



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROGRAM RESTRUCTURING

OF

DISASTER RISK MANAGEMENT DEVELOPMENT POLICY LOAN WITH A CAT DDO (P122738)

APPROVED ON OCTOBER 18, 2011

TO

REPUBLIC OF PANAMA

URBAN, RESILIENCE AND LAND GLOBAL PRACTICE

LATIN AMERICA AND THE CARIBBEAN REGION

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ABBREVIATIONS AND ACRONYMS

CAT DDO	Catastrophe Deferred Drawdown Option
CODES	Center of Emergency Operations in Health
COVID-19	Coronavirus 2019 disease
DICRE	Directorate of Investment, Concessions, and Risks
DPL	Development Policy Loan
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
GoP	Government of Panama
MINSA	Ministry of Health
PAHO	Pan American Health Organization
PDO	Program Development Objective
PNGIRD	Comprehensive Disaster Risk Management National Policy
PNGR	Disaster Risk Management National Plan (<i>Plan Nacional de Gestion de Riesgo</i>)
RSI	International Sanitary Regulations
SINAPROC	General Directorate of the National Civil Defense System
SNIP	National Public Investment System
WHO	World Health Organization



BASIC DATA

Product Information

Project ID	Programmatic
P122738	No
Regular Deferred Drawdown Option	Catastrophe Deferred Drawdown Option
Yes	Yes
Approval Date	Current Closing Date
18-Oct-2011	30-Nov-2020

Organizations

Borrower	Implementing Agency
Republic of Panama	Ministry of Economy and Finance

Project Development Objective (PDO)

Original PDO

The overall development objective of the proposed operation is to enhance the GoP's capacity to implement its Disaster Risk Management Program for natural disasters.

Summary Status of Financing

Ln/Cr/TF	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-80870	18-Oct-2011	04-Jan-2012	07-Mar-2012	30-Nov-2020	66.00	25.00	41.00

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. INTRODUCTION

1. This restructuring would modify the disbursement trigger under the PANAMA: Disaster Risk Management Policy Loan (DPL) with a Catastrophe Deferred Drawdown Option (CAT DDO) (P122738; Loan No. 8087-PA). The restructuring is necessary to modify the loan agreement to enable drawdowns based on a health-related event due to the imminent or occurring emergency conditions created by the Coronavirus 2019 disease (COVID-19).

B. PROJECT STATUS

2. **Status of the Disaster Risk Management Program.** The DPL with CAT-DDO in the amount of US\$66 million was approved in October 2011 and became effective in March 2012. The Program Development Objective (PDO) is to enhance the GoP's capacity to implement its Disaster Risk Management (DRM) Program¹ for natural disasters. This operation complements other financing instruments in the country that are part of its DRM program. The policy area supported by the CAT DDO focuses on strengthening Panama's institutional and legal frameworks for disaster risk management to address three policy issues: (i) DRM Policy framework and guidelines need to be updated; (ii) an adequate institutional framework is needed to efficiently implement the DRM National Policy (Comprehensive Disaster Risk Management National Policy (PNGIRD)); and (iii) a clear institutional mandate is needed to fully address the GoP's responsibilities for financial protection against disasters as indicated by the DRM National Policy. This approach is fully aligned with the Bank's comprehensive framework for DRM with its emphasis on disaster prevention, as opposed to only disaster response. The CAT-DDO has been renewed two times (2014 and 2017), with one withdrawal in the amount of US\$25 million in April 2016 to mitigate the extensive impacts of the drought caused by *El Niño* during the dry season. Timely access to funds allowed the country to implement critical response activities, including a water well drilling emergency plan in the territories most affected by the drought. Currently, US\$41 million remains available for disbursement under the CAT DDO which is scheduled to close on November 30, 2020.

3. Progress with implementation and with the achievement of the Program's objective are currently satisfactory. With technical support and advice from the Bank, the GoP is addressing the three policy issues under the CAT DDO by: (i) increasing its capacity for disaster risk reduction (DRR); (ii) carrying out disaster risk reduction priority actions; and (iii) developing disaster risk management financial protection policies, strategies, or instruments. The results indicator targets under each of the policy areas of the original policy matrix have been fully met, and additional (non-binding) complementary results were identified during the period leading up to the second renewal:

¹ Panama's DRM Program is anchored in the Comprehensive Disaster Risk Management National Policy (PNGIRD), enacted by Executive Decree No. 1101 of December 30, 2010, which establishes the policy grounds for fostering a more integral DRM program in the country associated with natural and technological hazards. The PNGIRD includes five strategic pillars to guide Panama's DRM goals.



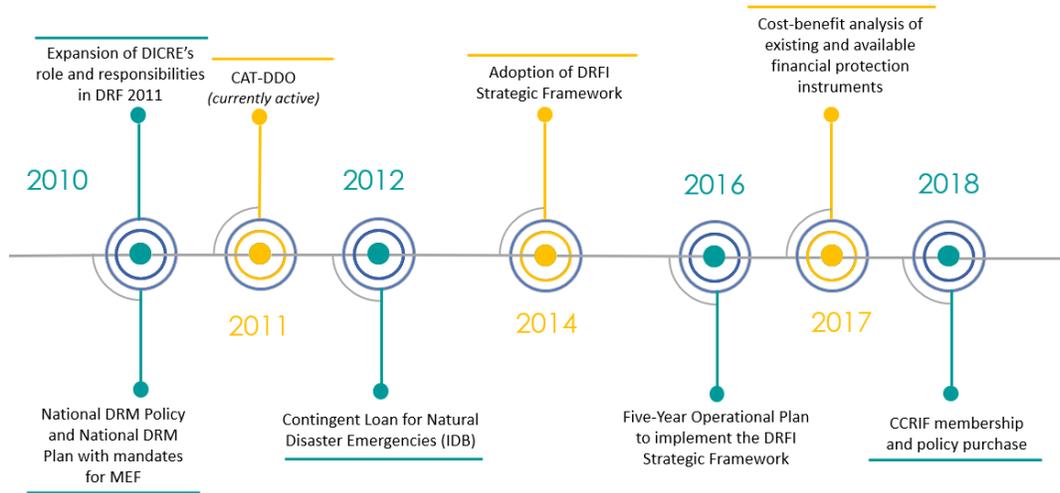
- i. **The GoP has increased capacity for disaster risk reduction (DRR):** Since 2011, the Directorate of Investment Programming within the Ministry of Economy and Finance has prepared a roadmap to ensure that disaster risk criteria are incorporated into the National Public Investment System (SNIP), thereby, meeting the first indicator target. With regards to the second result indicator, the target related to updating the response protocols in six provinces was reached after the approval of the National Disaster Emergency and Response Plan in 2016. As part of the additional results and guided by this National Plan, the General Directorate of the National Civil Defense System (SINAPROC) has continued strengthening the preparedness and response capacities of the country. SINAPROC is also working on a National Disaster Risk Management Plan 2019-2030 which was initially discussed in June 2019 during the first ordinary session of the DRM Platform² and is expected to be signed into Executive Decree in the first semester of 2020.
 - ii. **Key ministries have carried out DRR priority actions identified in the 2011–2015 Disaster Risk Management National Plan (PNGR, *Plan Nacional de Gestion de Riesgo*):** Since 2011, the Ministry of Economy and Finance, Ministry of Housing and Land Management, and Ministry of the Environment, have carried out DRR priority actions included in the 2011–2015 PNGR. In addition, since 2014, the Ministry of Education, Ministry of Health, and the Panamanian National Water and Sanitation Utility Institute have carried out strategic DRM actions under the PNGR.
 - iii. **DRM financial protection policies, strategies, or instruments have been developed:** The targets for this indicator have been met with the adoption of the Strategic Framework in 2014 and the approval of the Five-Year Operational Plan in 2016 (referred to in the original matrix as the DRM financial management program).³ Within the context of the implementation of the Five-Year Operational Plan, the Minister of Finance’s Directorate of Investment, Concessions, and Risks (DICRE) continues to make progress with implementing the Strategic Framework. As part of the additional results identified during the second renewal, DICRE and the World Bank defined several technical assistance activities to incorporate climate and disaster risks into a more comprehensive strategy of fiscal risk management, including promoting the efficiency and transparency of post-disaster spending, and enhancing DICRE’s knowledge of parametric insurance.
4. The DRM policy dialogue between the Government and World Bank has promoted a series of incremental steps that have contributed to the DRM framework for the consolidation of Panama’s Disaster Risk Financing, as summarized in Figure 1.

² The multi-sectoral platform was created through Legislative Decree No. 14 dated January 25, 2013. The platform is led by SINAPROC and brings together more than 40 representatives of state institutions, private companies, organized civil society with the goal of addressing all issues related to Disaster Risk Reduction.

³ The Strategic Framework was developed by DICRE and adopted by Executive Decree number 578 on November 13, 2014. It provides a framework for managing fiscal risk in the event of disasters, and includes five strategic pillars: i) identification, quantification, and understanding of fiscal risk due to disasters; ii) incorporation of risk analysis in the planning of public investments; iii) formulation of components for developing and implementing risk retention and transfer instruments; and v) strengthening of the DICRE to design and implement financial protection strategies. Based on this Framework, the GoP formally adopted by Ministerial Resolution No. 001 on March 2, 2016 a Five-Year Operational Plan to operationalize the Framework. This Five-Year Operational Plan establishes key activities, actions to be implemented under each strategic pillar of the Framework and the institutions responsible for the delivery.



Figure 1: Progress in Disaster Risk Financing in Panama



C. RATIONALE FOR THE RESTRUCTURING

5. COVID-19 poses a critical challenge to the country’s public health system, with wide-ranging social and economic implications for entire communities. Additional liquidity is needed by Governments at an early stage of a pandemic to save lives and reduce costs and improve the quality of service. As of March 18, 2020, 86 positive cases of COVID-19 had been recorded in Panama. The Government of Panama (GoP) has prepared and is currently implementing an Operational Plan of the Health System for the Prevention and Control of Novel Coronavirus (2019-nCoV). The liquidity provided by the CAT DDO would enable relevant institutions to prepare and deliver, in accordance with the Operational Plan, a more substantial, timely and comprehensive response to help address the outbreak of COVID-19 without overwhelming the system. Under the restructuring, the loan agreement would be amended to deem public health-related events such as pandemics of this nature emergencies eligible to trigger disbursement.

6. Since the outbreak of COVID-19, Panama has taken proactive actions under the leadership of its Ministry of Health (MINSAs), which is the national institution entitled to adopt all necessary measures to eliminate all causes of infectious diseases or mortality and control any health factor of local or national relevance.⁴ On January 23, 2020, MINSAs ordered the activation of the Center of Emergency Operations in Health (CODES) to monitor, make recommendations, and initiate preparedness and response activities to address declarations announced by the Pan American Health Organization/World Health Organization (PAHO/WHO).

⁴ MINSAs was created in 1967, by Cabinet Decree No. 1, with the responsibility to execute the promotion, protection, reparation, and rehabilitation of health.



7. On January 28, 2020, the President issued an Executive Decree to adopt all necessary measures contained in the National Coronavirus Plan. On January 23, based on guidance from MINSA, the Ministry of Social Development launched the Action Plan for Promotion, Prevention, and Social Intervention to address the hazard posed by COVID-19.⁵ Furthermore, the GoP declared a State of National Emergency by Cabinet Resolution No. 11 of March 13, 2020, published in the Official Gazette No. 28979-B on March 13, 2020.

8. **Government Systems for Managing Health-related Hazards.** The management of health-related hazards in Panama is based on a robust institutional framework stemming from the Constitution of the Republic of Panama, which establishes in article 109 that one of the essential functions of the State is to protect the health of the country's population. The Sanitary Code for the Republic of Panama was approved by Law 66 in November 1947. In the case of health-related emergencies, Panama follows the protocols of the WHO and PAHO. The declaration of a State of Emergency for health-related emergencies is coordinated by MINSA and issued in accordance with Panama's legislation and in close coordination with other entities, such as the Ministry of Finance and SINAPROC.

9. MINSA's National Plan for Preparedness, Response, and Recovery from Emergencies and Disasters, approved in 2016, is the mandatory institutional planning instrument that establishes the organizational systems, coordination, procedures, responsibilities, competencies, resources, and activities to respond efficiently and in a timely manner to emergencies and disasters.⁶ CODES is the highest decision-making mechanism within the public health sector in situations of sanitary alerts and/or health-related emergencies and disasters. In addition, in 2011, Panama adopted International Sanitary Regulations (RSI-2005) as National Law for the Republic of Panama, which became a legally binding instrument of law for measures to prevent the transmission of international diseases.⁷

II. DESCRIPTION OF PROPOSED CHANGES

10. In the context of the outbreak of COVID-19 in Panama, the World Bank received a letter from the Ministry of Economy and Finance on March 13, 2020, requesting to amend the CAT-DDO's loan agreement to allow the country to disburse funds to address the national emergency generated by COVID-19. Through this change, the GoP plans to disburse the available balance of the CAT-DDO (US\$41 million) to respond to the imminent or current emergency conditions created by COVID-19. The disbursement mechanism would remain the same, with the loan proceeds disbursed into an account at the National Bank of Panama and disbursed into the Ministry of Economy and Finance's designated account to finance budgeted expenditures.

⁵ Resolution 075 of 23rd of January 2020, that mandates the activation of the Center of Emergency Operations in Health in the context of the International Alert declared by the WMO in relation to the outbreak of the Novel Coronavirus (COVID-19). *Gaceta Oficial Digital* No. 20946-B, *jueves 23 de enero de 2020*.

⁶ Resolution 0980 of 18th August 2016, which adopts the National Plan of the Ministry of Health for Preparedness, Response, and Recovery from Emergencies and Disasters. *Gaceta Oficial Digital*, *lunes 22 de Agosto de 2016*.

⁷ The purpose and scope of RSI 2005 are to prevent, protect against, control, and provide a public health response to the international spread of disease in ways that are commensurate with and restricted to public health risks and that avoid unnecessary interference with international traffic and trade.