

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC23166

<b>Project Name</b>	Strengthening Social Protection and Inclusion System (P155097)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Panama
<b>Sector(s)</b>	Other social services (75%), Health (20%), Vocational training (5%)
<b>Theme(s)</b>	Social Safety Nets/Social Assistance & Social Care Services (30%), Social Protection and Labor Policy & Systems (35%), Health system performance (10%), Indigenous peoples (10%), Income Support for Old Age, Disability & Survivorship (15%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P155097
<b>Borrower(s)</b>	Ministerio de Economia y Finanzas
<b>Implementing Agency</b>	Ministerio de Desarrollo Social
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	06-Apr-2015
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<b>Estimated Date of Appraisal Completion</b>	04-May-2015
<b>Estimated Date of Board Approval</b>	30-Jul-2015
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

#### Country Context

1. Panama has made significant progress in reducing poverty on the back of sustained high growth rates. The country grew at an average 7.2 percent per year between 2007 and 2014. Using the national poverty line, poverty declined from 39.9 percent to 25.8 percent and extreme poverty from 15.6 percent to 11 percent. As a result the number of Panamanians living below the nationalextreme poverty line declined by slightly more than 150,000 people and those living below the overall poverty line declined by close to half a million, of a population of about 3.6 million people.

2. This decline in poverty has shown important differences across geographic areas. Despite

strong pro-poor growth, sharp regional disparities remain as the extremely poor are increasingly concentrated in remote geographic areas where indigenous peoples live. The indigenous territories or comarcas have the highest poverty rates (between 80 and 90 percent) and show the lowest poverty declines: poverty declined just 4.2 percentage points between 2007 and 2014. In 2014, extreme poverty was five times larger in comarcas (58.2 percent) compared to the national incidence. As a result, extreme poverty has become an indigenous phenomenon: in 2007, 24 percent of all extremely poor people in Panama lived in the comarcas, a figure which rose to 42 percent by 2012. The population in extreme poverty in Panama live in households where the heads have on average only 5 years of education (4.5 fewer than the national average), are concentrated in the agricultural sector, and work mainly as self-employed or unpaid family workers. They have much higher dependency ratios, driven by a much greater share of young children. The slower poverty reduction in comarcas and rural areas points to the need to address bottlenecks in access to social services and improvement in their productivity.

3. There are other demographic groups that are lagging behind in benefitting from the recent growth experience. The last years of growth had an impact on poverty through reduced unemployment rates (4.3 percent in 2014) and higher labor incomes that explain two thirds of the reduction in poverty. Still, labor markets did not benefit all individuals in the same way. Youth unemployment in 2014 reached 10.3 percent, more than twice the national rate, and it was particularly high among secondary education graduates (14.8 percent). Youth from families that receive social assistance like Red de Oportunidades conditional cash transfer program (CCT) that have lower levels of secondary completion, also show high unemployment rates reaching 17 percent. Unemployment has also a strong geographic concentration in urban areas, reaching 9.8 percent in areas like Colon. This recent growth and poverty reduction experience emphasizes the need for a differentiated social policy agenda across geographic areas in Panama.

#### **Sectoral and Institutional Context**

4. During the last decade, Panama has expanded the coverage of social protection programs through a number of conditional cash transfers, social pensions, and other benefits. Social protection programs include the conditional cash transfer Red de Oportunidades Program (RO) for families with children between zero and 15 years, the non-contributory pension program 120 a los 65, the academic performance payment to students Beca Universal, and social assistance transfer for people with disabilities Angel Guardián, among others. These programs are mainly targeting demographic groups with children, seniors or people with disabilities, and most of them require beneficiaries to be in poverty or vulnerable to falling into poverty. They have achieved major coverage of these populations. The RO covers nearly 75,000 households in extreme poverty, reaching close to 70 percent of households in comarcas, and Beca Universal covers more than 600,000 students at the national level. Even though the RO has a poverty targeting instrument, Beca Universal does not distinguish by socioeconomic level but by educational performance. Older adults are covered both by the contributory pension system of the Caja de Seguridad Social (CSS) with 235,000 pensioners, and the aforementioned non-contributory pension 120 a los 65 (85,000 elderly). Other in-kind benefits, like energy subsidies, represent a sizeable amount of budgetary allocation, comparable to the budget involved in key social programs. These subsidies, however, are not targeted and tend to benefit largely the middle income groups in urban areas.

5. Some social programs in Panama show weak targeting suggesting areas for efficiency gains. For instance, Beca Universal was created as an instrument to encourage better educational results in students of public schools and pays a cash benefit to those students with passing grades. This

program has a potential coverage of more than 600,000 students in the school system, and even controlling for academic performance it has a budget of US\$125 million, among the largest cash transfer programs in Panama. Eligibility criteria based on educational performance does not necessarily imply a distribution to households with fewer resources. Figure 1 below shows how students from different income quintiles benefit from Beca Universal: Students from the middle class (Q3) capture about 21 percent of total transfers, compared to 29 percent among students from the poorest quintile (Q1). Students from better-off families capture less benefits from this program as they are more likely to attend private schools or have high opportunity costs. Similarly, close to 40 percent of the benefits of 120 a los 65, aimed at the poor and vulnerable elderly, are captured by the top three quintiles in Panama.

6. In addition, several social programs have significant overlaps in coverage resulting in duplication of benefits. The RO program transfers benefits to poor households that comply with the co-responsibility of sending their children to school and attending health checkups, and uses a geographic targeting and a household level proxy-means test to determine eligibility. While this instrument improves the RO program targeting, there are significant overlaps between RO and Beca Universal. Figure 2 shows the percent of students covered by each of these programs (vertical axis) in different income deciles (horizontal axis). Especially in the poorest deciles (columns 1-3), where these programs cover between 40 and 50 percent of students, there are households that receive both the Beca Universal and RO (blue section). While RO pays against attendance and Beca against academic performance, it is not clear how these programs complement each other in terms of results.

7. The coverage of social programs has deficiencies in addressing social risks, particularly in the productive-age population. In contrast to coverage observed in other groups like children and the elderly, programs for the productive-age population are quite limited. The program supporting labor market insertion (PAIL) only covered 93 people in 2013, and the system of job placement of the Ministry of Labor (MITRADEL) provided services to almost 5,000 people during 2013. The different occupational training courses provided by the National Institute of Vocational Training and Human Development (INADEH) resulted in 10,000 individuals graduated from a ranges of courses in 2013. In 2014, the new Government identified this gap and launched the new Employment Policy. The Government also established a pilot youth apprenticeship program Panama ProJoven aiming to provide apprenticeship subsidies to 10,000 graduates from technical secondary education.

8. While coverage of the poor and vulnerable has increased, greater efficiencies can be achieved through improved harmonization of social protection programs. The set of social protection policies and programs must be articulated in a system to maximize complementarities and efficiency and impact. For example, social transfers aimed at the same population, like RO and Beca Universal, should be aligned to offer stronger incentives for attendance and performance. The contributory (CSS) and non-contributory (120/65) pensions systems should be aligned to offer incentives that do not entice non-contribution and informality in labor markets. Articulated social protection systems can facilitate efficiency gains by exploiting the synergy between different policies, institutions and programs.

9. In July 2014, a new administration took office and introduced its Strategic Plan, which aims to enhance livelihoods and capacities of the Panamanian population. The Government Strategic Plan (Plan Estrategico de Gobierno, PEG) prioritizes six areas, including Social Inclusion and Living

Conditions and Strengthening Human Capabilities, with which the proposed Project is directly aligned.

10. This Project directly addresses the principles that guide the PEG. First, the PEG endorses a rights based approach in the formulation of social policy expressed in the principles of non-discrimination, participation, equality and accountability, incorporated in the design and implementation of the activities included in the proposed Project. Second, the PEG stresses the need to articulate the social and economic strategies. While the PEG social strategy emphasizes the expansion of capabilities and opportunities for the Panamanian population, the economic strategy seeks to take advantage of the productive potential of the country. Third, the PEG points to the need to reduce territorial gaps based on improvements in the diversification and the productivity of the economic base, and improvements in the quality of life and human capabilities. This Project supports the connection between social assistance beneficiaries and productive interventions, especially in the poorest areas.

11. The Ministry of Social Development's 5-year plan has focused on the need to increase the efficiency of social transfers and enhance their role as vehicles out of poverty. The Ministry of Social Development (MIDES) plan aims to strengthen the role of the social protection system to facilitate the transit of poor and vulnerable towards households with economic autonomy, reducing dependence on programs and encouraging participation in interventions of productive development and employability.

#### **Relationship to CAS**

12. The proposed Project is aligned with the recently discussed Country Partnership Framework 2015-2021. The CPF has three pillars: (a) Supporting Continued High Growth; (b) Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups; and (c) Bolstering Resilience and Sustainability. The proposed Project directly addresses the second pillar as it tackles its objectives of complementing social assistance with productive inclusion and improving access to basic services in a sustainable manner. Although not directly addressing them, the proposed operation would indirectly have an effect on the objectives of other pillars through the articulation with other WBG operations.

13. The proposed Project builds on lessons from the recently closed Social Protection Project and on analytical work on social sectors. The Panama Social Protection Project (P098328), closed in September 2014, financed the implementation of the conditional cash transfer RO and the articulation of social policies. The lessons from this operation are incorporated in the design of this proposed Project and provided the fiduciary and technical basis for the development of this operation. In addition, the knowledge and international experience discussed in activities such as the Central America Social Sector and Institutional Review (P146907) and the Panama Skills and Productive Inclusion PKS (P147634) have served to develop the dialogue and establish priorities in the design of this operation. The main messages from such activities include the need to harmonize social programs and to establish closer linkages between social assistance and employability interventions.

14. The proposed Project is also aligned with the policy initiatives supported by the Panama Development Policy Loan. One of the main objectives of the First Programmatic Shared Prosperity Development Policy Loan (DPL) (P151804) is to strengthen social transfer programs through the expansion of inclusion policies and opportunities. The DPL mainly supports the policy framework

towards differentiated social assistance strategies in RO, the normative framework towards the expansion of social programs like 120 a los 65, and the improved monitoring of other interventions.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

15. The Project Development Objective is to support the Government in increasing the efficiency of the social protection system and in promoting the inclusion of the poor and vulnerable population. The proposed Project would support the increase in the efficiency of the social protection system by strengthening the functioning of individual social assistance programs including the improved targeting and coverage of programs and their harmonization in operational processes. The harmonized system of social programs is the necessary basis for facilitating the participation of the poor and vulnerable in other programs that address their employability and productive capacities.

### Key Results (From PCN)

17. Key Result 1. Improved coverage of the Single Registry (SR). This indicators measures the construction of a registry of the priority population, including the poor and vulnerable, as the basis for the monitoring and development of social policies and programs. It would include participants in MIDES programs, including their household members, as well as other critical social programs like those implemented by MEDUCA and MITRADEL, among others. The SR should include both beneficiaries and other individuals in the priority population.

18. Key Result 2. Improved coverage of the extreme poor in comarcas. This indicator would be measured as the fraction of the extreme poor that are beneficiaries of social programs in comarcas.

19. Key Result 3. Improved targeting in selected social programs. While targeting of RO is already showing a good performance, other targeted programs like 120 a los 65 need to strengthen targeting. This result would be measured by the reduction of the non-eligible population that are beneficiaries of social programs.

20. Key Result 4. Increased financial access to the poor and vulnerable. This indicators will measure the coverage of savings accounts among individuals in social programs as a result of the implementation of the payment through financial institutions.

21. Key Result 5. Improved coverage of health services to priority population in comarcas. The functioning of the RO program requires health services to comply with co-responsibilities. This indicator is measured by the number of children under 5 and pregnant females that received the basic package of services in the PAISS+N program.

22. Key Result 6. Increased fraction of Single Registry households that participate in productive and employability programs. Measured as the number of households from selected social transfer programs that participate in productive and employability programs divided by the number of households in selected social transfer programs.

## III. Preliminary Description

### Concept Description

23. The proposed Project has four components addressing critical areas to achieve the PDO:

24. Component 1. Institutional strengthening and capacity building to support the consolidation of Panama's social protection system (US\$14 million). The objective of this Component is to strengthen the capacity of the Government to design and manage social programs to enhance the harmonization, transparency, accountability and follow up of social programs. Core programs include those managed by the MIDES (RO, 120 a los 65, Angel Guardian) and others like Beca Universal. This component would finance the improved management of social protection programs to increase their coverage, targeting, relevance, harmonization and impact. It includes three subcomponents: (1) improvement of social protection system instruments through, among other activities, a Single Registry; (2) strengthening of social protection program management tools; and (3) increased efficiency in payments of social assistance programs.

25. Subcomponent 1.1. Improvement of social protection system instruments (US\$5 million). This subcomponent would support the development of an information systems to facilitate information exchange across programs and consolidation for its use as a policy design and monitoring tool. This subcomponent would include: strengthening of the Single Registry and information systems; development of a modular Single Registration instrument that can be used across different programs to avoid separate and inconsistent registration instruments; and, strengthening of the MIDES Monitoring and Evaluation Unit, based on the SR data. This unit would be responsible for the design and implementation of monitoring and evaluation activities for the main social programs and in particular the cash transfer programs.

26. Subcomponent 1.2. Improvement of program management tools (US\$5 million). This subcomponent would support the strengthening of the management of individual social programs to increase their efficiency. This includes: (i) revision of targeting instruments in selected programs to enhance the use of a single social information registry that could differ in its indicators across programs addressing specificities of the target population; (ii) implementation of recertification strategies to strengthen the targeting of social programs beginning with corregimientos with larger inclusion errors; (iii) implementation of census and inclusion activities to strengthen the coverage of social programs by including eligible individuals into programs; (iv) revision of verification of co-responsibilities strategies for selected programs to ensure beneficiaries effectively comply with co-responsibilities and monitoring indicators adequately reflect these compliance indicators; (v) strengthening management information systems (MIS) for selected social programs to adequately ensure transparency and enable timely monitoring of registration, eligibility, compliance to co-responsibilities, payments and household roster changes; (vi) update of beneficiary rosters of selected social programs using the revised registration and targeting instruments and including beneficiary changes due to recertification of beneficiaries and census and inclusion activities; and (vii) revision of the operational manuals of social programs, in particular the rules of entry and exit to refine their links across programs and facilitate transitions between them, among others.

27. Subcomponent 1.3. Increased efficiency in payments of social assistance programs (US\$4 million). This subcomponent would support the design and implementation of payments processes of social programs through financial intermediaries (bancarización). A first objective is to outsource these processes and reduce the administrative costs of payment processes and households' costs in collecting their transfers. The use of financial and human resources in the process of payment of social programs divert significant attention from program priorities such as updating household information or monitoring of co-responsibilities. A second objective is to enhance the access to and use of financial services by all segments of the population, and in particular by the poor and

vulnerable, in what is called financial inclusion. This subcomponent requires a strong effort of financial education and an active role of the local actors for the dissemination of information.

28. Component 2. Strengthen the MIDES territorial network and direct family support (US\$20 million). This Component would support the strengthening of the MIDES territorial network necessary to operationalize the program activities such as outreach and registration, management of non-compliance, and support to information collection processes, among others. This network aims to place MIDES personnel as one-stop-shop in the provision of information of social services and programs, especially towards those supporting human capital investments and productive and employability interventions. MIDES has more than 300 family sponsors (promotores), responsible for disseminating information to beneficiary families on the functioning of programs but have not evenly supported all social programs due to their contracting conditions and training. This component includes activities that enhance the role of promotores MIDES as the gateway to social programs offered by the MIDES and facilitate the programmatic supply of other institutions. This Component would include two subcomponents:

29. Subcomponent 2.1. Strengthening the MIDES territorial coverage of promotores (US\$2.9 million). This subcomponent would finance the contracting of promotores in areas undercovered by the existing network and would include the design of a strategic territorial allocation, and revision of terms of reference and outcome indicators.

30. Subcomponent 2.2. Strengthening the content of the MIDES territorial network (US\$2.1 million). This subcomponent would finance the design and implementation of the promotores training package, including both MIDES programmatic supply as well as critical thematic issues like children nutrition practices.

31. Component 3. Strengthening the supply of culturally pertinent health services in indigenous areas (US\$15 million). This Component would review and strengthen the actions carried out in the first Social Protection Project (P098328) and will support the culturally appropriate expansion of the strengthened health care package. Panama faces large inequalities in access to and quality of health care for the rural and indigenous population. Mortality among children under 5 reaches 19 percent at the national level, but in comarcas rates range between 45.6 and 30.4 percent. The disparity in health outcomes is due largely to inequitable health access for the poor, with the majority of medical care centralized in the wealthier urban areas.

32. The package of services delivered by the Extension of Coverage Strategy (EEC in its Spanish acronym) through the PSPV and PAISS+N mechanisms provides nutritional education services, birth control, among others to its target beneficiary population. However, beneficiary follow-up needs to be strengthened and the cultural adaptation focus needs to be reinforced to produce greater impact. This package will be strengthened to identify specific services towards the target population on other social programs like people with disabilities and the elderly. In addition, the capacity to identify warning signs for risky pregnancies or non-communicable diseases that may result in disabilities faces challenges in the form of early diagnosis, lack of methodical follow-up, lack of resources for transporting patients in urgent cases, lack of action or simple lack of community support networks. This component will have four subcomponents:

33. Subcomponent 3.1. Improving Access to Health Services for the PAISS+N Beneficiaries (US\$7.5 million). This would finance the expansion of the delivery of PAISS+N to the indigenous

community by financing the establishment of temporary rooms within the proximity of care centers for risky pregnancies, developing triggers for mobilizing needed transport services to ensure beneficiaries can access proper levels of care, introducing culturally appropriate practices in the centers of care that do not deter the indigenous beneficiaries from accessing care, and assessing approaches and incentives that can be introduced to increase health workforce accessibility in the rural, indigenous areas.

34. Subcomponent 3.2. Expanding the strengthened package of health services to priority populations in indigenous areas (US\$ 2.5 million). This would finance consultancies to review the services included in the basic package of maternal and infant health services provided through PAISS+N, and identify gaps in service delivery addressing the needs of the elderly and people with disabilities. In addition, this sub-component will finance inputs (essential medicines, equipment) required to deliver the new services identified as gaps in the current package.

35. Subcomponent 3.3. Strengthening the institutional capacity of the MINSA to coordinate actions across actors that form part of the health network (US\$ 2 million). This will support MINSA at the regional level for enhancing its capacity to supervise the activities delivered in this Component. This will include improving the institutional capacity of MINSA to plan and coordinate the implementation of PAISS+N with other health programs and develop a package of education and communications materials with the key messages and behaviors being promoted.

36. Subcomponent 3.4. Developing and implementing a Monitoring and Evaluation System (US\$ 3 million). This would create and set in motion mechanisms to identify, register, and monitor the beneficiary population in their accessing of the services offered through the PAISS+N package and other packages addressing the needs of the elderly and people with disabilities. The mechanism will also include developing a rigorous verification method to support the program's measurement of progress and results. To measure the impact of the program, MINSA will contract out an enhanced program assessment to assess the impact of the program using a baseline, treatment and control groups, and a follow-up survey.

37. Component 4: Facilitate social and productive services for the population of the Single Registry (US\$31 million). This Component seeks to complement the activities of social programs with actions that support complementary investments in human capital through training and insertion into labor and other markets. This component will finance the provision of employability and productive services for the poor and vulnerable population registered in the SR. This subcomponent aims to strengthen the productive inclusion of social program beneficiaries through the strengthening of their productive capabilities and facilitating their participation in labor and other markets. This Component would include two subcomponents:

38. Subcomponent 4.1. Strengthening the supply of employability and productive services for the vulnerable and poor (US\$16 million). In particular this subcomponent will finance the training for individuals in the SR in technical areas identified as strategic through a needs assessment of training, definition of family and community training strategy, and the implementation of the strategy. The training will be provided using the existing capacity of the INADEH. This component will exploit the lessons from similar strategies like PRONATEC in Brazil or PATI in El Salvador.

39. Subcomponent 4.2. Facilitating participation of the poor and vulnerable into labor markets (US\$15 million). This subcomponent aims to facilitate participation of vulnerable young people,



particularly those members of participating families in social programs, in public programs that enhance labor market insertion like ProJoven and PAIL, managed by the MITRADEL. Existing programs would be assessed and adjusted to accommodate the socio-economic profile of the target population.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10	x		
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	80.00	Total Bank Financing:	80.00
Financing Gap:	0.00		
<b>Financing Source</b>		<b>Amount</b>	
Borrower		0.00	
International Bank for Reconstruction and Development		80.00	
Total		80.00	

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