



1. Project Data

Project ID P155097	Project Name PA Strengthening SP and Inclusion System	
Country Panama	Practice Area(Lead) Social Protection & Jobs	
L/C/TF Number(s) IBRD-85320	Closing Date (Original) 28-Feb-2022	Total Project Cost (USD) 59,670,395.53
Bank Approval Date 23-Sep-2015	Closing Date (Actual) 28-Feb-2022	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	75,000,000.00	0.00
Revised Commitment	60,000,000.00	0.00
Actual	60,000,000.00	0.00

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2. Project Objectives and Components

a. Objectives

The project's original objectives, as stated in the Loan Agreement of 2015 (p. 5), were "to increase the efficiency of the Social Protection System and improve the income generation capacity of the poor and vulnerable." At a 2021 restructuring, the objectives were revised: "to provide economic support to poor households affected by the COVID-19 pandemic, and to improve the income generation capacity of the poor and vulnerable."



During the 2021 restructuring, the original PDO 1, “to increase the efficiency of the social protection system,” was eliminated; PDO 2, “to improve the income generation capacity of the poor and vulnerable,” remained; and a new PDO, “to provide economic support to poor households affected by the COVID-19 pandemic,” was introduced as PDO 3. Also at the 2021 restructuring, activities and indicators were redefined under PDO 2 with a reduced scope.

Due to elimination of PDO 1, reduced scope of PDO 2, and introduction of PDO 3, a split rating is used for this Review.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

05-Jan-2021

c. Will a split evaluation be undertaken?

Yes

d. Components

According to the original project description (Project Appraisal Document, PAD, p. 5), the following three components were proposed with their respective subcomponents.

Component 1 – Strengthening and efficiency of the social protection system (Original US\$25 million, Actual US\$ 2.2 million) aimed to strengthen the capacity of the government to improve the harmonization, transparency, accountability, and follow up mechanisms of Ministry of Social Development’s (MIDES) Conditional Cash Transfer (CCT) programs by financing the following subcomponents:

Subcomponent 1.1 – Social protection system instruments aimed at supporting the development of a *single registry* to serve as the social information system and to facilitate analysis of program eligibility, reduction of system duplications, and design of new programs addressing other social risks. This sub-component was originally expected to finance consultancy and non-consultancy services, training, equipment, and operating costs, and to carry out the design of a unified information collection form (*Ficha Única de Registro*, FUR). The intent was to carry out the FUR for each individual household across MIDES CCT programs; design, pilot, and operationalize a Proxy Means Test (PMT) instrument; and design census and inclusion processes that use the FUR to register new households and enroll new beneficiaries on an ongoing basis.

Subcomponent 1.2 – Social program management tools aimed to support strengthening of management of MIDES CCTs through revision of operational processes and manuals to update registration, eligibility, and targeting tools, and achieve expected levels of coverage; design of recertification strategies to strengthen the targeting of MIDES CCTs; development and revision of co-responsibility verification



strategies and monitoring indicators for MIDES CCTs to ensure beneficiary compliance; strengthening of management information systems (MIS) to ensure transparency; and strengthening of the government's administrative and fiduciary capacity to carry out project activities.

Subcomponent 1.3 – Monitoring and evaluation (M&E) capacity was proposed to strengthen MIDES capacity to monitor and evaluate its social protection programs through the provision of training and capacity building activities for MIDES staff; the acquisition of software for statistical analysis; and the design and implementation of process assessments of CCTs. Through enhanced capacity, MIDES aimed to coordinate M&E efforts by other government agencies via the Social Cabinet, an inter-ministerial entity for social policy coordination, with MIDES as the technical coordinator.

Component 2 – MIDES territorial structure and direct family support (Original US\$17 million, Actual US\$ 0.17 million) aimed to support the strengthening of MIDES territorial structures to operationalize outreach and registration, management of non-compliance, transparency and accountability, and information collection processes, including implementation of feedback mechanisms. This component included activities to enhance the role of provincial and regional coordinators, social workers, and family sponsors (promoters) to connect the beneficiaries to social programs offered by MIDES and other relevant institutions.

Subcomponent 2.1 – MIDES territorial coverage of promoters and social workers was proposed to design and implement a MIDES territorial strategy to ensure regular support and prompt response to beneficiaries' potential problems related to their participation in MIDES social protection programs. This subcomponent emphasized design and implementation of training programs for promoters and social workers for the provision of direct family support under MIDES CCTs, including the preparation of training materials and the evaluation of training activities. It was also to finance the provision of direct family support-related operating costs under MIDES CCTs.

Subcomponent 2.2 – Social feedback mechanisms aimed to finance the design and implementation of a citizen feedback mechanism for MIDES CCTs. The aim was to support the development of an institutional mechanism to provide MIDES with constant inflow of up-to-date geo-referenced user feedback data on the quality, coverage, and reliability of the health and education services. The subcomponent was structured to finance operating costs, consulting and non-consulting services, training, and equipment to carry out diagnostics, design of feedback mechanisms, development of user protocols, development and implementation of awareness campaigns for CCTs, financing of operating costs, and monitoring of feedback data for future development.

The original Components 1 and 2 remained through the end of the project, but the scopes of these components were significantly changed, with several areas of support eliminated, during the first restructuring in 2018. In 2019 a new MIDES administration decided to use other financing resources for an additional subcomponent 2.3, which financed activities to modernize MIDES centers for infants and seniors.



Component 3 – Productive inclusion services for the poor and vulnerable (Original US\$33 million, Actual US\$ 3.03 million) sought to complement the activities of CCT programs to support investments in human capital that enhance income-generating capacity. This component aimed to institutionalize and scale up productive and training activities for poor and vulnerable populations registered in the single registry with the help of the following subcomponents. Originally, only two subcomponents, 3.1 and 3.2, were included in this component. Subcomponent 3.3 was added during the 2018 restructuring.

Subcomponent 3.1 – National Professional Training Institute (INADEH) training services aimed to finance non-consulting services, INADEH training, operating costs, equipment, and materials to carry out assessment of local training needs; preparation and implementation of local training plans; provision of stipends to MIDES staff participating in INADEH training activities; and evaluation of INADEH training activities related to MIDES participants.

Subcomponent 3.2 – Ministry of Labor (MITRADEL) intermediation services aimed to facilitate the participation of MIDES participants in MITRADEL-managed labor insertion programs, such as *ProJoven* and the Program to Support Labor Insertion (PAIL). This sub-component was expected to finance associated costs to carry out identification of labor insertion opportunities for MIDES participants; update National Employment Service (*Servicio Nacional de Empleo*) records for the registration of MIDES participants; assess requirements for inclusion of MIDES participants into labor insertion programs; and evaluate labor insertion programs.

The 2018 restructuring proposed significant reduction of training and labor intermediation activities to be implemented through INADEH and MITRAEL and added support for productive inclusion programs under MIDES. For instance, a pilot on vocational training was included in subcomponent 3.1, and an ongoing apprenticeship program was included in subcomponent 3.2. In addition, a completely new subcomponent 3.3 was introduced to carry out training and capacity building related to asset-transfer programs; it was to support two asset-transfer productive inclusion programs by carrying out training and capacity-building activities and providing technical assistance, goods, and services to the participants.

During the restructuring in 2021, the scope of Components 1, 2 and 3 were further reduced, and the following new Component 4 was added to provide support for MIDES CCT beneficiaries during the COVID-19 pandemic.

Component 4 – Conditional Cash Transfers for Poor Households Affected by COVID-19 (Original US\$ 0; Actual US\$ 54.6 million) included provision of financing under MIDES CCTs.

It is important to note that the 2018 restructurings made adjustments without changing the overall vision of the original project. By contrast, the changes under the 2021 restructuring significantly altered the project's approach and theory of change.



e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

The original cost at appraisal in September 2015 (PAD, 2015) was estimated at US\$75 million, financed by an International Bank for Reconstruction and Development loan to the Republic of Panama. Afterwards, the changes in country context triggered three restructurings to adjust the project's scope. During the first of a two-stage restructuring in 2018, the total cost was reduced to US\$60 million. There was no further change in cost in subsequent restructurings, and total actual cost at project closing was US\$ 59.7 million.

To facilitate project implementation, the 2018 restructuring was carried out in two stages. Stage I in June 2018 cancelled US\$15 million from the loan and reallocated the remaining US\$60 million across expenditure categories and components. The total allocation to the first component was increased from US\$25 million to US\$31 million, while the allocations for the second and third components decreased from US\$ 17 million to US\$13.5 million, and from US\$33 million to US\$15.5 million, respectively. All other changes were processed under a second stage of restructuring approved in November 2018, which added new activities under Components 1 and 2 and expanded activities under Component 3. The restructuring also included the revision of the project's environmental category (see Section 10a) and results framework.

The third restructuring in 2021 responded to the government's request to finance MIDES CCT programs. PDO 1 was dropped and a new PDO 3 was introduced, as discussed above, to align the project with the activities financed under this restructuring. The results framework was adjusted by adding indicators on the number of MIDES CCT beneficiaries receiving economic support financed by the project, as well as more specific indicators to capture the extent of economic support to poor households affected by the COVID-19 pandemic. The loan amount under this restructuring remained unaltered at US\$60 million and did not include any change in the closing date. The restructuring, however, proposed further reallocation of funds across components. Component 1 costs were reduced from US\$31 million to US\$2.2 million; component 2 costs from US\$13.5 million to US\$0.17 million; and component 3 costs from US\$15.5 million to US\$3.03 million. A new fourth component was added, with the remaining US\$54.6 million allocated to it, to provide economic support to poor households affected by the COVID-19 pandemic. The project closed as planned on February 28, 2022.

3. Relevance of Objectives

Rationale

The PDOs were highly relevant to country context. Despite sustained economic growth, Panama faced efficiency and effectiveness challenges in social protection prior to the project because of important targeting errors in social protection benefits. Sustained growth had improved the job scenario in the country, but still certain marginalized groups (including youth, social protection beneficiaries, and women) faced challenges in accessing job markets. Similarly, some segments of the population in remote areas were not covered. An estimated 40 percent of the benefits of the 120/65 Program that targeted the poor and vulnerable elderly went to higher income quintiles (PAD, p. 2). These efficiency and effectiveness challenges, due to targeting errors, had created extra pressure on government capacity to address real issues in social protection and, hence, created a need for increased efficiency of the social protection system to improve the income generation capacity of the poor and vulnerable.

The objectives were also strongly aligned with Bank strategy, including the World Bank Group's Country Partnership Framework (CPF) for Panama 2015-2021, which had a second pillar objective of



ensuring inclusion and opportunities for marginalized and indigenous groups to complement social assistance with productive inclusion and improved access to basic services. The project complemented policy reforms supported by Bank-financed development policy loans, including the First Programmatic Shared Prosperity Development Policy Loan (P151804) which aimed to strengthen social transfer programs through the expansion of inclusion policies and opportunities.

The relevance of the revised PDOs remained high at project completion. The original PDOs were revised during the third restructuring of the project in 2021 to veer its priorities from a broader agenda of improving efficiency of the social protection system to providing economic support to poor households affected by the COVID-19 pandemic and improve the income generation capacity of the poor and vulnerable. The revised PDOs, with the introduction of PDO 3, were well aligned with the World Bank COVID-19 Crisis Response Approach under Pillar 2 – protecting the poor and vulnerable for the relief and restructuring phases. The operation was highly relevant to ensure continuous income support during the COVID-19 health emergency and protect the human capital of the poor and extreme poor.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase the efficiency of the social protection system

Rationale

The implicit **theory of change** envisioned that support to MIDES to improve the CCT program (through Component 1), and its own territorial structure (through Component 2), would increase the efficiency of social protection system in Panama through creation and use of a single registry form for identification of beneficiaries, and provision of training, recertification, and improvement in M&E for the CCT program.

PDO 1 remained unaltered in the first two restructurings in 2018 but was dropped during the third restructuring in 2021. As the rationale for deletion, the third restructuring paper (2021, p. 9) stated that increased efficiency of the social protection system could not be achieved due to implementation delays. The restructuring suggested that reallocation of those resources to support the government's COVID-19 response instead would be more beneficial to provide economic support to poor households affected by the COVID-19 pandemic. In other words, the opportunity cost of continuing with PDO 1 instead of reallocating the fund to respond to the COVID 19 pandemic was high.

The performance of PDO1 through the closing of the project was assessed based on evidence collected till 2021, since no evidence was collected for this PDO after the 2021 restructuring was introduced.



Outputs and intermediate outcomes

- A Single Registration Form was partially adopted for three MIDES CCT programs, reaching the target.
- Co-responsibilities were partially verified in two MIDES CCT programs, short of the target of three programs.
- 80 percent of MIDES CCT beneficiary households received program information as of December 2021, short of the original target of 90 percent of beneficiary households.
- 49 percent of promoters completed the annual training plan in December 2019, short of the target of 90 percent of promoters.
- Citizen Feedback Mechanisms were made operational, consisting of a free MIDES phone line.

Outcomes

Outcomes were mostly output-oriented for PDO 1. Overall, most of the outcome indicators for PDO 1, associated with Component 1, fell short of their respective targets, while those associated with Component 2 exceeded their targets. Beneficiaries were certified, but targeting inefficiencies were not addressed.

- 54 percent of all beneficiaries, and 72 percent of female beneficiaries, of MIDES CCT program were re-certified as of December 2021, exceeding the targets of 50 percent of all beneficiaries and 50 percent of female beneficiaries.
- Only 33 percent of the bottom quintile benefited from MIDES CCTs as of December 2018, short of both the 50 percent target and the 38 percent baseline.
- Only 57 percent of the bottom quintile benefited from MIDES CCTs in indigenous territories as of December 2018, short of both the 75 percent target and the 65 percent baseline.

Rating

Modest

OBJECTIVE 2

Objective

To improve the income generation capacity of the poor and vulnerable

Rationale

The government's desire to include new activities for urban areas in the project's design required coordination and synergies with other institutions since MIDES was not in charge of training or labor intermediation. This plan required connecting MIDES with the MITRADEL and INADEH to support these additional activities.

The project's implicit **theory of change** suggested that support to INADEH and MITRADEL to provide training and intermediation services, such as *ProJoven* and *PAIL*, would lead to increased income generation capacity of the poor and vulnerable households in the bottom two quintiles. The theory of change predicted



that these intermediation services would reach the desired outcome through expanded productive inclusive services for the poor in the intermediate period. This objective sought to complement the activities of CCT programs with support to investments in human capital that enhance income generating capacity.

While the objective remained, the result indicators and targets changed for this PDO during the 2021 restructuring. Subcomponents 3.1 and 3.2 related to vocational training and apprenticeship programs to improve the employability of MIDES CCT beneficiaries and vulnerable youth were not implemented until the 2018 restructuring, and they were dropped in the third restructuring in 2021. Activities on capacity building and provision of goods to support the economic activities of MIDES asset transfer production inclusive programs under Subcomponent 3.3, however, remained.

Outputs and intermediate outcomes

Until the 2021 restructuring was in place, most of the output or intermediate outcome targets were not achieved under PDO 2 because components 3.1 and 3.2 were not implemented (due to non-availability of funds from the Ministry of Economy and Finance, MEF). The specific achievements under this PDO through 2021 restructuring suggested no enrollment of eligible MIDES participants in:

- INADEH trainings, against the target of 20,000. A target of female beneficiaries of 10,000 was also not achieved.
- the *ProJoven* program (in collaboration with MITRADEL), against the target of 5,000. A target of female beneficiaries of 2,500 was also not achieved.
- the PAIL program (in collaboration with MITRADEL), compared to the target of 2,500. A target of female beneficiaries of 1,250 was also not achieved.
- National Employment Exchange, compared to the target of 3,000. A target of female beneficiaries of 1,500 was also not achieved.
- MIDES vocational training program, compared to the target of 1,660.

After the 2021 restructuring, all outputs and intermediate outcomes were dropped except for the following, which were associated with two asset-transfer productive inclusion programs. These two were continued by carrying out training and capacity building activities and providing technical assistance, goods, and services to the participants. For both, the targets were revised, albeit in opposite directions. Through the end of the project:

- 3,090 eligible MIDES CCT beneficiaries (equivalent also to MIDES households) were enrolled in the *Cohesión Social* program as of December 2021, which exceeded both the 2018 target of 900 beneficiaries, and the 2021 upward revised target of 2,600 beneficiaries.
- 2,758 eligible MIDES CCT beneficiary households were enrolled in the *Redes Territorial* program, which was short of the 2018 target of 3,600 households but exceeded the 2021 downward revised target of 1,400 households.

In addition,

- 96 percent of *Cohesión Social* beneficiary households attended group training sessions, attending 3.6 training sessions on average. Also, 73 percentage of households received personalized TA visits.



- 92 percent of *Cohesión Social* beneficiary households received seeds; 77 percent received fertilizers; and roughly 50 percent received tools or a biological control kit. In addition, a third of the surveyed households reported receiving animals.

Outcomes

Based on the evidence provided on the *Redes Territorial* program and *Cohesión Social* program as of end 2021, achievements under PDO2 were overall modest. The outcomes were mostly output-oriented, and evidence on income generation capacity of the poor and vulnerable was weak. Results from the impact evaluation, as reported in the ICR, underscored that agriculture production among beneficiaries of *Cohesión Social* increased considerably as compared to their peers in the control group. However, it also reported that the percentage increase could be undetermined due to lack of adequate precision in reporting.

Rating
Modest

OBJECTIVE 3

Objective

To provide economic support to poor households affected by the COVID-19 pandemic

Rationale

Panama was one of the hardest hit countries in the region by the COVID-19 pandemic, and its pandemic containment measures affected growth drivers significantly with severe social and poverty impacts. The project restructuring in 2021 revised the PDOs by introducing PDO 3 and the associated Component 4 to address the impact of COVID-19.

Outputs and intermediate outcomes

- 171,339 direct beneficiaries of MIDES CCTs received economic support financed by the project during 2021, almost achieving the 2021 target of 181,500 beneficiaries.
- 109,877 female direct beneficiaries of MIDES CCTs received economic support financed by the project during 2021 (i.e., 64 percent of CCT beneficiaries), slightly short of the 2021 target of 119,800 beneficiaries.
- There were 183,294 total beneficiaries of social safety net programs supported by the project, almost reaching the end target of 186,000 beneficiaries.
- There were 122,847 female beneficiaries of social safety net programs supported by the project, just reaching the 122,758 end target.
- There were 62,320 indigenous beneficiaries of social safety net programs supported by the project, slightly short of the 63,238 end target.



- There 34,836 Afro-descent beneficiaries of social safety net programs supported by the project, roughly in line with the 35,338 end target.

Outcomes

Outcomes were output-oriented and, as found above, they have either just fulfilled or closely fulfilled their targets. In addition, the ICR estimated that the monthly poverty of MIDES CCT households would have increased from 32.2 percent to 43.3 percent in 2020 in the absence of MIDES CCTs. Overall, the achievement under PDO 3 was substantial.

Rating

Substantial

OVERALL EFFICACY

Rationale

The overall efficacy was based on the performance of all three PDOs through the end of the project. In the 2021 restructuring, since PDO1 was dropped, PDO 2 remained, and PDO 3 was introduced, we rate efficacy separately for the original and revised PDOs.

In terms of their achievements under the original objectives, PDO 1 and PDO 2 were modestly achieved mostly because of delayed or almost no implementation of Components 1 and 2 due to lack of funding from the government. Overall efficacy under the original objectives (Objectives 1 and 2), across the project's lifetime, is therefore rated Modest.

Overall Efficacy Rating

Modest

Primary Reason

Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

Achievement of PDO 3 was substantial. Achievement of PDO 2 (again, measured across the project's full lifetime) is rated modest. This produces an overall efficacy rating under the revised objectives (PDO 2 and PDO 3) of substantial.

The project helped expand the coverage of MIDES' two asset transfer programs—*Redes Territoriales and Cohesión Social* -- that expanded access to productive inclusion programs in rural areas and among indigenous populations. In addition to the expanded coverage, the ICR noted that operation helped introduce important innovations and improvements in these programs (ICR, p. 25).



Overall Efficacy Revision 1 Rating

Substantial

5. Efficiency

The project likely produced important economic benefits, though the ICR did not attempt to quantify these benefits due to lack of appropriate data. An impact evaluation for the *Social Cohesión* program (ICR, p. 22) indicated that the productive inclusion programs supported by this operation, especially *Cohesión Social*, have had direct economic benefits resulting from increased productivity among beneficiaries. Similarly, better targeting of MIDES CCTs, and continuous CCT payments during COVID-19, contributed to strong indirect economic benefits by reducing poverty among beneficiaries.

There were, however, important implementation inefficiencies. Throughout the life of the project, implementation was delayed several times due to multiple factors that affected efficiency significantly. The operation was effectively stalled for the first four years of implementation (ICR, p. 23). The project team later added that there were mainly four key factors behind this lack of progress.

- The first factor was a lack of sufficient budgetary allocation from the MEF. As per the National Budgetary Law of Panama, the project had to wait to receive funds until it was signed. The project received less than 2 million dollars between 2017 and 2018, and such low budget allocation was mostly due to fiscal consolidation in the country during that time.
- Second, there was internal reorganization in MIDES. Between 2016 and 2017, MIDES had gone through an internal reorganization. A new Directorate was created to oversee all CCT programs. The Project Implementation Unit was moved under this new directorate. Project coordinators were changed several times, and decisions were stalled for a long period of time due to these changes, including significant revisions in the project's operation manual.
- The third factor was the delay in signing of an inter-institutional agreement among MIDES, MITRADEL, and INADEH, all of which were responsible for implementing Component 3 activities. The project team noted that it took almost a year and a half to get this inter-institutional agreement signed.
- The fourth factor was the shift in governmental priorities towards addressing extreme poverty. The government initially wanted to focus more on urban areas by adding training and intermediation through MITRADEL and INADES. However, when the government changed, the focus shifted again to rural and indigenous areas. The change in government also affected the implementation of Component 2 in a significant way. The new government converted all temporary social workers to staff in 2016 and created a hold in implementation of activities.

Soon after the first restructuring, the fiscal situation in Panama deteriorated. Despite its commitment to support the project with US\$15 million, the MEF could disburse only US\$4 million in the 2019 budget cycle. This was more than the previous year's disbursement but significantly less than the requirement to implement all components as planned. Between 2019 and 2020, the fiscal situation was the key challenge that affected project implementation adversely.

The 2021 restructuring helped improve implementation efficiency, despite some initial challenges due to the COVID-19 pandemic. Even after the cancellation of US\$15 million during the 2018 restructuring, the Bank



was able to rapidly provide financial support to the country when the COVID-19 crisis hit. The ICR (p. 32) mentioned that MIDES CCTs were at risk due to the tight fiscal situation after the initial months of the pandemic, but project implementation picked up speed after the third restructuring in 2021. The Bank was able to restructure the project and provided the needed financial resources to secure payment for MIDES CCTs.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

- **Relevance of objectives** across the entire project is rated High, as there was full alignment between the objectives, country context, and Bank strategy.
- **Efficiency** is rated Modest across the entire project due to delays of implementation.
- **Efficacy:** Efficacy is rated separately for the original PDOs and the revised PDOs. The overall efficacy rating of the original PDOs was Modest, as the project did not achieve its aggregated original objectives. The overall efficacy of the revised PDOs was Substantial, as the project almost fully achieved its aggregated revised objectives.

According to IEG/OPCS guidelines, when a project's objectives are revised, the final outcome rating is determined by the weight of Bank disbursements under each set of objectives (7 percent, and 93 percent).

With High relevance and Modest Efficiency,

- the outcome is rated Moderately Unsatisfactory (rating value: 3) under the original objectives because of Modest efficacy. With this outcome rating, the weight value of the original objectives is 0.21 (3 x 0.07).
- the outcome is rated Moderately Satisfactory (rating value: 4) under the revised objectives because of Substantial efficacy. With this outcome rating, the weight value of the revised objectives is 3.72 (4 x 0.93).

The weighted outcome values, before and after revision, add up to 3.93 (rounded to 4), which corresponds to an overall outcome rating of Moderately Satisfactory. The following table illustrates the split rating calculations:



Rating Dimensions	Original Objectives	Revised Objectives
Relevance of Objectives	High	
Efficacy		
Objective 1: To increase the efficiency of the social protection system	Modest	---
Objective 2: To improve the income generation capacity of the poor and vulnerable	Modest	Modest
Objective 3: To provide economic support to poor households affected by the COVID-19 pandemic	---	Substantial
Overall Efficacy rating	Modest	Substantial
Efficiency	Modest	
Outcome Rating	Moderately Unsatisfactory	Moderately Satisfactory
Outcome Rating Value	3	4
Amount disbursed (US\$ million)	4.2	55.8
Disbursement %	7%	93%
Weight Value	$3 \times 0.07 = 0.21$	$4 \times 0.93 = 3.72$
Total weighted value	3.93 (rounded to 4)	
Overall Outcome rating	Moderately Satisfactory	

- a. **Outcome Rating**
Moderately Satisfactory

7. Risk to Development Outcome

According to the ICR, the project took several measures to ensure sustainability of the development outcomes, in particular the full implementation of the Single Beneficiary Registry, which was well established within the government's social protection strategy. The project expects that it can help replenish the shrinking pool of eligible beneficiaries and make the CCT program sustainable. Similarly, the significant economic impact of the *Cohesión Social* program and high levels of satisfaction reported by beneficiary households shows great potential for future scaling up.

There are, however, some foreseeable risks that can affect sustainability of the project outcomes in the longer run. For example,

- Complicated and unwieldy fiduciary procedures under Panama's national constitution can adversely affect sustainability of the programs. These features are intrinsic to Panama's country systems and outside the control of the project.



- Lack of capacity and commitment from the government is another challenge that may affect the sustainability of the development outcomes in the long run.
- The government's shifting priorities can also pose some risks to the sustainability of the development outcomes.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project's design had several strengths, but it was laden with some critical weaknesses that adversely affected its achievements. Among its strengths were:

The project development objectives and proposed project activities were aligned with country priorities, and with World Bank strategies at appraisal. The project development objective of improving employment and income generation for the poor directly supported the CPF's second Pillar objective of Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups to complement social assistance with productive inclusion and improving access to basic services. The activities under the three project components were adequately designed to support the country to overcome these challenges. The first component of the project sought to improve the efficiency and management of social programs by supporting the development of social protection system instruments, such as a single registry to serve as a platform for designing and monitoring social programs. The second component aimed to support the strengthening of MIDES' territorial structure and put in place feedback mechanisms to strengthen grievance redress processes. The third component sought to complement social assistance programs by providing access to productive inclusion programs for the target population.

The design at appraisal incorporated lessons learned from previous projects. The design reflected lessons from the previously closed Social Protection Project in Panama, regarding the need to build on, and scale up, activities previously implemented by other agencies and the use of tested contracting mechanisms. It also made use of the community network of Family Committees to ensure cultural pertinence.

Decision making and implementation arrangements were clearly defined at appraisal. The Bank, at entry, assigned decision making at the central level to the Secretariat of the Social Protection System, which was expected to make all decisions on issues regarding project implementation while the Social Cabinet was expected to play an advisory role for social development policies and facilitate discussions of social policy, programs, and strategic evaluation among government agencies. The Bank proposed that MIDES implement the project through its existing institutional structures at the central, regional, and local levels. MIDES was responsible for implementing the project in accordance with the Bank's operational manual to ensure coherence of institutional arrangements, administrative, budgeting, accounting, auditing, reporting, financial, procurement and disbursement procedures, monitoring of indicators, inter-institutional coordination, verification of compliance of independent auditors, establishing of a methodology to calculate unit costs of INADEH training program payments and MITRADEL intermediation payments, and adoption of the operation manual by the government prior to effectiveness. MIDES was also responsible for coordinating social policies at two different levels: horizontal and vertical.



Despite these strengths, design weaknesses were significant. Procurement risk was identified and rated 'Substantial' due to weak implementation capacity of the Administrative Financial Executing Unit in comparison with the expected high workload. Similarly, potential delays caused by the intervention of the General Comptroller's Office prior to signature of contracts, and stringent local procurement regulations practices, were also identified as potential sources of implementation risk. However, assessment of capacity and commitment risks from the government at the design stage were not well specified at entry. Looking back, it can be said that despite the project design being technically sound, implementation of some of its components was not institutionally feasible in Panama given institutional, financial, and capacity constraints. According to the project team, Panama's implementation capacity, in terms of institutional and budgetary factors, was somewhat overestimated by the Bank and the government. The Bank included additional activities in urban areas as per the government's request but failed to adequately assess the ability of the government to fund the additional activities as well as the social development ministry's changing priorities. The Bank also overestimated MIDES' capacity towards inter-agency cooperation. In general, MIDES' focus was more on rural and indigenous areas rather than on the urban areas where most poor people lived. The government's desire to include new activities for urban areas in the project's design was therefore quite ambitious, requiring coordination and synergies with other institutions since MIDES was not in charge of training or labor intermediation. The ambitious goal of reforming ministries was also not matched by the design of appropriate incentive mechanisms to link staff recruitment to specific agency-level actions and results. Similarly, at the preparation stage, a realistic size of the project in line with the country's annual budget allocation was also not assessed correctly. The Bank somewhat failed to critically assess and ensure active involvement of MEF during project preparation to identify realistic budget allocation projections within the time frame of the project and the budget cycle process.

Quality-at-Entry Rating Moderately Unsatisfactory

b. Quality of supervision

Throughout the project's life, the Bank's task team provided close supervision of the operation. The task team conducted regular supervision missions and adequately documented implementation progress and challenges. The task team also provided ongoing technical support to the government in both social protection and implementation of fiduciary and safeguards aspects of the operation. Despite frequent change of task team leaders, the project team maintained institutional memory and continuation in communication with the government.

Three restructurings have shown the Bank's flexibility to respond to the government's changing priorities and to optimize the impact of the loan proceeds. The project was severely delayed in the initial years due to low budget allocations from MEF, changes in the government's priorities, and other factors such as complex approval processes. Reorganization of MIDES' internal structure also put the operation on hold for more than a year. The 2018 restructuring, processed in two steps, involved a cancellation of US\$15 million, and reallocation and adjustments to the project's institutional arrangements to reflect changes in MIDES' organizational structure. The second restructuring in the same year added new activities under Components 1 and 2 and expanded Component 3 along with the revision of the environmental category and related revisions to the results framework. The third restructuring in 2021 was approved to align the project with the World Bank's COVID-19 Crisis Response Approach. New



components were added to guarantee income support and protect the human capital of the poor and extreme poor during the ongoing emergency.

Despite the restructurings, project implementation remained a challenge along several fronts, especially in its initial years. Progress towards achievement of the PDOs and overall implementation progress remained moderately unsatisfactory in the initial years due to very limited progress on the implementation of Components 1 and 2 and a change in government priorities for Component 3. Lack of funding from the government contributed to this slow progress in implementation. Procurement issues, particularly Panama's complex approval processes, also posed significant challenges. The rating for procurement performance was downgraded from Satisfactory to Moderately Unsatisfactory in June 2017 to reflect lack of execution in the activities included in the procurement plans. Safeguards implementation arrangements and reporting on project implementation, and safeguards compliance, were not always clearly documented or maintained throughout the life of the project (ICR, p. 33). The 2020 Implementation Status and Results Report rated Bank performance as moderately unsatisfactory. Allocated funding during the third restructuring in 2021 improved the speed of implementation and helped the project to rebound. According to the task team, accelerated progress with support in response to the COVID-19 pandemic was possible because the required infrastructure to implement CCTs was already there. The project efficiently used the newly reallocated fund to speed implementation of revised activities.

Assessing the strengths and shortcomings discussed above, the Bank's performance at supervision is rated Moderately Satisfactory.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design at appraisal bestowed results monitoring responsibility to MIDES. The project was expected to provide technical assistance and support to the Secretariat of the Social Protection System to enhance its capacity to monitor implementation of activities, and the re-design of the MIDES MIS to consolidate data on project-related activities. The monitoring of activities was designed to be supported through MIDES' MIS system, annual operational audits, World Bank implementation support missions, and surveys on specific programs. The Project Operational Manual was expected to be used as a guide. MIDES was responsible for producing and publishing semiannual monitoring reports on intermediate results on government websites.

MIDES was also responsible for implementing and assessing the MIDES implementation of CCT programs and for the planning and implementation of key evaluations. Project design included a process evaluation to assess the operational functioning of both social programs and social protection system instruments related to accuracy of eligibility, verification of co-responsibilities, and participation in productive and



employability programs. It also included an impact evaluation of CCTs on relevant variables, which was to be designed and contracted with technical support from the World Bank.

b. M&E Implementation

The changes in the results framework in the 2018 and 2021 restructurings affected M&E implementation. The 2018 restructuring, for example, changed the operational definition of a key outcome indicator, the percent of households in productive inclusion programs from the bottom two quintiles, which implicitly reduced the expected coverage of inclusive production programs by roughly half in absolute numbers. The 2021 restructuring eliminated the same indicator and replaced it with a new indicator to capture the operation's impact on improving the income generation capacity of the poor and vulnerable. The operational definitions for the *Redes Territoriales* and *Cohesión Social* programs were modified to enhance precision without affecting the baseline. Due to mobility restriction under COVID-19, the planned household survey for the *Cohesión Social* program was also modified. While the modifications of intermediate result indicators helped track implementation progress, ICR (p. 29) pointed out that eliminating indicators and adding new ones— rather than introducing changes to their operational definitions -- would have facilitated tracking changes in coverage end targets. The ICR (p. 33) also noted that the beneficiaries lacked proper training on basic accounting, creating challenges for data collection on agricultural production as part of the *Cohesión Social* impact evaluation. Lack of these skills hindered producers in identifying and monitoring the effects of changes in practices on production and adoption of more efficient strategies.

c. M&E Utilization

The revised monitoring indicators helped track progress in implementation without major difficulties. The impact evaluation of the *Cohesión Social* program was effective in providing evidence on both intermediate and longer-term factors contributing to the beneficiaries' income generation capacity. It also provided critical inputs for the ICR.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project triggered OP/BP 4.10 due to the inclusion of indigenous peoples as one of the project's beneficiary populations. The project consulted with the indigenous congresses of Panama to prepare an Indigenous Peoples Planning Framework (IPPF). It also disseminated the report both in-country and on the Bank's website before appraisal. The IPPF included the potential impacts of the programs on indigenous people, and informed consultation with the affected indigenous peoples' communities at each stage of project preparation and implementation, institutional arrangements for preparing Indigenous Peoples Plans (IPPs) for each indigenous community, and monitoring and reporting arrangements and disclosure arrangements for IPPs to be prepared during implementation. These IPPs, during implementation, were



prepared by MIDES in coordination with delegates from indigenous communities by each indigenous congress, in consultation with indigenous women's networks and program beneficiaries. IPPs included specific actions for MIDES CCTs to mitigate potential risks and negative impacts and to ensure cultural appropriateness. A draft social assessment, included in the IPPF, was prepared, describing demographic data as well as knowledge gaps on indigenous peoples.

During 2018 restructuring, the project's environmental assessment category was upgraded from C to B. Despite negligible potential impact of the project on the environment, two new safeguards policies -- umbrella Environmental Assessment (OP/PB 4.01) and Pest Management (OP 4.09) -- were triggered due to the inclusion of the distribution of various assets in asset-transfer programs, including livestock and seeds, to beneficiaries. According to the ICR (p. 30), the safeguard instruments were also updated to reflect the risks posed by the COVID-19 pandemic as well as the potential risk of exclusion of beneficiaries from accessing and benefiting from project activities. The ESMP updated during the 2021 restructuring included COVID-19 contingency plans designed to prevent the risk of infection to beneficiaries and key actors during implementation and to temporarily adapt the design and operational procedures of project activities due to the pandemic.

Beyond safeguards, the project also aimed to enhance its mainstreaming of gender dimensions in response to beneficiary feedback, documented by a previous project's qualitative impact assessment.

b. Fiduciary Compliance

There were no significant issues in the project's financial management (FM) performance throughout its life. Delays and shortcomings downgraded its performance rating, but provision of information required to manage and monitor project implementation was reliable and timely. The ICR (p. 30) reported that the rating for procurement performance was downgraded in 2017 to reflect the lack of execution in the activities included in the procurement plans during the first half of the operation's lifetime. Performance improved during the 2020-2021 period, mainly because of the implementation of activities under Component 3 and increased capacity within the Project Implementation Unit. In the last year of project implementation, procurement performance was satisfactory, with the total amount of the loan proceeds being committed and disbursed, and the Project Implementation Unit exhibiting adequate procurement capacity and proactive performance.

c. Unintended impacts (Positive or Negative)

As a positive unintended impact, the ICR (p. 25) reported that MIDES, with the operation's support, put in place a 311 phone line to channel redress and complaints from beneficiaries or potential beneficiaries of MIDES programs.

d. Other

N/A



11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

- **At the appraisal stage, realistic assessment of the size of the project in line with the country’s annual budget allocation can avoid critical implementation challenges.** It is important to ensure active involvement of the MEF during project preparation to identify realistic budget allocation projections within the timeframe of the project and the budget cycle process. Despite full commitment, project implementation was practically stalled for almost four full years due to lack of financial support from the government.
- **Adequate consideration of overall portfolio challenges at the project design stage can improve implementation.** Cumbersome fiduciary procedures under Panama’s national Constitution and frequent staff turnover, even at the technical and fiduciary levels, affected implementation severely. These features are intrinsic to Panama’s country systems and outside the control of the project. At the preparation stage, it is critical to ensure that other financial instruments are considered, such investment projects with disbursement against results, that may reduce the burden of fiduciary procedures.
- **Additional support from the Bank can help achieve positive results when implementation capacity is limited.** In the case of this operation, provision of support for the design and implementation of the impact evaluation of the *Cohesión Social* program yielded significant positive results.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

This is a concise and results-based ICR. The quality of analysis is adequate, with occasional shortcomings. For example, the description of quality at entry is very short; the ICR identified key issues in quality at entry but did not sufficiently explain how they affected project implementation. Additional context for these issues, as clarified



by the task team, could have strengthened the ICR's arguments. The ICR candidly reports the project's achievements and shortcomings during implementation and provides insightful explanations for important elements of the implementation experience. Lessons learned are adequately based on project experience. There is internal consistency overall, with occasional lapses. It would have been useful if the ICR had offered more clarity and specificity on how frequent changes in the results framework during multiple restructurings affected monitoring of project performance, and how these challenges were overcome. Overall, the quality of the ICR is Substantial.

a. Quality of ICR Rating
Substantial