

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA25076

Project Name	Strengthening Social Protection and Inclusion System (P155097)
Region	LATIN AMERICA AND CARIBBEAN
Country	Panama
Sector(s)	Other social services (80%), Vocational training (20%)
Theme(s)	Social Safety Nets/Social Assistance & Social Care Services (35%), Social Protection and Labor Policy & Systems (35%), Indigenous pe oples (15%), Income Support for Old Age, Disability & Survivorship (15%)
Lending Instrument	Investment Project Financing
Project ID	P155097
Borrower(s)	Ministerio de Economia y Finanzas
Implementing Agency	Ministerio de Desarrollo Social
Environmental Category	C-Not Required
Date PID Prepared/Updated	03-Aug-2015
Date PID Approved/Disclosed	03-Aug-2015
Estimated Date of Appraisal Completion	04-Aug-2015
Estimated Date of Board Approval	23-Sep-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Panama has made significant progress in reducing poverty on the back of sustained high growth rates, but certain segments of the population continue to live in vulnerable conditions. The country grew at an average of 7.2 percent per year between 2007 and 2014, resulting in a decline in poverty from 39.9 percent to 25.8 percent, and a decline in extreme poverty from 15.6 percent to 11.3 percent. Although growth at the aggregate level has been largely pro-poor, significant economic differences persist in the country and differing rates of poverty reduction have led to the poor becoming 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 the lowest poverty declines: 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 in 2012. Other human development outcomes are also lagging behind in the comarcas: household heads

have on average only 5.1 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. The slower poverty reduction in comarcas and rural areas points to the need to address bottlenecks in access to basic services and productivity.

Although growth has generated jobs in recent years, certain demographic groups face particular labor market difficulties, including youth, social protection beneficiaries and women. Recent growth had an impact on poverty as reflected in 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 was particularly high among secondary education graduates (14.8 percent), reflecting in part a skills mismatch between the labor market and skills of graduates. Youth from extremely poor families in urban areas have not only lower levels of secondary completion, but also unemployment rates reaching 17 percent. Unemployment also has a strong geographic concentration in some urban areas, reaching 9.8 percent in areas like Colon, the city with the largest concentration of Afro-Panamanians. Despite higher educational performance, women still face lower wages and the participation of women in the labor force, although increasing, is lower than men, half for 15-24 years old. Uneven poverty reduction emphasizes the need for a differentiated approach to social programs across geographic areas and social groups in Panama. Such an approach will need to go beyond the provision of social subsidies to alleviate the immediate income needs of the poor to include services that are culturally appropriate and interventions to stimulate income-generating opportunities within Panama's rural areas.

Sectoral and institutional Context

Social protection programs played an important role in poverty reduction in rural areas, resulting in increasing coverage of the most vulnerable. While growth was responsible for much of the poverty reduction at the national level, the reduction of poverty and extreme poverty in rural areas has been driven primarily by government transfers. Indeed in these areas, in the absence of government transfers and social programs, extreme poverty would have increased. Social protection programs include the RO Program for families with children up to 15 years old, the non-contributory pension program 120 a los 65 ('120/65', hereafter), the education benefit program Beca Universal (hereafter referred to as Beca), and the social assistance transfer for people with disabilities Angel Guardián (Angel), among others. Both the coverage and the benefits of social assistance have expanded, reaching greater numbers of beneficiaries: RO covers nearly 70,000 households in extreme poverty (reaching close to 70 percent of households with children in comarcas); 120/65 has more than 100,000 elderly beneficiaries; Beca covers more than 600,000 students at the national level; and Angel has already reached more than 10,000 out of a target population of 55,000 people with disabilities.

Despite the positive impact of social assistance programs on rural poverty reduction, the country faces challenges in improving efficiency and effectiveness of these programs and some segments of the population in remote areas are not covered. While coverage has expanded, important inclusion and exclusion targeting errors in certain programs reduce the Government's capacity to address those in real need. While the RO Program achieved its target of coverage of 70 percent of families with children in comarcas, there is still the remaining 30 percent of households with no access to RO in areas that have 90 percent poverty rates. Similarly, some elderly poor are excluded from the 120/65 Program, especially in the comarcas where an estimated 15,000 individuals have been

recently registered. An estimated 40 percent of the benefits of the 120/65 Program, targeting the poor and vulnerable elderly, go to the higher income quintiles. Given existing budget constraints and the limited operational capacity to carry out recertification of beneficiaries, a large number of eligible elderly are not entering the Program and remain uncovered, especially in remote areas. A similar situation is observed in Angel, where the majority of beneficiaries reside in urban areas where relatives of people with severe disabilities have easier access to health providers to certify specific disabilities and MIDES offices to enroll in the program. Potential improvements in coverage have been limited by the operational capacity on the ground of these three programs. For instance, the existing network of social workers or promotores do not address the set of MIDES programs simultaneously, but different groups of promotores work separately for each program missing potential synergies. As a result, the limited number of promotores and their fragmentation in their roles, reduces the capacity to carry out enrollment and outreach in remote areas. Additionally, weak eligibility and targeting instruments in certain programs have resulted in long waiting periods for program uptake, such as in 120/65. Thus there is still the need to improve targeting and reduce leakage of these types of programs.

Eliminating overlap of social programs is also important to ensure their efficiency and effectiveness. Social protection programs are still not well coordinated, with different objectives, registration forms and eligibility conditions, resulting in missed opportunities for operational synergies and diminishing the impact on the target population. For instance, the RO Program administered by the Ministry of Social Development (MIDES) seeks to help beneficiaries cope with poverty and uses a proxy means test (poverty) targeting instrument to identify the extreme poor. Beca, administered by the National Professional Training Institute (IFARHU), provides a cash transfer to students with passing grades and is not poverty targeted. While education related co-responsibilities are present in both the RO (school attendance) and Beca (grade performance), these incentives could be better harmonized to ensure more impact of the co-responsibilities (attendance and retention) and avoid duplication of efforts. Similarly, the 120/65 benefit and eligibility structure could be harmonized with those of the contributory pension system managed by the Caja de Seguridad Social (CSS).

Beyond efficiency and effectiveness, social protection programs lack a productive component to enhance employability. The new Government seeks to transform social programs from pure cash transfer programs to those that promote employability and productive inclusion. In contrast to the coverage for other groups such as children and the elderly, coverage of programs for the productive-age population is limited. The Support to Labor Market Insertion Program (PAIL) only covered 493 people in 2013, and the National Employment Service (SERPE) run by the Ministry of Labor (MITRADEL) registered almost 5,000 people during 2013. Aside from specific programs, institutions such as INADEH annually graduates 10,000 individuals from a range of short training courses. None of these interventions have been targeted towards the poorest in Panama. Given the challenges it faces on skills and employability, the new Government approved an Employment Policy in 2014 that defines priority sectors for economic growth and the resulting employment and skills needed required to support those sectors. It also launched a pilot youth apprenticeship program, Panama ProJoven, which aims to provide apprenticeship subsidies to 10,000 graduates from technical secondary education. As of 2015, this pilot is covering around 1,000 individuals.

II. Proposed Development Objectives

The Project Development Objective is to increase the efficiency of the social protection system and improve the income generation capacity of the poor and vulnerable. The efficiency of the social

protection system would be increased through improved performance and enhanced harmonization of MIDES Conditional Cash Transfer (CCT) programs. Improved income generating capacity of the poor and vulnerable would be addressed through increased participation of the poor and vulnerable in productive inclusion programs.

III. Project Description

Component Name

1. Strengthening and efficiency of social protection system

Comments (optional)

Component Name

2. MIDES Territorial structure and direct family support

Comments (optional)

Component Name

3. Productive inclusion services for the poor and vulnerable

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	75.00	Total Bank Financing:	75.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
International Bank for Reconstruction and Development			75.00
Total			75.00

V. Implementation

The proposed Project will be implemented by MIDES given its institutional capacity developed during the Social Protection Project (P098328). As for the previous project, the proposed Project will be implemented by MIDES under the coordination of the SSPS and with support from the unit responsible for administrative and fiduciary activities - UEAF (Unidad Ejecutora Administrativo Financiera).

Implementation of Component 3 involves INADEH and MITRADEL as technical executing partners. MIDES will sign inter-institutional agreements, under terms and conditions acceptable to the Bank, with INADEH and with MITRADEL for the implementation of Sub-components 3.1 and 3.2, respectively. Training Stipends will be paid to MIDES Participants by MIDES upon confirmation of INADEH Training attendance and completion.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
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

Comments (optional)

VII. Contact point

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