) from the risk of lags in development and functional dependency, while also promoting their productivity and protecting their caregivers.
- 1.34 **Component 1. Macroeconomic stability.** This component seeks to ensure a macroeconomic environment that is conducive to achieving the program's objectives and aligned with the guidelines established in the Policy Letter (Annex II, condition 1.1.1).

- 1.35 **Component 2. Responsive social protection system.** This component will enhance the identification and classification of the socioeconomic, environmental, and climate change vulnerability of vulnerable populations, thereby contributing to a social protection system that is responsive to shocks that generate temporary poverty. The component supports: (i) the development of the regulatory framework creating the RSU as a system for the identification, targeting, and monitoring of living conditions in Panamanian households (condition 2.1.1); (ii) the approval of MIDES's interoperability protocol with public institutions, enabling the ongoing updating of information on the population registered in the RSU (condition 2.2.1); and (iii) the design of a mechanism to classify the population registered in the RSU according to their vulnerability to environmental risks and climate shocks (condition 2.3.1).
- 1.36 The reforms promoted by this PBP's second operation will help to implement a responsive social protection system through: (i) the approval and implementation of the RSU (condition 2.1.2); (ii) the development and operation of 14 web services for data exchange with the RSU (condition 2.2.2); and (iii) the classification within the RSU of beneficiaries of temporary subsidies and CCT programs as part of the implementation of the classification mechanism for vulnerability to environmental risks and climate shocks (condition 2.3.2).
- 1.37 **Component 3. Comprehensive caregiving system.** This component will develop the legal and institutional framework for Panama's comprehensive caregiving system, the standards for the provision of quality early childhood services, and new care models for persons with disabilities and older people in situations of dependency.
- 1.38 **Subcomponent 3.1. Institutional framework.** This subcomponent supports the creation of a comprehensive caregiving system that, in turn, helps to close gender gaps. Specifically, it supports: (i) the approval of the law that creates the national caregiving system, establishes care as a right, defines the system's beneficiary populations and services, and establishes the governance structure for its implementation (condition 3.1.1) and (ii) the approval and implementation of the first local caregiving plan that applies the coordination and service provision mechanisms, and the system's mechanisms, in the corregimiento of Juan Díaz in the province of Panamá (condition 3.2.1).
- 1.39 The reforms supported by this PBP's second operation will underpin the system through: (i) the creation of the National Care Office within MIDES as the system's managing entity (condition 3.1.2) and (ii) the development of the National Care Plan and its implementation through local caregiving plans in 10 territories (condition 3.2.2).
- 1.40 **Subcomponent 3.2. Comprehensive early childhood care.** This subcomponent will strengthen MIDES's role as coordinator of early childhood development policies and the improvement of the coverage and quality of early childhood development services through: (i) the establishment of a line in MIDES's budget for the functioning of the Technical Secretariat for Comprehensive Early Childhood Care (condition 3.3.1); (ii) the implementation of an indicators system for the new RAIPI, including the definition of mechanisms for gathering and updating information by the various institutions that provide its related services (3.4.1); (iii) the earmarking of the investment in early childhood care in the national budget (3.5.1); (iv) the establishment of the programmatic commitment to carry out the MICS, which will use a gender-based approach to measure time use in households



(condition 3.6.1); and (v) the approval of MIDES's Early Childhood Care Services Management Manual institutionalizing the early childhood care modalities (institutional, family, community, and flexible) and updating the institutional modality's quality standards (conditions 3.7a.1 and 3.7b.1).

- 1.41 The second operation's reforms will help to consolidate the institutional framework, financing sources, models, and quality standards for early childhood care service delivery. It will support: (i) the operation of the Technical Secretariat for Comprehensive Early Childhood Care, ensuring the appointment of its staff (condition 3.3.2); (ii) the development of an information technology system to automate the monitoring of indicators tracking the RAIP's compliance (condition 3.4.2); (iii) the reform of Law 362 of 2023 to include early education services for children ages 4 and under in the 7% of GDP devoted to the education sector (condition 3.5.2); (iv) the implementation of the MICS (condition 3.6.2); and (v) the implementation of the quality management system for the early childhood development modalities (3.7.2).
- 1.42 **Subcomponent 3.3. Autonomy of persons with disabilities.** This subcomponent contributes to the autonomy of persons with disabilities with high support needs through: (i) the decentralization of the national certification system to create certification capacity in SENADIS's nine regional headquarters (condition 3.8.1) and (ii) the approval of a personal assistance model for people in situations of dependency (condition 3.9.1).
- 1.43 The second operation's reforms will contribute to the inclusion agenda for persons with disabilities through: (i) the implementation of disability certification capacity in SENADIS's nine regional headquarters (condition 3.8.2) and (ii) the implementation of the personal assistance model for people in situations of dependency in 10 territories (condition 3.9.2).
- 1.44 **Subcomponent 3.4. Care for older adults.** This subcomponent supports care for older adults in situations of dependency through: (i) the approval of an instrument (scale) for measuring dependency (condition 3.10.1) and (ii) the approval of care models in day care centers for older adults in situations of dependency (condition 3.11.1).
- 1.45 The second operation's reforms focus on the implementation on the ground of: (i) the scale to measure dependency, aligned with the local caregiving plans (condition 3.10.2) and (ii) the implementation of the care model in day care centers for older adults in situations of dependency in 10 territories, in the second phase (condition 3.11.2).

### **C. Key results indicators**

- 1.46 **Results indicators.** The Results Matrix (Annex III) for the programmatic series identifies the expected impacts and outcomes associated with the policy measures that will be implemented to strengthen the social protection system's capacity to respond to shocks and protect the population in situations of dependency. The expected impacts include: (i) reduction in the employment rate gap between working-age men and women; (ii) enhanced cognitive development of children under 4 enrolled in CAIPs; and (iii) improved home environment in Cuidarte beneficiary households, based on the Family Care Indicator scores. The outcomes include: (i) proportion of the Panamanian population registered in the RSU; (ii) percentage of the population registered in the RSU with a socioeconomic

- profile; (iii) percentage of the population registered in the RSU with a climate change vulnerability profile; (iv) number of children ages 6 to 48 months receiving early childhood development services under the community modality (nationwide, and specifically in Indigenous comarcas); (v) percentage of persons with severe disabilities in situations of dependency benefiting from the Ángeles Guardián program who are receiving personal assistance services; and (vi) gains in measuring the functional dependency of older people living in the areas where the caregiving system has been implemented.
- 1.47 **Program beneficiaries.** The beneficiaries of the creation of the RSU include 120,000 people in vulnerable situations who will be considered for income support in the event of a verified economic, health, or environmental shock.<sup>89</sup> The beneficiaries of the creation of a caregiving system include, each year, 16,000 children under 4 who will receive comprehensive early childhood care services, 1,050 persons with severe disabilities with high support needs who will receive personal assistance services, and 450 older people in situations of functional dependency who will receive long-term care services. Beneficiaries also include 2,000 family caregivers (approximately 90% of whom are women) who will benefit from a substantial reduction in their unpaid caregiving work within the household and who may then enter the labor market. Lastly, program beneficiaries include 1,600 paid caregivers employed by the caregiving system. These numbers pertain to the first steps of the system's implementation.<sup>90</sup>
- 1.48 **Key reforms and impact.** The program supports key reforms in the social protection sector through measures such as the design of legislation establishing an extensive social registry of the populations living in poverty, extreme poverty, and vulnerability (condition 2.1.1), whose profiles will be generated by an information system with interoperability capacity (condition 2.1.2) and mechanisms to generate their socioeconomic profiles and classify their risk to climate and environmental shocks (condition 2.1.3). The IDB has supported social protection reforms through other programmatic series with positive results. For example, the programmatic series [3485/OC-PN](#); [3724/OC-PN](#); [4594/OC-PN](#), implemented in Panama between 2015 and 2018, promoted significant reforms aiming to enhance the efficient management of CCT programs. The results of this programmatic series are outlined in paragraph 1.19. The program also supports key care-related policy reforms through the creation of a legal and governance framework for the National Caregiving System (condition 3.1.1) with a territorial implementation model (3.2.1), classification instruments (3.12.1), and care models and quality standards for early childhood care and the care of persons with disabilities with high support needs and older people in situations of dependency (conditions 3.9.1,

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<sup>89</sup> In all, 32% of Panama's population—approximately 1.2 million people—are economically vulnerable. We assume that a shock would lead to 10% of this population falling into poverty ([Stampini et al., 2016](#)).

<sup>90</sup> In the future, if the system increases its coverage to levels that are comparable to those in other countries in the region, the number of beneficiaries could increase to 64,400 children under 4 (coverage rate of 20% of the comprehensive early childhood care target population, or 322,000 children under 4 in the country), 1,900 persons with disabilities (coverage rate of 1% of the personal assistance target population, or 190,000 people with support needs, representing 60% of the 317,000 persons with disabilities in the country), and 9,450 older people in situations of dependency (coverage rate of 15% of the long-term care target population, or 63,000 older people with support needs). The caregiving system's increased coverage would entail a proportional increase in the number of family caregivers benefiting from a substantial reduction in their unpaid workload (enabling their entry into the labor market) and the creation of paid jobs in the care sector.



- 3.11.1, and 3.13.1). The IDB has supported reform programs focused on gender equity through the creation of caregiving systems in the programmatic series that began with operation [5807/OC-CO](#). This operation contributed to the design of the National Caregiving System through the creation of the Intersectoral Commission for the National Caregiving System and the development of the system's policy guidelines. Operational evidence and the literature documenting the significance of these reforms appears in paragraphs 1.24 to 1.28.
- 1.49 In terms of long-term impacts, the program will facilitate: (i) increased future productivity through comprehensive early childhood care and (ii) increased women's employment through services in the caregiving system that enable women's integration into the workforce by freeing their time and creating job opportunities. Based on the existing literature and evidence, preliminary estimates suggest that the net present value of the benefits of the reforms supported by this PBP will be approximately US\$565 million. This is the sum of: (i) the benefits of the economic returns of early childhood care for five cohorts (one every two years) of approximately 16,000 children under 4 and (ii) the employment incomes of 3,600 women entering the labor market as a result of the implementation of caregiving services, estimated over a 10-year horizon.<sup>91</sup>
- 1.50 **Sustainability of the reforms.** To ensure the operation's policy sustainability, the program specifically supports regulatory reforms such as the design of the draft law creating the RSU (condition 2.1.1) and the approval of the law creating the comprehensive caregiving system (condition 3.1.1). To ensure its institutional sustainability, the program supports reforms that strengthen MIDES's role as coordinator of the overall caregiving policy, and especially early childhood care, through the creation of the National Care Office (condition 3.1.2) and the operation of the Technical Secretariat for Comprehensive Early Childhood Care (conditions 3.3.1 and 3.3.2), respectively. To ensure the measures' financial sustainability, the operation includes measures to ensure long-term budgetary commitment. It specifically includes the identification of budget lines dedicated to comprehensive early childhood care within the national budget (condition 3.5.1), and the reform of Law 362 of 2023 to include the financing of early childhood development services in the 7% investment in the education sector (3.5.2). Thus, the reforms are guaranteed to have the budgetary resources required to implement comprehensive early childhood care models. Likewise, the reforms' institutional sustainability is grounded in the different government administrations' ongoing support to improving Panama's social protection services since 2009.
- 1.51 **Remaining challenges.** Despite the substantial reforms supported by this PBP, gaps remain in the social protection and caregiving systems. The first is expanding the coverage of the social registry to include the entire economically vulnerable population, which will require extensive canvassing in the field to create the FUPS. The second is expanding the coverage of quality caregiving services among the populations within the caregiving system. This includes expanding the coverage of the institutional and community modalities of early childhood development services and the care models for persons with severe disabilities and older adults in situations of dependency. Also pending is the development of quality standards for

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<sup>91</sup> Benefits are also anticipated from the protection of the vulnerable population from transitory shocks, as a result of the enhanced adaptability of the social protection system supported by Component 2.

the care model in day care centers, as well as elements related to the professionalization of caregivers, including the definition of a professional profile and training curriculum for caregivers.

- 1.52 **Economic analysis.** Based on the recommendations of the Office of Evaluation and Oversight's in its 2011 Evaluability Review of Bank Projects<sup>92</sup> and the results of the review of evaluation practices and standards for policy-based loans conducted by the Evaluation Cooperation Group (which consists of the independent evaluation offices of the Multilateral Development Banks),<sup>93</sup> outlined in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-sovereign Guaranteed Operations), which, inter alia, indicates that it will not be necessary to include an analysis of the efficiency of the use of financial resources,<sup>94</sup> it was determined that an economic analysis will not be performed for this type of loan, as the Bank's Board of Executive Directors was informed. This loan operation does not, therefore, include an economic analysis, so the economic analysis is not considered for the purposes of measuring the evaluability score in this program's Development Effectiveness Matrix.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Financing instrument.** This operation is structured as a programmatic policy-based loan and is the first of two individual operations that are technically linked and contractually independent. This choice of instrument is justified for the implementation of medium-term reforms in a context of increasing delivery capacity (stimulated by the operations within the series as well as parallel investment operations), utilizing in each phase the knowledge acquired previously. The operation's structure is consistent with the guidelines set out in Policy-based Loans: Guidelines for Preparation and Implementation (CS-3633-2).
- 2.2 **Dimensioning of the operation.** In accordance with the guidelines set forth in paragraph 3.27(b) of document CS-3622-2, the amount of the operation was established according to the country's financing needs and is not related to the costs associated with the policy reforms. The Government of Panama's financing needs for 2024 are US\$4.567 billion. The amount of Bank financing will be US\$300 million, drawn from its Ordinary Capital, representing 6.6% of the country's total financing needs. The amount of the second operation will be determined based on the country's financing needs and its programming exercise with the Bank.

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<sup>92</sup> Document RE-397-1: "Currently, [the] economic analysis section is computed as the maximum between the cost-benefit analysis and the cost-effectiveness analysis. Yet neither a cost-benefit analysis nor a cost-effectiveness analysis is applicable to policy-based loans."

<sup>93</sup> Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

<sup>94</sup> According to the Evaluation Cooperation Group, policy-based loans should be evaluated in accordance with their relevance, effectiveness, and sustainability. Efficiency is not included as a criterion, since the size of the policy-based loans is linked to a country's financing gap, which is independent from the project's benefits.

**B. Environmental and social risks**

- 2.3 This policy-based loan operation is not expected to generate significant and direct negative effects on the country's environment and natural resources. Therefore, it is excluded from the scope of the IDB's Environmental and Social Policy Framework, in accordance with the terms of paragraph 4.7 of this policy.

**C. Fiduciary risks**

- 2.4 No fiduciary risks associated with this operation have been identified. The loan proceeds will be disbursed directly into an account designated by the MEF, and the Government of Panama will determine their use. The executing agency has the required financial instruments and control systems for this purpose. The loan proceeds will be disbursed once all the conditions established in the loan contract have been met.

**D. Other key issues and risks**

- 2.5 As part of the program design, a risk assessment was conducted with the beneficiary entities using the Bank's methodology. The assessment identified a medium-high risk in the execution environment. There is a risk of losing the political consensus needed to ensure the continuation of the reforms, which jeopardizes their continuity and sustainability. This risk is mitigated through legal and institutional mechanisms (laws, executive decrees, ministerial resolutions) adopted through the first phase's reforms and that are the regulatory underpinnings for the respective budgetary allocations and the continuity of the public policies. This risk is also mitigated by the parallel execution of operations [5734/OC-PN](#) and [5127/OC-PN](#), which leverage the investments required to implement the policy reforms. In addition, the continuity of the series is underpinned by the support of the last three government administrations that, since 2009, have implemented reforms in CCT programs and in the caregiving services that are the focus of this operation. There is a medium-low risk if the MEF and MIDES do not establish effective coordination mechanisms to monitor the fulfillment of the program's policy conditions, putting the first operation's disbursement at risk. This risk is mitigated by the establishment of a high-level working group consisting of both institutions' technical divisions, which will meet periodically to monitor fulfillment of the policy conditions.

**III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

- 3.1 The borrower will be the Republic of Panama. The executing agency is the MEF, which will be responsible for coordinating the fulfillment of the policy conditions. The executing agency, with MIDES's support, is responsible for the following activities: (i) coordinating with the different government entities responsible for the adoption of policy measures or the technical execution of activities; (ii) progress monitoring and promoting the fulfillment of the program's activities to ensure its execution; (iii) serving as the Bank's official counterpart for technical matters; (iv) preparing the required reports in accordance with the established deadlines and required quality; and (v) foreseeing and resolving strategic, technical, and coordination challenges related to the program's execution.

- 3.2 **Special contractual condition precedent to the first and sole loan disbursement. The disbursement of the loan proceeds, upon request by the borrower, is contingent on the fulfilment of the policy conditions described in the program components, and in accordance with the Policy Matrix (Annex II) and the [Policy Letter](#), as well as the other conditions established in the loan contract.**

**B. Summary of arrangements for monitoring results**

- 3.3 The policy matrix, means of verification matrix, and results matrix are the project instruments that contain the parameters for monitoring the program and evaluating the results. The executing agency will be responsible for preparing the reports detailing the progress achieved towards the fulfilment of the policy measures and submitting to the Bank the means of verification that the project team will use to prepare the memorandums documenting the fulfilment of the policy conditions required for disbursement. In compliance with the Update of the Project Completion Report Guidelines (OP-1242-5), the project team will prepare a project completion report at the end of the programmatic series' second operation. This document will evaluate the scope and achievement of the program's results through the policy measures implemented during execution. The evaluation analyzing the program's impact is based on an ex ante and ex post analysis of the outcome indicators included in the results matrix, and of the two indicators used to measure the general objective. The monitoring and evaluation plan ([required link 4](#)) describes the operation's monitoring and evaluation arrangements.

**IV. POLICY LETTER**

- 4.1 The Bank and the Government have agreed on a policy letter ([required link 1](#)) outlining the objectives and actions that will be carried out during the programmatic series, ensuring the Government's commitment to the reforms and activities agreed upon with the Bank. The Bank and the Government of Panama have also agreed upon the policy matrix, which identifies the operation's policy actions.

Development Effectiveness Matrix		
Summary		PN-L1178
<i>I. Corporate and Country Priorities</i>		
<b>Section 1. IDB Group Institutional Strategy Alignment</b>		
Operational Focus Areas		-Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security -Social protection and human capital development
[Space-Holder: Impact framework indicators]		
<b>2. Country Development Objectives</b>		
Country Strategy Results Matrix	GN-3055	(i) Improve the efficiency and targeting of social protection programs; (ii) improve the quality of the educational system; and (iii) increase coverage of early education programs
Country Program Results Matrix	GN-3207	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<i>II. Development Outcomes - Evaluability</i>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>		8.4
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.4
<b>4. Ex ante Economic Analysis</b>		N/A
<b>5. Monitoring and Evaluation</b>		8.3
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.3
<i>III. Risks &amp; Mitigation Monitoring Matrix</i>		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		N.A.
<i>IV. IDB's Role - Additionality</i>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Budget, Treasury, Accounting and Reporting. Procurement: Information System, Price Comparison.
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 is the first operation in a \$300 million programmatic policy-based loan series, designed to support and enhance Panama's social protection system by improving the identification of individuals in vulnerable situations, strengthening the social protection system, and promoting greater macroeconomic stability. The general objective of this PBP is to contribute to improving the quality of life for vulnerable and dependent populations. The specific objectives are: (i) to strengthen the social protection system's capacity to respond to shocks; and (ii) to protect the dependent population (young children, people with disabilities, and older adults) from developmental delays and functional dependence risks, and to support caregivers while promoting their productivity.*

*The diagnosis is adequate and highlights the challenges of the social protection system in Panama. Currently, the vulnerable population, which represents 32.2% of the total population, is not included in the social protection system. Children, people with disabilities, and the elderly face a higher degree of vulnerability. Additionally, most of those who provide support to the dependent population are women, contributing to the feminization of poverty. The proposed policies are consistent with the identified deficiencies and contribute to achieving the overall and specific objectives.*

*The results matrix is consistent with the vertical logic of the operation and presents well-defined impact and outcome indicators. However, there is an exception in specific objective 2, as the effect on the productivity of caregivers is not measured. It would also be appropriate for the targets to be justified.*

*The monitoring and evaluation plan is based on a before-and-after analysis of the outcome indicators included in the Results Matrix, which will be conducted at the end of the second operation in this series. Other complementary evaluations are mentioned, but no specific information is provided regarding them.*

**POLICY MATRIX**

<b>Objectives:</b>	The specific objectives are to: (i) strengthen the social protection system’s capacity to respond to shocks and (ii) protect populations in situations of dependency (early childhood, persons with disabilities, and older adults) from the risk of lags in development and functional dependency, while also promoting their productivity and protecting their caregivers. The general objective is to contribute to improving the quality of life of vulnerable populations in situations of dependency.
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Components/Policy objectives	Programmatic operation I policy conditions	Fulfillment status of programmatic operation I policy conditions	Programmatic operation II triggers
<b>Component 1: Macroeconomic stability</b>			
Ensure a macroeconomic environment that is conducive to the achievement of the program’s objectives.	1.1.1 Maintain a macroeconomic framework that is consistent with program objectives and the sectoral Policy Letter.	Fulfilled	1.1.2 Maintain a macroeconomic framework that is consistent with program objectives and the sectoral Policy Letter.
<b>Component 2: Responsive social protection system</b>			
Strengthen the social protection system’s capacity to respond to shocks.	2.1.1 Develop the regulatory framework creating the RSU as a system for the identification, targeting, and monitoring of living conditions in Panamanian households.	Fulfilled (Q4/2024)	2.1.2 Approve and implement the RSU enabling the classification of the population according to their living conditions and improving social program targeting and management.
	2.2.1 Approve the MIDES interoperability protocol with public institutions, enabling continuous updating of information on the population registered in the RSU.	Fulfilled (Q2/2024)	2.2.2 Implement and operate 14 web services to facilitate information exchange with the RSU.
	2.3.1 Design the mechanism to classify the population registered in the RSU according to their vulnerability to environmental risks and climate shocks.	Fulfilled (Q2/2024)	2.3.2 Classify conditional cash transfer program and temporary subsidy beneficiaries in the RSU according to their level of environmental and climate risk.

Components/Policy objectives	Programmatic operation I policy conditions	Fulfillment status of programmatic operation I policy conditions	Programmatic operation II triggers
<b>Component 3: Comprehensive caregiving system</b>			
<b>Subcomponent 3.1. Institutional framework</b>			
Protect populations in situations of dependency (early childhood, persons with disabilities, and older adults), while also promoting their productivity and protecting their caregivers.	3.1.1 Create a National Caregiving System that establishes care as a right, defines the system's beneficiary populations and services, and establishes the governance structure for its implementation.	Fulfilled (Q2/2024)	3.1.2 Establish the National Care Office in MIDES as the system's coordinating entity.
	3.2.1 Approve and implement the first local caregiving plan as a strategy to scale up the National Caregiving System in the territory.	Fulfilled (Q2/2024)	3.2.2 Develop the national caregiving plan and implement it through local caregiving plans in 10 <i>Territorios que Cuidan</i> territories.
<b>Subcomponent 3.2. Comprehensive early childhood care</b>			
	3.3.1 Establish a line in MIDES budget for the functioning of the Technical Secretariat for Comprehensive Early Childhood Care, in accordance with Law 171 of 2020.	Fulfilled (Q4/2023)	3.3.2 Launch the Technical Secretariat for Comprehensive Early Childhood Care responsible for coordinating early childhood development policy.
	3.4.1 Implement the indicators system for monitoring the RAIPi.	Fulfilled (Q3/2024)	3.4.2 Create the information technology system for the RAIPi's implementation in accordance with Law 171 of 2020.
	3.5.1 Implement the early childhood budget tag in the national budget, corresponding to the institutions comprising the <i>Contigo en la Primera Infancia</i> RAIPi.	Pending fulfillment (Q4/2024)	3.5.2 Include MIDES early childhood development services in the 7% investment in the education sector.
	3.6.1 Establish the programmatic commitment for MICS with key indicators to measure childhood development and well-being and facilitate progress monitoring, including the gender-based measurement of time use in the household.	Fulfilled (Q1/2024)	3.6.2 Implement MICS with national and urban-rural-Indigenous representation to enable the measurement of child development indicators.

Components/Policy objectives	Programmatic operation I policy conditions	Fulfillment status of programmatic operation I policy conditions	Programmatic operation II triggers
	3.7a.1 Approve the MIDES Early Childhood Care Services Management Manual institutionalizing early childhood care modalities: institutional, family, community, and flexible.	(3.7a.1) Fulfilled (Q2/2024)	3.7.2 Apply the quality management system to the MIDES institutional, family, and community early childhood development modalities.
	3.7b.1 Approve updating of the quality standards for the institutional early childhood development modality.	(3.7b.1) Fulfilled (Q2/2024)	
<b>Subcomponent 3.3. Autonomy of persons with disabilities</b>			
	3.8.1 Decentralize the national disability certification system to enable certification capacity in SENADIS's 9 regional headquarters.	Fulfilled (Q1/2024)	3.8.2 Implement disability certification in SENADIS's 9 regional headquarters, creating nationwide access to the system.
	3.9.1 Approve home-based care model for people in situations of dependency (older adults and persons with disabilities).	Fulfilled (Q2/2024)	3.9.2 Implement the personal assistant care model for persons with disabilities and older adults in situations of dependency in 10 territories.
<b>Subcomponent 3.4. Care for older adults</b>			
	3.10.1 Approve mechanism (scale) for measuring dependency.	Fulfilled (Q2/2024)	3.10.2 Implement the scale in 10 territories as a national dependency measurement mechanism.
	3.11.1 Approve care model in day care centers for adults in situations of dependency.	Fulfilled (Q2/2024)	3.11.2 Implement the care model for older adults in situations of dependency in 10 territories.

\* This information is merely indicative as of the date of this document. In accordance with document GN-3633-2 (Policy-Based Loans: Guidelines for Preparation and Implementation), fulfillment of any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.



## RESULTS MATRIX

<b>Project objective:</b>	The specific objectives are to: (i) strengthen the social protection system's capacity to respond to shocks and (ii) protect populations in situations of dependency (early childhood, persons with disabilities, and older adults) from the risk of lags in development and functional dependency, while also promoting their productivity and protecting their caregivers. The general objective is to contribute to improving the quality of life of vulnerable populations in situations of dependency.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Target year	Target	Means of verification	Comments
<b>General development objective: Contribute to improving the quality of life of vulnerable populations in situations of dependency</b>							
Employment rate gap between working-age men and women (ages 15-64).	%	24.1	2023	2027	22.6	Labor markets survey	The working-age employment rate is the ratio between the economically active population and the total number of people over age 15. The baseline employment rate is 74.9% for men and 50.8% for women. The labor markets survey is conducted annually by the National Institute of Statistics and Census.
Children enrolled in CAIPs with inadequate problem solving (cognitive) development for their age, which is equivalent to an ASQ-3 score below the critical threshold for the reference population.	%	14.2	2019	2026	12.0	Final household survey conducted in the framework of the execution of operation 3512/OC-PN	The Ages and Stages Questionnaire (ASQ-3) instrument is a screening test for delays in development in children between 1 and 66 months of age. This is considered a conservative target given the closure of CAIPs since April 2020. Operation 3512/OC-PN finances the means of verification (final household survey).
Quality of the home environment of Cuidarte beneficiary households based on the Family Care Indicators score.	Standard deviation	N/A	2024	2027	0.15	Baseline survey and final Family Care Indicators assessment	The Family Care Indicators instrument developed by United Nations Children's Fund (Kariger et al., 2012) is a streamlined version of the Home Observation Measurement of the Environment (HOME, Bradley and Cadwell 1984, 1992) instrument, and it measures the quality of the home environment or child-rearing practices. Operation 5734/OC-PN finances the means of verification (baseline survey and final evaluation).

**SPECIFIC DEVELOPMENT OBJECTIVES**

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
<b>Specific development objective 1: Strengthen the social protection system's capacity to respond to shocks</b>										
Panamanians registered in RSU.	Percentage	15	2023	0	0	0	22.1	22.1	RSU database Census 2023	Numerator: Number of individuals with data <sup>1</sup> in RSU (Red de Oportunidades, <sup>2</sup> Bono Alimentario, 120 a los 65, Ángel Guardián, and Vale Digital beneficiaries).  Denominator: Panama's total estimated population in 2023 (4,064,780). <sup>3</sup>
Panamanians registered in RSU with updated socioeconomic profiles.	Percentage	46	2024	0	0	0	54.8	54.8	RSU database	Numerator: Individuals with FUPS data. Denominator: Number of individuals registered in RSU.
Panamanians registered in RSU with climate change vulnerability classification.	Percentage	0	2024	0	0	0	50	50	RSU database	The activity involves including this new information variable in the socioeconomic profile applied to households through FUPS.
<b>Specific development objective 2: Protect populations in situations of dependency (early childhood, persons with disabilities, and older adults), while also promoting their productivity and protecting their caregivers</b>										
Children under 4 receiving early childhood development services under the institutional, community, family, and flexible modalities.	Percentage	5	2022	0	0	0	14.9	14.9	DISPROS administrative data; private CAIPI data; National Population Census	Numerator: Number of children enrolled in early education programs (daycares, childcare centers, or preschool programs). Denominator: Total number of children under 4.
Persons with severe disabilities living in poverty who receive personal assistance services.	Percentage	0	2024	0	0	0	26	26	RENAB data	Numerator: Number of Ángel Guardián beneficiaries with severe disabilities receiving services in the 10 <i>Territorios que Cuidan</i> . Denominator: Total number of Ángel Guardián beneficiaries with severe disabilities.
Older adults living in the National Caregiving System's areas of implementation with dependency certification based on the scale.	Percentage	0	2024	0	0	0	100	100	RSU database	Numerator: Number of adults over 65 living in the 10 <i>Territorios que Cuidan</i> with dependency certification. Denominator: Total number of adults over 65 living in the 10 <i>Territorios que Cuidan</i> .

<sup>1</sup> Contains individuals' basic demographic information.

<sup>2</sup> The total number of individuals in the Red de Oportunidades and Bono Alimentario beneficiary households is calculated based on the average number of people living in each Red de Oportunidades beneficiary household, which is 6.2 people according to the 2022 Labor Market Survey.

<sup>3</sup> 2023 Census data.

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Final target	Means of verification	Comments
<b>Component 1. Macroeconomic stability</b>							
1.1 Economic framework consistent with program objectives and sectoral Policy Letter.	Report	1	2024	1	1	Independent assessment of macroeconomic conditions at the time of the disbursement request.	MEF
<b>Component 2. Responsive social protection system</b>							
2.1 Prepare the regulatory framework creating the RSU as a system for the identification, targeting, and monitoring of living conditions in Panamanian households.	Registry	0	2024	1	1	MIDES submission letter to Cabinet Council presenting the proposed draft law creating the RSU/Executive decree creating Social Registry of Households in Panama.	MIDES
2.2 Approve MIDES interoperability protocol with public institutions, enabling continuous updating of information on the population registered in the RSU.	Protocol	0	2024	1	1	MIDES ministerial resolution adopting the information exchange protocol for the interoperability of the RSU with public institutions.	MIDES
2.3 Design mechanism to classify people registered in the RSU according to their vulnerability to environmental risks and climate shocks.	Mechanism	0	2024	1	1	Report documenting classification mechanism for people who are vulnerable to environmental risks and climate shocks.	MIDES
<b>Component 3. Comprehensive caregiving system</b>							
<b>Subcomponent 3.1. Institutional framework</b>							
3.1 Create National Caregiving System that establishes care as a right, defines the system's beneficiary populations and services, and establishes the governance structure for its implementation.	Law	0	2024	1	1	Law creating National Caregiving System adopted and published in the Official Gazette.	MIDES
3.2 Approve and implement first local caregiving plan as a strategy to scale up the National Caregiving System in the territory.	Plan	0	2024	1	1	MIDES ministerial resolution adopting the local caregiving plan and establishing the local caregiving roundtable in Juan Díaz.	MIDES
<b>Subcomponent 3.2. Comprehensive early childhood care</b>							
3.3 Establish a line in the MIDES budget for the functioning of the Technical Secretariat for Comprehensive Early Childhood Care, in accordance with Law 171 of 2020.	Budget line	0	2024	1	1	Law 418 of the 2024 National Budget showing the creation of a budget line in MIDES budget for the Technical Secretariat for Comprehensive Early Childhood Care, published in the Official Gazette.	MIDES
3.4 Implement indicator system for monitoring the RAIPI.	System	0	2024	1	1	Childhood and Adolescence Council meeting minutes documenting the presentation of the first compliance monitoring report for the <i>Contigo en la Primera Infancia</i> RAIPI with data recording protocol.	MIDES
3.5 Implement early childhood care budget tag in the national budget, corresponding to the institutions comprising the <i>Contigo en la Primera Infancia</i> RAIPI.	Budget tag	0	2024	1	1	Report prepared by MEF Budget Department identifying the budget lines corresponding to the care and services comprising the <i>Contigo en la Primera Infancia</i> RAIPI.	MEF

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Final target	Means of verification	Comments
3.6 Establish programmatic commitment for the MICS with key indicators measuring childhood development and well-being and facilitate progress monitoring, including the gender-based measurement of time use in the household.	Commitment	0	2024	1	1	Note from MEF confirming the code to be used to register the MICS in the SINIP.	MEF
3.7 Approve MIDES Early Childhood Care Services Management Manual institutionalizing early childhood care modalities: institutional, family, community, and flexible.	Manual	0	2024	1	1	Executive decree approving the Comprehensive Early Childhood Care Services Management Manual, published in the Official Gazette.	MIDES
3.8 Approve the updating of the quality standards for the institutional early childhood development modality.	Standards	0	2024	1	1	Executive decree adopting quality standards for the institutional modality of early childhood development, published in the Official Gazette.	MIDES
<b>Subcomponent 3.3. Autonomy of persons with disabilities</b>							
3.9 Decentralize the national disability certification system to enable certification capacity in SENADIS's 9 regional headquarters.	System	0	2024	1	1	Executive decree updating procedures for creating assessment committees and assessing, scoring, and certifying disability.	SENADIS
3.10 Approve home-based care model for people in situations of dependency (older adults and persons with disabilities).	Model	0	2024	1	1	MIDES ministerial resolution adopting the home-based care model for people in situations of dependency (older adults and persons with disabilities).	SENADIS
<b>Subcomponent 3.4. Care for older adults</b>							
3.11 Approve the mechanism (scale) for measuring dependency.	Mechanism	0	2024	1	1	Ministerial resolution adopting the scale for measuring dependency.	MIDES
3.12 Approve the care model in day care centers for adults in situations of dependency.	Model	0	2024	1	1	Executive decree adopting day care center care model for adults in situations of dependency.	MIDES

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/24

Panama. Loan \_\_\_\_/OC-PN to the Republic of Panama.  
Support for Strengthening the Social  
Protection System in Panama

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 project "Support for Strengthening the Social Protection System in Panama". Such financing will be for the amount of up to US\$300,000,000, 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 \_\_\_\_\_ 2024)