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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF USD 80 MILLION

TO THE

REPUBLIC OF PANAMA

FOR A

SUPPORT FOR THE NATIONAL INDIGENOUS PEOPLES DEVELOPMENT PLAN PROJECT
February 15, 2018

Social, Urban, Rural and Resilience Global Practice
Latin America and Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective Jan 2, 2018)

Currency Unit = Balboa

1 Balboa = US\$1

FISCAL YEAR

January 1 - December 31

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Country Director: Seynabou Sakho

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

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ABBREVIATIONS AND ACRONYMS

AMPYME	Authority on Small and Medium Size Enterprises, <i>Autoridad de la Micro, Pequeña y Media Empresa</i>
AOPs	Annual Operations Plans
CCAs	Comarca Water Councils, <i>Consejo Comarcal de Agua</i>
CDD	Community Driven Development
CGR	Comptroller General's Office, <i>Contraloría General de la República</i>
CONADES	National Council for Sustainable Development, <i>Consejo Nacional para el Desarrollo Sostenible</i>
CPF	Country Partnership Framework
DA	Designated Account
DISAPAS	Directorate of the Subsector of Water and Sanitary Sewer, <i>Dirección del Subsector de Agua Potable y Alcantarillado Sanitario</i>
DAPOs	Departments of Potable Water, <i>Departamentos de Agua Potable</i>
DPL	Development Policy Loan
ESMF	Environmental and Social Management Framework
FAP	Fiduciary Action Plan
FAO	Food and Agriculture Organization of the United Nations
FM	Financial Management
FMAP	Financial Management Action Plan
FMISSR	Financial Management Implementation Support and Status Report
FECE	Equity and Quality Education Funds, <i>Fondo de Equidad y Calidad de la Educación</i>
FPIC	Free, Prior, and Informed Consent
GoP	Government of Panama
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GIZ	The German Organization for Technical Cooperation
IADB	Inter-American Development Bank
IBE	Intercultural Bilingual Education
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDAAN	Institute of Aqueducts and Sewers, <i>Instituto de Acueductos y Alcantarillados Nacionales</i>
INEC	National Census and Statistical Institute, <i>Instituto Nacional de Estadística y Censo</i>
IPF	Investment Project Financing
IPs	Indigenous Peoples
ISA	International Standards on Auditing
JAARs	Rural Water Committee, <i>Juntas Administradoras de Acueductos Rurales</i>
LCR	Latin America and the Caribbean Region
M&E	Monitoring and Evaluation
MEDUCA	Ministry of Education, <i>Ministerio de Educación</i>

MEF	Ministry of Economy and Finance, <i>Ministerio de Economía y Finanzas</i>
MIDA	Ministry of Agricultural Development, <i>Ministerio de Desarrollo Agropecuario</i>
MIDES	Ministry of Social Development, <i>Ministerio de Desarrollo Social</i>
MINGOB	Ministry of Governance, <i>Ministerio de Gobierno</i>
MINSA	Ministry of Health, <i>Ministerio de Salud</i>
MOU	Memorandum of Understanding
MPI	Multidimensional Poverty Index
OM	Operations Manual
OP	Operational Policy
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PDO	Project Development Objective
PEA	Project Executing Agency
PEC	School Education Project, <i>Proyecto Educativo del Centro</i>
PPP	Purchasing Power Parity
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
QCBS	Quality and Cost Based Selection
RFB	Request for Bids
SCD	Systematic Country Diagnostic
SGDs	Sustainable Development Goals
SA	Social Assessment
SIASAR	Information System on Rural Water and Sanitation, <i>Sistema de Información de Agua y Saneamiento Rural</i>
SINIP	National System for Public Investment, <i>Sistema Nacional de Inversiones Públicas de Panamá</i>
SOEs	Statements of Expenditures
SORT	Systematic Operations Risk Rating Tool
TA	Technical Assistance
ToRs	Terms of Reference
VLD	Voluntary Land Donation
VMAI	Vice Ministry of Indigenous Affairs, <i>Vice Ministerio de Asuntos Indígenas</i>
WASH	Water Supply, Sanitation, and Hygiene
WSS	Water Supply and Sanitation



BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects		
Approval Date 15-Mar-2018	Closing Date 30-Jun-2023	Environmental Assessment Category B - Partial Assessment
Bank/IFC Collaboration No		

Proposed Development Objective(s)

The Project Development Objective (PDO) is to strengthen: (a) the capacity of Indigenous Authorities and the Borrower to jointly plan and implement development investments for Indigenous Territories; and (b) the delivery of selected public services in those Indigenous Territories, as identified in the National Indigenous Peoples Development Plan.

Components

Component Name	Cost (US\$, millions)
Institutional strengthening and governance capacity for the GoP and Indigenous Authorities	5.50
Improved quality and cultural pertinence of select public service delivery in education, health, and water and sanitation in Indigenous Territories	67.00
Project Management, Monitoring and Evaluation	12.50

Organizations

Borrower : The Republic of Panama



Implementing Agency : Ministry of Governance

PROJECT FINANCING DATA (US\$, Millions)

<input checked="" type="checkbox"/> Counterpart Funding	<input checked="" type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 85.20	Total Financing: 85.20		Financing Gap: 0.00		
	Of Which Bank Financing (IBRD/IDA): 80.00				

Financing (in US\$, millions)

Financing Source	Amount
Borrower	5.20
International Bank for Reconstruction and Development	80.00
Total	85.20

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.00	8.90	19.17	21.58	17.60	12.75
Cumulative	0.00	8.90	28.07	49.65	67.25	80.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice



Contributing Practice Areas

- Education
- Governance
- Health, Nutrition & Population
- Water

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● High
7. Environment and Social	● Substantial
8. Stakeholders	● High
9. Other	● Low
10. Overall	● High



COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project

Yes No

Environmental Assessment OP/BP 4.01

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

Legal Covenants

Sections and Description

Steering Committee - Section I.A.2 of Schedule 2 to the Loan Agreement

Not later than (3) three months after the Effective Date the Borrower shall establish, and thereafter operate and maintain, throughout Project implementation, a committee (the Project Steering Committee), chaired by MINGOB and a representative of the Indigenous Peoples Roundtable and comprised of representatives of MINGOB, the Indigenous Peoples Roundtable, MEF, MEDUCA and MINSA, with functions and responsibilities acceptable to the Bank and defined in the Operational Manual, including, inter alia: (i) the endorsement of annual operation plans (“AOPs”); (ii) the review of the progress of Project implementation based on information in each pertinent Progress Report and AOP; (iii) the provision of political and strategic guidance; and (iv) the carrying out of general oversight of the Project and of inter-institutional coordination, to facilitate the participation, cooperation and resolution of high-level outstanding issues among, inter alia, MINGOB, MEDUCA, MINSA, the PEA, the Indigenous Peoples Roundtable, and/or other external actors.



Interinstitutional Arrangements – Section I.A.3 (a) of Schedule 2 to the Loan Agreement

(a) For purposes of carrying out Part 1 and 2 of the Project, and prior to the carrying out of any activity under said Parts of the Project which falls under the administrative jurisdiction of MINSA or MEDUCA (as the case may be), the Borrower, through MINGOB, shall enter into an arrangement with each MINSA and MEDUCA (the Inter-institutional Arrangements), all under terms and conditions acceptable to the Bank, which shall include, inter alia, the obligation of MINSA and MEDUCA to: (i) assist the Borrower, through MINGOB and with the assistance of the PEA, in the carrying out of the corresponding activities under Parts 1 and 2 of the Project; (ii) appoint a representative to the Project Steering Committee; and (iii) provide the necessary counterpart resources to operate and maintain Project investments.

PEA Agreement – Section I.B.1 of Schedule 2 to the Loan Agreement

For purposes of carrying out Parts 1 and 2 of the Project, the Borrower, through MINGOB, shall: (a) not later than four (4) months after the Effective Date, select and hire an entity acceptable to the Bank (the PEA) under terms of reference acceptable to the Bank, and in accordance with Section 5.13 (Procurement) of the General Conditions; and (b) immediately thereafter, make the proceeds of the Loan allocated to finance said Parts of the Project available to the PEA under an agreement (the “PEA Agreement”), to be entered between the Borrower, through MINGOB, and the PEA, under terms and conditions acceptable to the Bank and as set forth in the Project Operational Manual, including the PEA’s obligation to comply the pertinent provisions of this Schedule as applicable to said Parts of the Project.

Action Plan – Section I.C of Schedule 2 to the Loan Agreement

The Borrower, through MEF and MINGOB, shall: (a) not later than thirty six (36) months after the Effective Date (or such other date as the Bank shall establish by notice to the Borrower), carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project and the achievement of its objective (the “Midterm Review”) in accordance with terms of reference acceptable to the Bank, which shall include, inter alia, a review of the results of the report mentioned in paragraph 2 below and an assessment of the conditions for potentially downsizing the PEA or terminating the PEA Agreement (as the case may be), or alternatively continuing with the extension of the duration period of the PEA Agreement; (b) not later than four weeks (or such other date as the Bank shall establish by notice to the Borrower) after the conclusion of the Midterm Review: (i) prepare and furnish to the Bank, an action plan (including a timetable), acceptable to the Bank, which shall include, inter alia, the recommendations and actions to be undertaken by the Borrower resulting from the Midterm Review; and (ii) immediately thereafter, implement or cause to be implemented said action plan in accordance with its terms.

2. Without limitation to the provisions of paragraph 1 of this Section, the Borrower, through MEF and MINGOB, shall, not later than thirty days (30) prior to the Midterm Review (or such other date as the Bank shall establish by notice to the Borrower), prepare and furnish to the Bank a report of such scope and in such detail as the Bank shall reasonably request (which report shall be consulted with the Indigenous Peoples Roundtable and agreed upon with the Project Steering Committee) concerning the readiness for the transfer of Project implementation responsibilities of the PEA in respect of Parts 1 and 2 of the Project to the Borrower, through the PCU.

**Conditions**

Type

Effectiveness

Description

The Additional Condition of Effectiveness consists of the following, namely, that the Borrower has adopted the Operational Manual in a manner acceptable to the Bank.

PROJECT TEAM**Bank Staff**

Name	Role	Specialization	Unit
Dianna M. Pizarro	Team Leader(ADM Responsible)	Senior Social Development Specialist	GSU04
Daniel Jorge Arguindegui	Procurement Specialist(ADM Responsible)	Senior Procurement Specialist	GGOPL
Jose Simon Rezk	Financial Management Specialist	Senior Financial Management Specialist	GGOLF
Ana G. Strand	Team Member	Program Assistant	GSU04
Carlos Marcelo Bortman	Team Member	Lead Public Health Specialist	GHN04
Cristina Elizabeth Coirolo	Social Safeguards Specialist	Social Specialist	GSU04
Eliana Carolina Rubiano Matulevich	Team Member	Gender Specialist	GTGDR
Gustavo Adolfo Perochena Meza	Team Member	Senior Economist	GWA04
Katherine M. Scott	Team Member	Senior Economist	GPV04
Komlan Kounetsron	Team Member	Senior Operations Officer	GSURR
Marcelo Becerra	Team Member	Lead Education Specialist	GED04
Maria Laura Oliveri	Team Member	Poverty Specialist	GPV04
Maria Pia Cravero	Counsel	Counsel	LEGLE
Maria Virginia Hormazabal	Team Member	Finance Officer	WFACS
Michael J. Darr	Environmental Safeguards Specialist	Environmental Specialist	GEN04
Miguel Vargas-Ramirez	Team Member	Senior Water and Sanitation	GWA04



Specialist

Sara Esther Paredes Ponce	Team Member	Executive Assistant	LCCPA
Sean Bradley	Team Member	Lead Social Development Specialist	GSU02

Extended Team

Name	Title	Organization	Location
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COUNTRY: Republic of Panama
Support for the National Indigenous Peoples Development Plan

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I. STRATEGIC CONTEXT

A. Country Context

- Panama has emerged as one of the fastest growing economies in the world.** Between 2008 and 2016, real GDP growth averaged 6.7 percent, more than double the average of 2 percent for the Latin America and the Caribbean Region (LCR).¹ This strong growth stems from numerous factors including the transfer of Panama Canal management and operations to Panama in 2000 and high rates of public and private investment. Panama's continuous improvements in infrastructure have helped to maintain its position as one of the most competitive economies in LCR (after Chile and Costa Rica).² Based on the national poverty line, overall poverty fell from 33.8 percent in 2008 to 22.1 percent in 2016. Extreme poverty also fell, from 15.3 percent to 9.9 percent in the same period.³
- Nevertheless, this growth masks extreme inequality between Indigenous peoples (IPs) and non-Indigenous Panamanians.** Differing rates of poverty reduction have led to the concentration of poor people in rural and Indigenous Territories. While poverty and extreme poverty rates are estimated at 6.5 and 2.5 percent in urban areas, and at 26.6 and 10.2 percent in non-Indigenous rural areas, in Indigenous Territories, about 86 percent of the population live in poverty and 66 percent live in extreme poverty.⁴
- Panama has among the highest ethnic-based inequality in the region with women often being the worst off.** The average daily wage of IPs living in *comarcas* (legally recognized semi-autonomous regions) is US\$3 versus US\$10 per day for non-IP rural people, and US\$17 for the non-IP national average.⁵ IPs lag far behind non-Indigenous populations in terms of access to basic services.⁶ Only 61 percent of IPs had access to piped water and 18.7 percent had access to sanitation, compared to 95 and 63.9 percent of non-Indigenous Panamanians, respectively. School enrollment rates for Indigenous children are almost 10 percentage points lower than for non-Indigenous children and 63.6 percent of Indigenous women do not have a primary education, compared to 55.3 percent of Indigenous men.⁷ Child mortality under five years among Indigenous children doubles that of non-Indigenous children (38 vs. 19 per 1,000 live births), and maternal mortality is over four times higher for Indigenous women than for non-Indigenous women (462 versus 92 per 100,000 live births). As of 2010, life expectancy within Indigenous Territories was estimated to be between 7 and 9 years lower than for the rest of the country.
- The challenges related to inequality are further exacerbated by Panama's exposure to multiple hazards.** Panama ranks 14th among countries most exposed to multiple hazards including intense and protracted rainfall, windstorms, floods, droughts, wildfires, earthquakes and landslides. Climate change threatens to increase vulnerability to these hazards, as they become less predictable, more frequent, and more intense.⁸ The economic and livelihood impacts affect IPs in particular, given their dependence on their

¹ Panama GDP data: Instituto Nacional de Estadística y Censo (INEC), LCR data: WDI, <http://databank.worldbank.org>

² World Economic Forum. The Global Competitiveness Report 2017-18.

³ 2008 data: Alvarado, R. and Diéguez, J. (2011). Actualización de las líneas de indigencia y pobreza, Panama 2011. MEF

2016 data: Moreno, O. (2017). Pobreza e indigencia por ingreso y características socioeconómicas. Marzo 2016. MEF

⁴ CEDLAS and the World Bank. Socio-Economic Database for Latin America and the Caribbean (SEDLAC), 2015. Data is only available for three IP territories.

⁵ 2015 Market Labor Survey Panama.

⁶ 2010 National Population and Housing Census.

⁷ 2010 National Population and Housing Census, cited in *Situación de las Mujeres Indígenas de Panama* (2016): 87.

⁸ Disaster Risk Management Program Panama; Magrin et al., 2007. Latin America. Climate Change 2007: Impacts, Adaptation and



natural surroundings for subsistence (food, medicine, shelter) and customary practices. Especially vulnerable is Guna Yala, an archipelago of 365 Islands where 52 Indigenous communities live, and the coastal areas of Bocas del Toro where several Ngäbe Indigenous communities depend on agriculture for their livelihoods.⁹

5. The GoP is committed to reverse the extreme inequality faced by IPs. The Bank's support in this process is important both for Panama and for the Bank. The GoP has recognized that the *Plan de Desarrollo Integral para los Pueblos Indígenas de Panamá*¹⁰ (referred to as the “National Indigenous Peoples Development Plan” or “Plan”) provides a roadmap to overcome the significant inequities faced by the IP population in a way that respects their vision for development. However, the effective implementation of the Plan calls for a level of dialogue between stakeholders, depth of institutional reform, and capacity to adopt innovations in intercultural service delivery that is new for Panama and challenging within its public-sector context. The Bank is well positioned to provide this support given the institution's extensive experience with IPs across sectors and countries. In addition, the Bank's financial support is important given that there is little scope for private sector investment in basic services due to the high levels of poverty and elevated costs of service delivery in Indigenous areas. In turn, the engagement in Panama provides a unique opportunity for the Bank to create a public good, to be replicated in other countries, by: (a) integrating global experience into a national model for multi-dimensional IP development; and (b) demonstrating how IPs can be full partners in the definition, design and implementation of their own development.

B. Sectoral and Institutional Context

6. Panama has a population of 3.4 million people, of which 12 percent are IPs, coming from seven ethnic groups or peoples,¹¹ each with distinct cultural identities. Most of these peoples live in 12 collective lands and territories that are governed by their traditional Indigenous Congresses/Counsels, of which five are recognized as *comarcas* (see map in Annex 1). The *comarcas*, where 47 percent of IPs live, make up over 22 percent of Panama's land mass and include rich natural resources. The other 53 percent of IPs live in Indigenous communities located in the non-*comarca* collective lands with varying legal recognition, or have migrated to urban areas.

7. Four reinforcing factors underpin the inequalities between Panama's Indigenous Territories and the rest of the country: (a) the remote and disperse nature of Indigenous communities; (b) the lack of service personnel to provide quality and culturally pertinent¹² services; (c) low-levels of public investment; and (d) limited GoP capacity for planning and coordination across sectors and with Indigenous Authorities. Difficult access leads to higher costs for building and maintaining infrastructure, and presents a specific challenge to attract qualified personnel for service delivery. For example, the *comarca* Ngäbe Buglé has 2.2 health workers per 10,000 inhabitants compared to the national average of 29.5 per 10,000 inhabitants.¹³ Whereas the education sector has started to offer intercultural bilingual education (IBE) for first, and in some cases, up to third grade, coverage currently only reaches 20 percent of schools partially due to the limited number of teachers that speak Indigenous languages. In water and sanitation, weak upstream involvement of Indigenous Authorities and low levels of community ownership have resulted in poor sustainability of newly built water

Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the IPCC.

⁹ GFDRR. 2011. Climate Risk and Adaptation Country: Panama.

¹⁰ http://www.pa.undp.org/content/dam/panama/docs/documentos/undp_pa_final_plan_desarrollo_pueblos_indigenas.pdf

¹¹ Bri-Bri, Buglé, Emberá, Guna, Naso, Ngäbe, and Wounaan.

¹² See Box 1.

¹³ Contraloría General de la República – INEC Año 2012.



systems.

8. **Difficult access is exacerbated by low levels of public investment in Indigenous Territories and limited capacity among government agencies to plan and coordinate public investments across sectors and with Indigenous Authorities.** Between 2014 and 2015 only 2.3 percent of total central government investment spending (US\$89.4 million out of US\$3.9 billion) went to Indigenous *comarcas*,¹⁴ even though they are home to 5.7 percent of the population, and half of the extreme poor.¹⁵ Whereas the Ministry of Governance (MINGOB) has held the mandate to promote and coordinate public policy for IPs, historically this mandate has been underfunded, understaffed, and in general, non-operational. At the same time, coordination has been hindered due to the lack of structured platforms for upstream consultation with Indigenous Authorities and among government agencies. As a result, line ministries have invested in Indigenous Territories in an *ad hoc* and marginal way, based on minimal information about local contexts and priorities. Finally, public information constraints, where only 3 of the 12 Territories have standardized disaggregated data, challenge planning and evaluation of development investments and outcomes.

9. **However, important structural change is underway in the government's engagement with IPs, spurred by a dialogue initiated in 2012.** This dialogue was triggered by a series of conflicts that resulted in a violent confrontation in 2012. In response, a political agreement was established to form a National Indigenous Peoples Roundtable (referred to as the "IP Roundtable") that was mandated to prepare the Plan. At the time, the IP Roundtable consisted of representatives of the affected Ngäbe Indigenous communities, the 12 Indigenous Congresses and Counsels, the National Government and representatives from the General Assembly, with the support of the United Nations Development Programme (UNDP).

10. **The Plan represents, for the first time, a national consensus among the 12 Indigenous Congresses and Councils on a common vision for their development.** Its driving principles are: (a) Indigenous Authorities play a leading role as partners in defining and implementing development investments in their Territories; (b) development programs should address the multi-dimensional aspects of poverty and well-being, based on Indigenous cultural norms and values; and (c) development investments should benefit all 12 Indigenous Territories. The 15-year Plan outlines objectives, actions, and indicators around three Pillars: (a) political and legal (governance and land rights); (b) economic (productive activities and food security); and (c) social (access to basic infrastructure and services). In 2014, after two years of consultation, the Plan was approved by all 12 Indigenous Councils and Congresses and presented to the GoP.

11. **The current Administration has demonstrated strong commitment to work with the IP Roundtable and implement the Plan.** What was historically the Directorate of Indigenous Affairs has been upgraded to the Vice Ministry of Indigenous Affairs (VMAI). MINGOB has been invited to participate within the government's Social Cabinet¹⁶ to improve the alignment of social policies and public investments with the Plan. A significant increase of investments has been made to a few of the *comarcas* and in January 2017 a Presidential Decree transferred to MINGOB the resources and mandate to institutionalize the IP Roundtable. Furthermore, this Project commits the GoP to the implementation of the Plan until 2023.

¹⁴ Information is not available for the other seven territories without *comarca* status.

¹⁵ *CGR of Panama*, National Institute of Statistics, Table 343-04, listing current and capital expenditures by all central government institutions in 2014. Data on investment in the *comarcas* is based on 2015 data from the Ministry of Economy and Finance.

¹⁶ The Social Cabinet is the advisory body to the Executive's Cabinet Council on social development. It is a forum to discuss the national social agenda and to prepare, coordinate and evaluate the GoP's social policy.



12. **The Bank’s technical assistance (TA) during project preparation was catalytic to support the GoP and the Indigenous Authorities to start implementing the Plan.** Since 2015, the Bank’s TA has been key to: (a) ensure that the Plan was integrated into MINGOB’s institutional planning and budgeting; (b) promote the meaningful participation of the Indigenous Authorities and communities in the prioritization of sectors and types of investments to be supported by the Project; (c) commission technical sector studies to assess critical structural barriers and approaches to inform investment decisions; (d) explore different implementation alternatives, including fiduciary and results implications; and (e) serve, when called upon to do so, as a trusted third party. Throughout project implementation, the Bank will continue to play a key role to ensure the use of international good practice for administrative, fiduciary, safeguards, and operational procedures and, in doing so, contribute to continuity, transparency, and results.

13. **Through the Project, MINGOB is generating interest from other donors and from GoP line ministries to support the Plan.** The technical work carried out for project preparation is now being leveraged by the Ministry of Health (MINSAs) and the Ministry of Education (MEDUCA) for investment planning. Several national agencies and international donors have expressed interest to support the Plan’s second pillar for productive development, including the Food and Agricultural Organization (FAO), the Inter-American Development Bank (IADB), the Ministry of Agricultural Development (MIDA), and the Authority for Small and Medium Size Enterprises (AMPYME). Others are engaging with MINGOB and the IP Roundtable on issues such as the census, decentralization, and consultation for private sector investments.

C. Higher Level Objectives to which the Project Contributes

14. **The Project aims to strengthen the partnership of the GoP and the Indigenous Authorities to implement the Plan.** In the short-term, the Project will respond to urgent and tangible infrastructure and equipment needs, as prioritized by the Indigenous Authorities. In the medium-term the Project will develop a range of programs, in partnership with partner ministries, to improve the quality and cultural pertinence of service provision in education, health, and water and sanitation. In the long-term, the Project is expected to build the capacity of MINGOB, MINSAs, and MEDUCA to effectively deliver on their respective mandates for IPs, while strengthening the Indigenous Authorities’ capacity to be effective partners in improving the quality of life for their communities.

15. **The Project is fully aligned with the World Bank’s twin goals and is founded in the dialogue carried out through the Systematic Country Diagnostic (SCD), the 2015-2021 Country Partnership Framework (CPF),¹⁷ and a Development Policy Loan (DPL)¹⁸ that was approved in parallel to the CPF.** The SCD highlights the significant inequalities faced by IPs in Panama, despite impressive and sustained economic growth. The CPF is one of the World Bank’s first with a specific focus on IPs. The Project supports Pillars 2 and 3 of the CPF to ensure inclusion and opportunities for marginalized groups and IPs and bolster resilience and sustainability. It does this by expanding access for IPs to health, education, and water and sanitation services, while improving the quality and cultural pertinence of service delivery, and strengthening overall governance and capacity for the effective inclusion of IPs.

¹⁷ CPF (Report No. 93425-PA) discussed by the Executive Directors on March 2nd, 2015.

¹⁸ First Programmatic Shared Prosperity DPL (P151804).



16. **The Project will contribute to national climate change objectives¹⁹ and World Bank climate targets²⁰ by generating climate co-benefits, estimated at approximately 30 percent of total project costs.²¹** This will be achieved by climate resilient and green building design, standards, and construction techniques for infrastructure investments. These include design measures to reduce energy consumption and to increase infrastructure resiliency to the impacts related to current and projected future climate variability and change, including extreme precipitation, flooding, storms, and sea level rise (for coastal investments, for example in the Guna Yala Comarca). It will also be achieved through strengthening of territorial governance, inclusion of relevant aspects of disaster risk management and climate change mitigation and adaptation within the IBE curriculum, and through water and sanitation community training programs (see Annex 1).

17. **The Project's Gender Strategy fosters gender equality and women's empowerment.** This Strategy builds on analysis of Indigenous women's challenges and the results of a national workshop with Indigenous women and their organizations and has been approved by the IP Roundtable. The Gender Strategy aims to address the challenge of significant ethnic and gender-based access gaps and inequalities by focusing on three objectives, namely to: (a) ensure that sectoral services supported under the Project address the unique challenges faced by Indigenous women; (b) strengthen the capacity of line ministries to incorporate gender in the planning and delivery of services; (c) strengthen the participation of Indigenous women in the decision-making processes of Indigenous Authorities and of the IP Roundtable. It outlines standalone activities and specific considerations to be incorporated in the terms of reference (ToRs) of broader activities. The Project's Results Framework includes two gender specific Intermediate Results Indicators, and three others disaggregated by sex (see Annex 2).

Box 1: Strategy for addressing gender equality and women's empowerment in the project

The intersection of gender and ethnicity means that Indigenous women often face multiple disadvantages. In Panama, IPs have very low participation in decision-making bodies, and women are even more marginalized in this regard. They have traditionally been excluded from decision-making in their territories, mostly through gender stereotypes, where men are associated with leadership roles and women with caring roles. Gender gaps in education and health have narrowed, but significant differences remain within Indigenous Territories and compared to non-Indigenous populations. Primary school enrollment rates for Indigenous and non-Indigenous children are similar (92 percent versus 98 percent, respectively) and there is gender parity. However, ethnic and gender gaps in access increase with age. The secondary enrollment rate for Indigenous girls is 72 percent, compared to 82 percent for Indigenous boys and 91 percent for non-Indigenous girls. Primary completion rates are lower for Indigenous girls compared to non-Indigenous counterparts (73 percent versus 97 percent) and by the time an Indigenous woman reaches her prime reproductive age (20-29 years of age), she is six times less likely than a non-Indigenous woman to complete 13 years of education. Factors that prevent Indigenous women from attaining higher levels of schooling in Panama include domestic care responsibilities and high rates of teenage pregnancy, which is more than twice as high for Indigenous girls. When it comes to health, maternal mortality is over four times worse for Indigenous women than non-Indigenous women (462 Indigenous women per 100,000 live births versus 92 non-Indigenous women per 100,000 births). Educational and health gaps not only affect current wellbeing and human capital, but can also carry over to other outcomes and to future generations. An additional challenge faced by Indigenous women is gender based violence, which is prevalent among IPs in Panama.

¹⁹ Reflected in the Government of Panama's Nationally Determined Contribution to Mitigation (2016).

http://www4.unfccc.int/Submissions/INDC/Published%20Documents/Panama/1/Panama_NDC.pdf.

²⁰ World Bank Group Climate Change Action Plan. 2016. <http://pubdocs.worldbank.org/en/677331460056382875/WBG-Climate-Change-Action-Plan-public-version.pdf>

²¹ Based on the Joint Methodology of MDBs for calculating climate co-benefits.



The **Strategy** for addressing gender equality and promoting women’s empowerment within the Project is based on the analysis of challenges faced by Indigenous women and a national workshop with women’s organizations. The Strategy outlines standalone activities, specific considerations to be incorporated within broader activities, and indicators to track progress in closing gender gaps. The Strategy was presented to and approved by the IP Roundtable.

Standalone activities in governance that aim to close gaps in participation in decision-making processes include: (a) the nomination of Indigenous women to be included as official members of the delegations representing the Congresses and Councils that make up the IP Roundtable; (b) the design and implementation of a leadership program for male and female Indigenous representatives; and (c) the creation and operation of technical sub-commissions within the Vice Ministry of Indigenous Affairs (VMAI), including one made up by Indigenous women. The Project will carry out two standalone activities in the education sector: (a) the diagnostic and incorporation of a gender perspective into IBE curriculum design and expansion; and (b) a diagnostic of issues faced by Indigenous women with low educational levels in supporting their children’s education as an input for the capacity building work and sensitization of the broader educational community in Indigenous Territories. In the health sector, the project will support the design and implementation of a capacity building program for midwives in Indigenous Territories. Protocols for prenatal care and delivery will be put in place as part of the overall implementation of the new intercultural health system.

Specific considerations to be incorporated in the ToRs of broader activities include: (a) a component on gender equality in the capacity building program for Indigenous Authorities and government officials; (b) incorporation of a gender lens in the diagnostic of barriers to access higher education; (c) analysis of health centers and hospital hours in the MINSAs institutional diagnostic; (d) incorporation of a gender perspective in the design, construction, and rehabilitation of water and sanitation systems; (e) promotion of women’s participation in JAARs; and (f) inclusion of criteria to create alliances with Indigenous women’s organizations in the design and implementation of training programs.

Indicators: Progress will be tracked via **two Intermediate Results Indicators:** (a) women participating in the IP Roundtable as official members of traditional structures’ delegation; and (b) beneficiary Indigenous communities with JAARs that have women in management positions, as well as **three indicators disaggregated by sex:** (a) number of traditional Indigenous leaders who have completed their leadership, planning, and management capacity building program; (b) graduates of the training program for health personnel in Indigenous Territories; and (c) IPs in beneficiary communities who perceive that they are benefitting from the Plan. With respect to **targets:** (a) it is expected that 100 percent of the Indigenous communities with JAARs will have women in management positions; and (b) for the indicator tracking Indigenous women’s participation in the IP Roundtable, the end target is 30 percent (up from 8 percent), as this is both realistic in the context of the proposed Project and in line with the international benchmark for female political participation. The capacity building program for leaders is designed to help achieve this target.

18. **The Project builds on, and has been designed through, extensive citizen engagement with IPs at the national and community level.** For example, the Project is informed by consultations undertaken in all 12 Indigenous Territories with the participation of 2,178 Indigenous community members, facilitated by their local Authorities and including dedicated workshops with Indigenous women. These consultations helped determine which investments were highest priority of Indigenous communities for inclusion in the Project. Looking ahead, the Environmental and Social Management Framework (ESMF) establishes strategies for beneficiary participation with specific actions to ensure the participation of Indigenous women and youth. The Project Development Objective (PDO) indicators also include a beneficiary satisfaction survey to track IP perceptions over improvements in their territories.



II. PROJECT DEVELOPMENT OBJECTIVES

D. PDO

19. **The Project Development Objective (PDO)** is to strengthen: (a) the capacity of Indigenous Authorities and the Borrower to jointly plan and implement development investments for Indigenous Territories; and (b) the delivery of selected public services in those Indigenous Territories, as identified in the National Indigenous Peoples Development Plan.

20. **The Plan is organized around three Pillars, each of which articulates an overarching objective, specific objectives, and lists of activities to be implemented over 15 years.** The Plan is considered a living document that should be continuously evaluated and updated. In order to define which aspects of the Plan would be supported by the Project, technical and participatory processes were undertaken in coordination with the IP Roundtable to prioritize activities that: (a) are politically, technically, and operationally feasible; (b) would avoid involving the Project in conflictive or intractable issues; (c) respond to urgent basic development needs; and (d) could contribute to overcoming long-term structural barriers to quality and culturally pertinent service delivery in Indigenous Territories. Based on these criteria, the Project will support selected objectives under the Plan's Pillar 1 (governance) and Pillar 3 (social-access to basic infrastructure and services). (See Results Framework and Annex 1).

E. Project Beneficiaries

21. **The Project will benefit IPs who live within Panama's Indigenous Territories²².** The Project's direct beneficiaries for infrastructure investments include approximately 50,000 people who will have access to new and improved schools, health facilities, and water and sanitation systems. These people may also benefit from one or more types of service delivery. Hence, it is only feasible to estimate the number of beneficiaries from each intervention as follows: (a) 200,000 people will have access to higher quality and more culturally pertinent service delivery at 8 health centers and 53 health posts in Indigenous Territories; (b) 8,250 students will benefit from new or expanded IBE, 15,500 will benefit from improved school management, and 200 Indigenous youth will gain access to higher education; and (c) 30,000 people (150 communities) will benefit from capacity building for operation and maintenance of their existing water and sanitation system and, among these, 20,000 people (100 communities) will benefit from the rehabilitation of existing systems. (See Annex 1, Table 3).

22. **The Project's indirect beneficiaries include Panama's entire Indigenous population --approximately 418,000 people--** who will enjoy improved recognition and inclusion in public policy, planning, and investments.

F. PDO-Level Results Indicators

23. **Progress towards achieving the PDO will be measured using the following indicators:**

- **Governance:** National investments within Indigenous Territories, as registered in National System for

²² For the purpose of this Project, "Indigenous Territories" refer to the communities, collective lands, and semi-autonomous territories (*comarcas*) that subscribe to the twelve (12) traditional governance congresses (*Congresos*) and councils (*Consejos*).



Public Investment (SINIP),²³ that are aligned with the Plan and consulted with the relevant Indigenous Authorities.

- **Education:** Schools in Indigenous Territories implementing the new or expanded IBE curriculum.
- **Health:** Patients referred and provided treatment in accordance with intercultural care protocols for four risk areas²⁴ within beneficiary areas.
- **Water and Sanitation:** Water and sanitation systems within beneficiary Indigenous communities reported in the Rural Water and Sanitation Information System (SIASAR)²⁵ as operational and sustainable (with an A or B grade).
- **Citizen Engagement:** Indigenous Peoples in beneficiary communities who perceive they are benefitting from the Plan.

III. PROJECT DESCRIPTION

A. Project Components

24. **The proposed Project includes three components:** (a) institutional strengthening and governance capacity for the GoP and Indigenous Authorities; (b) improved quality and cultural pertinence of select public service delivery in education, health, and water and sanitation in Indigenous Territories; and (c) project management and monitoring and evaluation.

25. **Component 1: Institutional strengthening and governance capacity for the GoP and Indigenous Authorities (US\$5.5 million).** The objective of this component is to enhance the capacity of the GoP and the Indigenous Authorities to carry out key governance functions as outlined in Pillar 1 of the Plan and identified as structural barriers necessary to improve the opportunities and living conditions in Indigenous Territories.²⁶ To do so, the component will finance:

- A. **Subcomponent 1.1: Institutional strengthening of VMAI to effectively plan and coordinate public policies, investments, dialogue, and conflict resolution with IPs,** through: (a) the carrying out of an institutional assessment and the implementation of an action plan to strengthen VMAI's capacity to deliver effectively on its institutional and legal mandate with IPs; (b) the coordination and establishment of consultation platforms with IPs and with other actors to promote the implementation of the Plan; (c) the provision of support for the design and operation of information systems to monitor public investments in Indigenous Territories; and (d) the provision of support for the implementation of relevant sector laws for IPs.
- B. **Subcomponent 1.2: Capacity building and strengthening of Indigenous Authorities for effective governance within their Territories,** through: (a) the carrying out of an institutional assessment and the implementation of an action plan to strengthen the Indigenous Authorities; (b) the purchase of equipment and the provision of support for the carrying out of small-scale infrastructure investments; (c) the

²³ To receive public funds, programs must be registered in the SINIP, managed by MEF, prior to being allocated resources.

²⁴ Initial agreement is that the four risk areas will include: (a) prenatal care and birth; (b) children with diarrhea; (c) children with respiratory issues; and (d) psychosomatic illnesses commonly diagnosed and treated within Indigenous health systems.

²⁵ The SIASAR uses performance indicators and classifies the systems into categories A-D. Systems classified as A or B are considered operational and sustainable. <http://www.siasar.org/en>.

²⁶ Consultation processes and diagnostics under this Component will include a gender component (when relevant) to guarantee Indigenous women's participation and ensure that their priorities are considered.



provision of support for territorial planning processes; and (d) the design and implementation of a leadership program for male and female Indigenous peoples' representatives, including youth.

- C. **Subcomponent 1.3: Institutional strengthening and the provision of support for other selected Borrower's authorities to enhance public planning and investments in Indigenous Territories**, through: (a) the design and consultation of methodologies for the carrying out of selected censuses in Indigenous Territories; (b) the improvement of the SINIP system to track public investment projects for Indigenous Territories and their relevant consultation processes; (c) the carrying out of an institutional assessment and the implementation of action plans to strengthen both MINSA and MEDUCA's capacity to deliver effectively on their institutional mandates with IPs; (d) the preparation and consultation of regulations for relevant sector laws for IPs; and (e) the provision of support for the participation of Indigenous Authorities in municipal developing planning processes mandated under Law No. 66.

26. Component 2: Improved quality and cultural pertinence of select public service delivery in the education, health, and water and sanitation sectors in Indigenous Territories (US\$67 million). The objective of this component is to improve the quality and cultural pertinence of service provision in the health, education, and water and sanitation sectors in Indigenous Territories as outlined in Pillar 3 of the Plan and prioritized during the Project's consultation process.

- A. **Subcomponent 2.1: Improved quality and cultural pertinence of educational service delivery and opportunities in Indigenous Territories.** This subcomponent will finance: (a) the design and construction of new, or rehabilitation or expansion of existing, educational centers; (b) the design and expansion of the intercultural bilingual education (IBE) curriculum; (c) the provision of technical assistance to improve school management; and (d) the design and implementation of a program to promote access, retention, and pertinence of higher education for IPs.
- B. **Subcomponent 2.2: Improved quality and cultural pertinence of health service delivery in Indigenous Territories.** This subcomponent will finance: (a) the design and construction of new, or rehabilitation or expansion of existing, health posts and centers; (b) the design and implementation of an intercultural health system, including the development of intercultural health protocols; and (c) the carrying out of capacity building activities for health care providers working in Indigenous Territories.
- C. **Subcomponent 2.3: Improved quality of water supply and sanitation in Indigenous Territories.** This subcomponent will finance: (a) the design and construction of new, and rehabilitation of existing, water and sanitation systems; and (b) the design and implementation of a capacity building program to improve the operation and maintenance of water and sanitation systems and promote behavioral change in basic hygiene and sanitation practices among Indigenous communities.

27. Component 3: Project Management, Monitoring and Evaluation (US\$12.5 million). Provision of support for Project supervision, planning, coordination, social management, communication, monitoring and evaluation, including the carrying out of the Project's audits and the hiring of the Project Executing Agency (PEA).



Box 2: Cultural Pertinence

For this Project “*cultural pertinence*” is defined as: “incorporating the voice and preferences of beneficiary populations, as established by their cultural norms, values and ways of living, into the design and delivery of investments and the measurements of their success.”

Respect for cultural identity is at the core of Panamanian IPs’ call for recognition of their rights and ways of living. Culture drives social constructs, behaviors, preferences, aspirations, and life choices. The concepts of collectivity, reciprocity, and harmony with the natural environment are key elements of this identity. These concepts are reinforced by the remote and disperse locations where Panama’s IPs traditionally live, and where their physical and spiritual survival requires an understanding and dependence on the natural surroundings for medicine, food, shelter, and other needs.

Lack of cultural pertinence in public investments and service delivery is considered by the Indigenous populations in Panama as a violation of their rights and a contributing factor to these services’ low levels of effectiveness, mirroring global experience. Neglecting consideration of cultural pertinence in how to deliver investments can lead to failure both in terms of results and sustainability, or worse, distortions in traditional practices and identity, local conflict, or a breakdown of traditional social safety networks. Examples of this are water systems that fail soon after they are built due to weak ownership of the communities tasked with their operation and maintenance; teachers who don’t speak local languages or curriculum and materials with images and concepts completely foreign to the local context; or mistrust and distaste for Western medical professionals due to their failure to use familiar practices such as touching their patients, or allowing patients to be accompanied by trusted traditional medical practitioners.

This Project aims for cultural pertinence in three ways: (a) ensuring that the project is fully aligned with the aspirations and priorities of the people it intends to benefit; (b) creating and expanding the intercultural bilingual education system and designing an intercultural health system; and (c) improving the cultural sensitivity of civil servants and public service providers.

B. Project Cost and Financing

28. **The total cost of the Project is estimated at US\$85.2 million**, to be financed by a IBRD Investment Project Financing loan of US\$80 million and US\$5.2 million from the GoP.

Table 1: Project Costs by Component and Financing

Project Components	Project cost	IBRD or IDA Financing	Counterpart Funding
Component 1: Institutional strengthening and governance capacity for the GoP and Indigenous Authorities	5.50	5.50	0
Component 2: Improved quality and cultural pertinence of select public service delivery in education, health, and water and sanitation in Indigenous Territories	67.00	67.00	0
Component 3: Project Management, Monitoring and Evaluation	12.50	7.50	5.00
Total Costs (\$ mil)	85.00	80.00	5.00
Total Project Costs	85.00	80.00	5.00
Front End Fees	.20	0	.20
Total Financing Required	85.20	80.00	5.20



C. Lessons Learned and Reflected in the Project Design

29. **The Project builds on lessons learned and innovations from the Bank's LCR IP engagement and Bank-financed projects in Panama, Costa Rica, Guatemala, Ecuador, Bolivia and Nicaragua.**²⁷ These include ensuring: (a) complementarity and mutual respect between western and traditional systems; (b) robust stakeholder and risk analyses; (c) participation and ownership of IPs during project preparation and implementation; and (d) structured upstream engagement with IP representatives and organizations.

30. **From Panama, lessons from projects financed within Indigenous Territories include:**

- The need for effective upstream engagement with territorial Indigenous Authorities to avoid implementation delays, weak community ownership, and poor sustainability;
- The need to consider complex logistics, limited construction time windows (due to climatic conditions), and additional costs to transport materials to remote locations to avoid unexpected delays and deserted tender processes (MEDUCA's Ranch Schools Eradication Program); and
- For complex or multi-sectoral projects, the use of an experienced implementation agency can bring gains for agility and inter-institutional coordination, while maintaining the integrity of fiduciary oversight (IADB-financed Commercial Competitiveness and Openness Project).

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

31. **Implementation arrangements would balance the need for rapid delivery of high priority works and services while allowing for long-term capacity building.** This is a complex, high-risk project with several aspects that are being piloted for the first time in Panama. Adaptive management of implementation and capacity strengthening will respond to both needs. The implementation approach builds on experience in other Bank and IADB financed projects in Panama, lessons from the Bank's IP engagement in LCR, and experience in Bank-financed projects with IPs in other LCR countries.

32. **Throughout implementation, the Project will be led by MINGOB with the technical participation of MINSA and MEDUCA, while the IP Roundtable will serve as the platform for ongoing consultation and coordination with Indigenous Authorities.** The Project will be overseen by a Project Steering Committee (PSC) that will be co-Chaired by the Minister of MINGOB and a representative of the IP Roundtable, and be comprised of two more delegates representing the IP Roundtable, and a representative each from MINGOB, Ministry of Finance (MEF), MINSA, and MEDUCA. The PSC will be established through a MINGOB Ministerial resolution with other ministries participating per the Inter-Institutional Agreements²⁸ and procedures established in the Operations Manual (OM). It will meet at least twice annually to endorse annual operations plans, review progress, and resolve high-level issues affecting the project.

33. **A Project Coordination Unit (PCU) within MINGOB's VMAI will oversee project implementation, and will implement Component 3.** Initially the PCU will: (a) coordinate the Project, make budget and approval

²⁷Reducing extreme poverty and fostering prosperity among IPs and Afrodescendants in LCR (P154045), the GT *Creceer Sano* Project (P159213), the EC Supporting Education Reform in Targeted Circuits (P152096), the CR Higher Education (P123146), as well as lessons from the Bank's WSS Services for Indigenous Peoples in LCR Toolkit (P152977), the LCR Flagship study "Indigenous Latin America in the 21st Century" (2016) and from the WB-FlAY Guidance Notes on Application of IP Rights in Health and Education, 2017.

²⁸ These are referred to in the Project Loan Agreement as "Inter-Institutional Arrangements".



requests, and report to the Bank, MEF, Comptroller General's Office (CGR), and the PSC; (b) contract and supervise an implementing agency; (c) prepare AOPs; (d) ensure implementation of the Inter-Institutional Agreements with partner agencies; (e) implement the communications strategy; (f) design and implement the monitoring and evaluation system; and (g) hire project auditors. The PCU will serve as the primary channel of communication and coordination with the IP Roundtable and other parties. The PCU has been established within MINGOB, and will report to the Vice Minister of VMAI. The 2018 budget request has been processed with MEF to secure local funds for staff and operating expenses. The PCU includes three technical IP representatives who are chosen by and report to the IP Roundtable.

34. For at least the first three years, a PEA will carry out implementation per the OM. Hiring such an agency will respond to the need for: (a) rapid initiation of project activities; and (b) the lack of implementation capacity among the relevant GoP institutions. There are high-expectations for prompt delivery of investments and services, given that the IPs have worked with MINGOB and other stakeholders for years to prepare the Plan and establish priorities. The PEA will be hired through a competitive process, with a three-year contract (potentially renewable in whole or in part for the remainder of the Project). For Components 1 and 2, the PEA will manage all procurement processes, contracting, payments, and accounting, and prepare fiduciary, safeguards, and technical progress reports as requested by the PCU for relevant GoP institutions and for the Bank. The PEA will include project management, financial management, procurement, technical, and safeguard specialists. Only under exceptional circumstances (for example, if there is a need to carry out initial activities before the hiring of the PEA), the PCU could procure and administer contracts for activities under Components 1 and 2 per the Inter-Institutional Agreements and with prior written authorization by the Bank.

35. A Mid-Term Review (MTR) will assess whether the functions carried out by the PEA could be handed over entirely or in part to the PCU, and the PEA phased out or downsized. Prior to the MTR, MINGOB will provide to the Bank an assessment that has been consulted with the IP Roundtable and agreed with the PSC. The assessment will provide an account of achievements of Component 1 in strengthening institutions, the evolving capacities of the relevant agencies, and the legal and implementation implications of transferring ongoing contracts. It will propose which—if any—functions would be moved from the PEA to the PCU. During the MTR, readiness criteria will be used to determine any changes to implementation arrangements (see Annex 2). Any functions no longer carried out by the PEA would become the responsibility of the PCU. The PEA contract could be renewed, for all or some functions.

36. Partner agencies are institutions responsible for the technical review, approval and long-term operation of investments within their sectoral purview. The roles and responsibilities of these agencies are defined in the Inter-Institutional Agreements (MEDUCA and MINSAs) and Memoranda of Understanding (other agencies), and in the OM. The partner agencies will ensure that the Project investments will be allocated the necessary budget for operating costs once delivered. The PEA can support partner agencies with consultants as part of the institutional strengthening action plan.

37. The IP Roundtable will serve as a permanent platform for coordination and consultation with IP Authorities to ensure Project alignment with the Plan. In addition to assigning technical representatives to the PCU and other representatives to the PSC, the IP Roundtable ensures that all 12 Congresses and Councils are kept informed and have a structured space through which to provide feedback to the PCU and PEA throughout project implementation. The Roundtable will meet at least four times a year. Bank supervision missions will be timed to coincide, as feasible with IP Roundtable meetings.



B. Results Monitoring and Evaluation

38. **The Monitoring and Evaluation (M&E) of the Project will be carried out by the PCU, with a full-time specialist.** The establishment of baseline and tracking of results indicators will draw from existing data sources, project progress reports, baseline and data collection in the activities where this is required, and procuring surveys or data analysis as needed. The three available systems with credible information are MEDUCA's information system on IBE, MINSA's SIASAR, and MEF's SINIP. The M&E specialist will work with MEF to track the governance PDO indicator and commission the baseline survey on beneficiary perceptions. In addition, the M&E specialist will work with the PEA to ensure that project progress reports include indicator tracking. To track progress on gender, the Results Framework includes two gender-specific Intermediate Results Indicators and three others disaggregated by sex.

39. **Beyond the Results Framework, Project M&E will assess the effect of interventions, broader systemic changes to which the Project may be contributing, and the creation of local feedback mechanisms.** Studies will assess whether the scope or methodology of interventions could be improved during project implementation and future investments. The M&E system will monitor evolutions toward which the Project may contribute, such as trends in overall public investment in Indigenous Territories. Equipment will be purchased and training provided for Indigenous Authorities to allow for real-time information collection to inform the PCU of works progress, grievances, or other issues.

40. **Finally, beyond the specific Project M&E system, Component 1 will make significant investments to improve the quality and quantity of data on IP development in Panama.** These contributions should inform policy and investment planning and improve the capacity of the GoP to respond to development deficits. These investments include: (a) design, training, and equipment for a more inclusive methodology for census data collection; (b) data collection to update and integrate additional Water Supply and Sanitation (WSS) systems and communities into the SIASAR; (c) updating and improving the geo-referenced public investment database for Indigenous Territories²⁹; and (d) creating an information system for education and health services available in Indigenous Territories.

C. Sustainability

41. **Project sustainability is rooted in: (a) IPs' continued ownership of the Project and sense that it is contributing to implement their Plan; (b) the GoP's commitment and political will; and (c) increasing institutional capacity of the GoP to deliver services and investments in Indigenous Territories.** The Project will support the institutionalization and strengthening of the IP Roundtable and the Indigenous Authorities' direct participation in supervision and oversight of project implementation through their role in the PSC and PCU. Although the GoP's future investment commitments are limited to annual budget cycles, the MEF envisions this Project as a first phase to create the institutional platform and capacity for the long-term implementation of the Plan. The Inter-Institutional Agreements governing project implementation require the commitment of the relevant partner ministries to resource long-term staffing, operations, and maintenance of all project infrastructure investments. This interest is expected to increase as the Project demonstrates results. Component 1 will support institutional strengthening for MEDUCA, MINSA, and MINGOB to strengthen their capacity to deliver on their mandates for IPs and the Plan. In addition, Component 1 will

²⁹ This database was created during Project preparation to inform design decisions and is the first-time information is available for all Indigenous communities as opposed to only for three *comarcas*: Ngäbe Bugle, Guna Yala, and Emberá-Wounaan.



support the strengthening of key cross-cutting functions: monitoring public investments and service delivery in Indigenous Territories, preparing and consulting the regulatory framework for relevant laws, and coordination and dialogue platforms.

D. Role of Partners

42. **Some development partners are active in the health, education, and water and sanitation sectors and have investments targeting Indigenous Territories.** In 2017, the President's national strategy for poverty reduction, Plan Zero Poverty, recognized the Plan as the framework for action in Indigenous Territories. In July 2017, MINGOB and the Food and Agriculture Organization (FAO) signed an agreement to begin investing in Pillar 2 on productive development and food security. Similarly, both MEDUCA and MINSA are implementing IADB-financed projects in education, health, and water and sanitation with some investments in Indigenous Territories. While the Project does not envision co- or parallel financing from other development partners, it will ensure coordination and complementarity with them. For example, Project activities in water and sanitation will focus on community and regional service providers' capacity to contribute to the sustainability of systems built by projects supported by the IADB or the National Council for Sustainable Development (CONADES). The Project will continually seek to forge partnerships to improve coordination, and enhance the efforts of MINGOB and the Indigenous Authorities to implement the Plan.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

43. **Overall Project risk is assessed as High.** Below are the seven main risks that could affect the achievement of the PDO, and their mitigation measures.

44. **The political and governance risk is rated high.** The government and Indigenous Authorities are fully committed to the Plan. However, this commitment may be affected by the 2019 Presidential elections. The leadership and ownership of the IP Roundtable over the Plan and the Project mitigates this risk to some extent.

45. **The risk for institutional capacity for implementation is rated high.** MINGOB's lack of experience in the management of similar projects and limited capacity for taking on this relatively new agenda may affect project implementation and coordination of the multiple actors. While partner ministries have experience with project loans, they have not fully developed capacity to work in Indigenous Territories. This risk is mitigated through: (a) the creation of a PCU within the VMAI staffed with a coordinator and a small team of competitively hired staff; (b) the hiring of an experienced implementing agency to handle project implementation for at least the first 3 years of the project's duration; (c) the financing of an institutional assessment and plan to strengthen MINGOB, MINSA, MEDUCA, and each of the 12 Indigenous Congresses and Councils; and (d) Inter-Institutional Agreements, outlining the roles, responsibilities, and relations of institutional partners.

46. **The fiduciary risk is rated high.** Panama's standard controls for the use of public funds require review of every contract and payment by the CGR, taking on average 3 months for each contract and 1-3 months for each payment, which could slow implementation. To mitigate this risk, MINGOB, in consultation with the CGR, proposed to implement Components 1 and 2 of the Project with the support of an experienced PEA, where



CGR would review and ratify the PEA contract, AOPs, and disbursement requests, retaining rights to carry out fiscal reviews and audits as deemed necessary. This arrangement would replace the review and ratification of each third-party **contract** and payment, allowing for more agile implementation. However, a residual risk is introduced as the PEA cannot be hired until the Loan Agreement is declared effective. Any significant delays in contracting the PEA would delay project implementation. Mitigation measures for these risks include: (a) MINGOB will initiate the PEA bidding and procurement process in early 2018, with ToRs considered adequate by the Bank; (b) eligible firms have been pre-identified as part of the Project Procurement Strategy for Development (PPSD); and (c) a dated covenant is included within the Loan Agreement for hiring the PEA. An additional fiduciary risk is introduced by the possibility of reducing or eliminating the PEA at mid-term, and transferring fiduciary roles to the PCU. This is mitigated by the establishment of criteria for such a transfer, which would require the demonstration by the PCU of adequate capacity to assume PEA functions without significant implementation delays.

47. **The stakeholder risk is rated high.** Given the multi-dimensional nature of the Plan and the solutions required to address IP development challenges, the Project has been required to adopt a multi-sector approach involving multiple actors. The primary risk is that partner agencies, which do not receive funds directly or “own” the Project, could lose interest and fail to deliver on their agreed roles and responsibilities. The measures to mitigate this risk include: (a) strong participation of the partner agencies during project preparation and in the definition of the range of activities to be financed within their sectors; (b) Inter-Institutional Agreements (for MINEDUCA and MINSA) or Memoranda of Understanding (for other agencies) that detail the expected scope of work, roles, and responsibilities; (c) the budgeting of resources to reinforce partner agencies for meeting their commitments under the Project; and (d) the existence of the PSC to resolve inter-agency conflicts and provide high-level support.

48. **The sector strategies and technical design risk is rated substantial.** The primary risk with the technical design and multi-sector nature of the project is the complexity it introduces for implementation and decision-making processes, involving multiple actors and possible delays. Realistic timeframes have been calculated to account for the administrative processes of the agencies involved and incorporated into the Project’s implementation plan. The PEA will be critical to mobilize technical, operational, and administrative processes among the different partner agencies. Additional risk stems from the remote nature of many communities where project activities will take place and heavy rainfall in Panama that can limit the timeframe of suitable construction conditions. This risk cannot be fully mitigated but logistics alternatives have been explored and, when necessary, will be coordinated through the PEA.

49. **The environmental and social risk is rated substantial.** The primary social risks related to this Project include: (a) conflicts that could arise between the GoP and IPs for reasons external to or generated by the Project; and (b) delivering on the high expectations generated among IPs after several years of consultation and preparation of the Plan and the Project. These risks are mitigated through: (a) maintaining an open, transparent, and fluid dialogue with Indigenous Authorities through the IP Roundtable and through their participation in the PSC and PCU; and (b) identifying strategies to start implementing tangible works and services within IP communities as quickly as possible upon Project effectiveness. The Project’s ESMF, Grievance Redress Mechanism (GRM), and Communications Strategy also serve to mitigate these risks.



VI. APPRAISAL

A. Economic and Financial (if applicable) Analysis

50. **Overall, the results of the economic analysis show a positive net benefit of the different investments proposed under the project.** Investments in water and sanitation showed the greatest returns followed by education and health. The assessment was largely based on a sample of communities and investments that have been identified for Project financing although national-level data were also used. The analysis only accounts for direct beneficiary effects, ignoring potentially significant spillover effects on neighboring communities, and thus is on the conservative side and may well underestimate the returns on the proposed investments.

51. **The cost-benefit analysis estimated the net benefits on an incremental basis under the two scenarios of *with* and *without* the project.** Considering the importance of Components 1 and 3 in ensuring the successful implementation of Component 2 investments, the analysis includes the spending on the investments plus a proportional allocation of the costs of the other two components. For each sector, a specific approach was applied to estimate benefits. For water and sanitation and health the method applied was costs avoided. Benefits from water investments were estimated as the amount households would save on water costs while sanitation benefits were estimated as the saving in health costs associated with improved sanitation. For health, the investment benefits were measured as the avoided cost of premature death and morbidity caused by preventable disease. In contrast, the benefits from education investments are expected to increase educational attainment and thus the levels of labor income that beneficiaries will earn. The benefit of the education investment thus is measured as the probability of increased income. All activities were appraised measuring the flows of costs and benefits for the lifetime of the interventions, estimated at 20 years. The flow of costs and benefits were discounted at a rate of 6 percent.

52. **The interventions in water and sanitation show particularly strong effects, with the expected returns being 12 percent and the net benefit close to US\$4 million.** Water costs in the communities sampled are high; thus, any improvement in access to potable water has potentially large savings on direct costs. The variation in water costs is, however, quite large and, as the sample of communities was taken in only two territories, the actual benefits to the water interventions in any given community under the project may differ substantially.

53. **Education investments that will increase access to, and the quality of, the educational infrastructure itself are also shown to have a net benefit on graduation and enrollment rates.** Notwithstanding, there is substantial uncertainty concerning the extent to which the education interventions will be able to improve enrollment levels and graduation rates given the opportunity costs of children's time and the limited labor markets in the remoter areas. For this reason, the evaluation was conducted using a Monte Carlo Simulation that estimated the probability of enrollment and attainment increasing and then quantified the impact on earnings. The results show that there is a 77 percent likelihood of the education investments having returns higher than the 6 percent discount rate and thus providing a net benefit.

54. **The evaluation of the health interventions was conducted by testing different scenarios of possible outcomes of health improvement.** As no analytic work has been done in Panama quantifying the link between access to a health facility and health improvement, the evaluation of the impact was based on the economic impact of premature death in terms of lost wages and economic outputs generated now and in the future.



Three indicators were chosen as the most representative of poor health in the communities and are also related to conditions that are largely preventable: (a) maternal mortality rate, which in the Indigenous communities is over four times the national average; (b) under-5 mortality rate, which is twice as high as the national average; and (c) morbidity that is caused by anemia. Results show that if each of these indicators were to improve by 15 percent, the intervention would yield a 10 percent return and net benefits of US\$0.5M, as a conservative estimate. Even if the indicators were to improve by 30 percent in these communities, they would still lag far behind the national levels. Given the progress Panama has made in other areas of the country, a 15 percent improvement across the indicators appears achievable.

55. Given the high levels of poverty, deficit in service delivery and the elevated costs of delivery in Indigenous areas, public funds are the appropriate channel for financing. There is little scope for private sector investment in these basic services as the very poverty of the communities and the lack of profitability in providing the services creates a situation wherein public service provision is needed. In the case of water and sanitation services, the communities themselves are involved in the operation and management of new systems that are built.

B. Technical

56. The current project design was defined after assessing the potential of different approaches to contribute to systemic change within a public-sector environment with weak capacity to deliver in Indigenous Territories. The design builds on prior experience with Bank and IADB financed projects in Panama and the Bank's broader experience and engagement with IPs and service delivery to communities that are highly vulnerable or located in remote areas. Alternative options considered included Community Driven Development (CDD), implementation through multiple line agencies, working solely on governance, and/or limiting project interventions to one sector. Whereas the project's investments are prioritized and validated by beneficiaries, similar to CDD, the direct transfer and management of resources by communities would not have allowed for the scale of investments needed, nor would it have addressed the need to strengthen the GoP's capacity. The option of implementing through multiple line agencies was overly complex from a fiduciary perspective and would not provide an integral response as called for in the Plan. An approach that only strengthened governance capacity was not feasible as communities expect responses to urgent needs in infrastructure and service investments. A one-sector approach would deviate from the Plan's multi-dimensional approach to development.

57. The proposed approach supports short-term results for multi-sector development in all Indigenous Territories while addressing structural issues in governance and capacity for long-term change. It provides interim solution to overcome limited public-sector implementation capacity and slow administrative procedures while capacity is strengthened. It also ensures longer-term sustainability of investments made, by including and supporting sector partner ministries to participate in the planning of investments, selection of contractors, and approval of products, services, and infrastructure delivered. The Project is designed to create an operational platform for the Plan's implementation to attract additional resources from other donors, national public funds, and the improved participation of Indigenous Authorities in municipal-level development planning.

58. While MINGOB is the only agency with the appropriate mandate to take on a multi-sector project for IPs, its capacity to do so needs to be strengthened. VMAI will benefit from institutional capacity building so that, over time, it can take on those roles from the PEA that are part of VMAI's core mandate.



C. Financial Management

59. **The Bank has assessed the implementation arrangements.** A Financial Management Action Plan (FMAP) containing Financial Management (FM) risk mitigation measures was prepared and agreed upon with MINGOB. The conclusion of the assessment is that, once MINGOB implements the FMAP, it will have the required capacity to carry out the FM tasks.

D. Procurement

60. **Procurement will be carried out in accordance with “World Bank Procurement Regulations for IPF Borrowers” (July 2016, revised November 2017) (Procurement Regulations).** A Procurement Plan covering the first 18 months of project implementation was prepared by the Borrower and agreed with the Bank based on the PPSD results.

61. **MINGOB, through the PCU, will be responsible for the overall implementation of the Project and for the hiring of the PEA, as well as a few contracts to implement Component 3.** The PEA will be responsible for the implementation of the procurement activities included in Components 1 and 2. The partner ministries will remain responsible for decision making in relation to the technical aspects of the procurement activities (processes and contract administration) and technical aspects of the envisaged procurement activities will require appropriate coordination among all stakeholders.

62. **MINGOB has no experience in projects financed by the Bank and will strengthen the PCU with a team of qualified experts.** The PCU and PEA will carry out procurement activities, thus both agencies will: (a) hire a senior procurement specialist with appropriate qualifications and competencies, and ToRs acceptable to the Bank; and (b) have appropriate facilities, office and IT equipment, procurement record systems, support staff, and the resources needed to comply with their obligations in a timely manner.

63. **The key issues concerning procurement for project implementation include:** complex inter-institutional arrangements, the selection and management of the PEA, as well as the management of contracts in Indigenous Territories. In addition, factors such as climate, topography, access to sites, market conditions, tropical diseases, violence and security issues, could have a significant impact on the implementation of the activities. Project implementation support will provide careful attention to these challenges and provide technical assistance as necessary.

E. Social (including Safeguards)

64. **The Indigenous Peoples Policy (OP/BP 4.10) is triggered and Project preparation has been informed by free, prior, and informed consultation and has attained broad support from Indigenous beneficiaries.** A separate Indigenous Peoples Plan (IPP) was not prepared as all beneficiaries are Indigenous and per OP/BP 4.10, the Project is considered an Indigenous Peoples Project. This in turn requires that the Policy’s objectives are integrated within the Project’s overall design, informed by the Social Assessment (SA) and consultation processes, and specific procedures to ensure compliance with this Policy are incorporated into the OM. A SA was prepared and community consultations were undertaken in all Indigenous Territories between August 2016 and April 2017 with the participation of 2,178 Indigenous community members, including dedicated workshops with Indigenous women. The consultations served to identify each Territory's priorities for investments, social risks, and mitigation measures for project implementation. These include: (a) ensuring



meaningful consultation and participation of relevant Indigenous stakeholders during implementation; (b) conflict resolution and grievance redress; and (c) strategies to promote the inclusion of Indigenous women and youth. The SA was published on January 17th, 2018 on both the Bank's and MINGOB's websites.

65. **The Involuntary Resettlement Policy (OP/BP 4.12) is not triggered given preferences expressed by Indigenous Authorities and partner ministries to avoid all works that would require involuntary land acquisition or resettlement.** This corresponds with the current practices of the partner ministries involved in the Project (MINSA, MEDUCA) for works in Indigenous Territories. The ESMF, prepared by the Borrower, establishes detailed procedures to identify and assess land donations to ensure that they are voluntary per the definitions established in OP/BP 4.12. The Project does not support the establishment or enforcement of protected areas, and thus will not have any impacts related to restrictions in access.

F. Environment (including Safeguards)

66. **The Project has been classified as a Category B as its potential environmental impacts are likely to be site specific, temporary, and easily mitigated with standard measures.** The Environmental Assessment policy (OP/BP 4.01) is triggered and an ESMF was prepared to establish procedures to screen, assess, and mitigate for environmental and social impacts of small works and includes generic Environmental Management Plans (EMPs). The ESMF was published on January 8th, 2018 on both the Bank's and MINGOB's websites. Although pre-feasibility screening and assessment has been undertaken for an initial list of prioritized works, the final decision on which investments will be selected will only take place once each proposed investment undergoes: (a) the relevant planning process within the relevant partner ministry to confirm adequate demand; (b) topographic, land, and technical studies to ensure feasibility of siting; and (c) designs are prepared, consulted with the beneficiary communities, and approved by the partner ministry. These institutional commitments can only be made following Project approval, and thus a final selection of works could not be made during preparation.

67. **Additional environmental policies triggered include: Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Physical Cultural Resources (OP/BP 4.11), and Pest Management (OP/BP 4.09).** The principal environmental risks are those associated with poor practices in the construction of small civil works or from minimal clearing of trees to facilitate access to investments. In addition, there is a risk of impacts to natural habitats if works are carried out in areas with well-preserved or sensitive ecosystems. The Project will not finance any activity that could cause significant conversion or degradation of critical natural habitats, support forest materials harvesting, reforestation, or other activities that could affect forest use or management. The Physical Cultural Resources (OP/BP 4.11) policy is triggered as the Project will invest in areas where aspects of cultural value may require special protection. Pest Management (OP/BP 4.09) is triggered to mitigate impacts in cases of incidental use of pesticides.

G. Other Safeguard Policies (if applicable)

68. **The Policy for International Waterways (OP/BP 7.50) is triggered due to small scale water system rehabilitation investments that could occur in border regions with Costa Rica and Colombia where international rivers are located.** Given the limited amounts of water to be abstracted and the localized nature of the sources, the Project has processed an exception to the notification requirement, as provisioned under this Policy, as the potential investments in said areas will be made only with respect to ongoing schemes, involving additions or alterations that will require rehabilitation, construction, or other changes that: (a) will



not adversely change the quality or quantity of water flows to the other riparian; and (b) will not be adversely affected by the other riparian possible water use. The Regional Vice President has provided clearance to this exception. The ESMF includes screening procedures and exclusion criteria to identify and deem ineligible new water and sanitation schemes that could require the notification under OP/BP 7.50.

H. World Bank Grievance Redress

69. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Panama

Support for the National Indigenous Peoples Development Plan

Project Development Objectives

The Project Development Objective (PDO) is to strengthen: (a) the capacity of Indigenous Authorities and the Borrower to jointly plan and implement development investments for Indigenous Territories; and (b) the delivery of selected public services in those Indigenous Territories, as identified in the National Indigenous Peoples Development Plan.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Percentage of national investments within Indigenous Territories, as registered in SINIP, that are aligned with the IP Plan and consulted with the relevant Indigenous Authorities		Percentage	0.00	75.00	Annually	SINIP Records	MEF & MINGOB

Description: The National System for Public Investment or SINIP is the system where all public investment projects are registered once they have formally entered the national budgeting system. MEF has agreed to work with MINGOB to incorporate questions within the SINIP that would require line Ministries to describe when projects are in Indigenous Territories, how they are aligned with the IP National Development Plan and the process planned or carried out for their consultation with the relevant Indigenous Authorities (National, Regional, Local, Specific Organizations, etc.). This Indicator is aligned with IP Plan Pillar 1, Specific Objective 3.



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Number of schools in Indigenous Territories implementing the new or expanded IBE		Number	121.00	176.00	Annually	DNEIB, MEDUCA	Project MIS
<p>Description: The Project will support the preparation of IBE curriculum, materials, and teacher training that for some territories will be the first time IBE is available, and in others, an expansion of new modules and years where IBE curriculum is offered. In 2017, according to MEDUCA data for the seven ethnic groups, it was estimated that of the 563 schools that attend to 84,826 students, 121 are currently implementing some level of IBE. This Indicator is aligned with IP Plan Pillar 2, specific objectives 1, 2 and 5.</p>							
Name: Percentage of patients provided treatment in accordance with intercultural care protocols for 4 risk areas within beneficiary areas		Percentage	0.00	60.00	Year 3 implementation and end-line	Patient survey	External evaluator
<p>Description: The Project will support activities to implement the inter-cultural health system in targeted areas that encompass at least half (8) of the 16 health centers and at least 40 percent (57) of the 133 health posts that currently exist in Indigenous communities. Within these areas, the indicator will be measured by a survey with questions designed to assess whether patients have received treatment aligned with the intercultural health attention protocols. The target for the Project is that 60 percent of the patients within the target areas confirm that the attention received was in line with the protocols. The protocols to be considered will attend to the following four health risk areas: (a) prenatal care and delivery; (b) children with diarrhea; (c) children with respiratory problems; and (d) psychotraumatic illnesses commonly diagnosed and treated within Indigenous health systems. This Indicator is aligned with the IP Plan Pillar 3, specific objective 3.</p>							
Name: Percentage of water and sanitation systems within beneficiary Indigenous communities reported in SIASAR as operational and		Percentage	0.00	85.00	Mid-term & end-line	SIASAR data on beneficiary communities, including review of all communities at end-year	DISAPAS



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
sustainable (with an A or B grade)							
<p>Description: The SIASAR is a Rural Water and Sanitation Information System that uses performance indicators and classifies the systems into four categories A, B, C, and D. The Project aims to benefit up to 150 Indigenous communities with capacity building for service providers, and among these, up to 100 will receive support for small-scale rehabilitation of their systems. This Indicator is aligned with the IP Plan Pillar 3, specific objectives 3 and 5.</p>							

Name: Percentage of Indigenous Peoples in beneficiary communities who perceive that they are benefitting from the National Indigenous Peoples Development Plan		Percentage	0.00	60.00	Base-line, mid-term and end-point	Project MIS and independent technical review	MINGOB
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Description: A perception survey of Project beneficiaries will be carried out as a baseline, at mid-term, and at Project completion. This Indicator will be disaggregated by sex.

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Presidential Decree drafted that establishes the National Indigenous People Roundtable as a permanent structure for dialogue and		Text	No	Yes	End-point	Draft Decree	MINGOB



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
development planning							
<p>Description: This Indicator is aligned with the IP Plan Pillar 1, specific objectives 1 and 3.</p>							
Name: Number of regulations drafted and consulted for key Indigenous laws		Number	0.00	3.00	Annually	Project MIS	MINGOB
<p>Description: Panama has approved three key laws for Indigenous peoples, none of which currently have regulations. The Project will support the drafting and consultation processes necessary to prepare the regulations for these laws that include: Law 88 on Intercultural Bilingual Education (approved in 2010), Law 17 on Traditional Medicine (approved in 2016), and Law 37 on free, prior, and informed consultation and consent (approved in 2016). This Indicator is aligned with the IP Plan Pillar 1, objective 3 and Pillar 3, objectives 1 and 3.</p>							
Name: Number of Indigenous leaders who have completed their leadership, planning, and management capacity building program		Number	0.00	250.00	Biannual	Project MIS	MINGOB
<p>Description: This indicator will be desegregated by sex. This Indicator is aligned with the IP Plan Pillar 1, objective 4.</p>							
Name: Percentage of beneficiary schools that are utilizing their assigned resources to implement their PEC		Percentage	0.00	60.00	Annually	Project MIS & MEDUCA, FECE	MINGOB



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: Equity and Quality Education Funds. Schools are allocated an annual maintenance and improvement budget per student of US\$40.00 per year. In Indigenous Territories, there are few schools that use this resource due to lack of understanding and capacity to apply and administer funds. The Project will support 100 schools in improving school management by providing training for school directors and the broader education community to design and process their respective school projects and access assigned resources. This Indicator is aligned with the IP Plan Pillar 3, objective 5.</p>							
Name: Number of Indigenous ethnicities that have intercultural health protocols established		Number	0.00	7.00	Annually	Project MIS and independent technical review by ethnic group (at mid-term and end-point)	Office of Indigenous Health Affairs MINSA
<p>Description: This Indicator is aligned with the IP Plan Pillar 3, objective 3.</p>							
Name: Number of graduates of the training program for health personnel in Indigenous Territories		Number	0.00	200.00	Annually	Project MIS	Office of Indigenous Health Affairs MINSA
<p>Description: The training program for health personnel in Indigenous Territories includes training for existing personnel as well as programs to form new community health promoters and nursing assistants. This Indicator only tracks expected results for training that will be provided to existing personnel. It will be disaggregated by sex, and is aligned with the IP Plan Pillar 3, objective 3.</p>							
Name: Number of WSS systems in beneficiary Indigenous communities updated or newly integrated into SIASAR		Number	0.00	150.00	Biannual	SIASAR	DISAPAS



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: This could include systems that are newly integrated into SIASAR, or updates to SIASAR on systems already registered. This Indicator is aligned with the IP Plan Pillar 3, objectives 3 and 5.</p>							
Name: Number of trainings delivered to communities, service providers, and local authorities in water, sanitation, and hygiene		Number	0.00	150.00	Biannual	Project MIS	DISAPAS
<p>Description: This Indicator is aligned with the IP Plan Pillar 3, objectives 3 and 5.</p>							
Name: Percentage of grievances received which are resolved		Percentage	0.00	70.00	Quarterly	Project MIS	MINGOB
<p>Description: This Indicator is aligned with the IP Plan Pillar 1, objective 1.</p>							
Name: Percentage of beneficiary Indigenous communities with JAARs that have women in management positions		Percentage	0.00	100.00	Biannual	SIASAR	DISAPAS
<p>Description: This Indicator is aligned with the IP Plan Pillar 1, objective 4.</p>							
Name: Percentage of women participating in the		Percentage	8.00	30.00	Annually	Project MIS	MINGOB



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
IP Roundtable as official members of traditional structures' delegation							
<p>Description: The IP Roundtable will meet four times per year. The Project’s Gender Strategy proposes to enhance women’s participation in the IP Roundtable. In response to this request, the Authorities of the IP Roundtable have committed to include a woman within each of their delegations for future meetings. This Indicator is aligned with the IP Plan Pillar 1, objective 4.</p>							
Name: Number of beneficiaries from infrastructure investments supported by the Project		Number	0.00	50000.00	Semi-annually	Reports from territorial planning processes	PEA
<p>Description: Beneficiaries include both direct and indirect beneficiaries from improved infrastructure investments. Beneficiaries will be estimated through the territorial planning process that will be implemented as part of the preparatory work for each infrastructure investment. This Indicator is aligned with the IP Plan Pillar 3, objective 5.</p>							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	End Target
Percentage of national investments within Indigenous Territories, as registered in SINIP, that are aligned with the IP Plan and consulted with the relevant Indigenous Authorities	0.00	75.00
Number of schools in Indigenous Territories implementing the new or expanded IBE	121.00	176.00
Percentage of patients provided treatment in accordance with intercultural care protocols for 4 risk areas within beneficiary areas	0.00	60.00
Percentage of water and sanitation systems within beneficiary Indigenous communities reported in SIASAR as operational and sustainable (with an A or B grade)	0.00	85.00
Percentage of Indigenous Peoples in beneficiary communities who perceive that they are benefitting from the National Indigenous Peoples Development Plan	0.00	60.00

Intermediate Results Indicators

Indicator Name	Baseline	End Target
Presidential Decree drafted that establishes the National Indigenous People Roundtable as a permanent structure for dialogue and development planning	No	Yes
Number of regulations drafted and consulted for key Indigenous laws	0.00	3.00
Number of Indigenous leaders who have completed their leadership, planning, and management capacity building program	0.00	250.00



Indicator Name	Baseline	End Target
Percentage of beneficiary schools that are utilizing their assigned resources to implement their PEC	0.00	60.00
Number of Indigenous ethnicities that have intercultural health protocols established	0.00	7.00
Number of graduates of the training program for health personnel in Indigenous Territories	0.00	200.00
Number of WSS systems in beneficiary Indigenous communities updated or newly integrated into SIASAR	0.00	150.00
Number of trainings delivered to communities, service providers, and local authorities in water, sanitation, and hygiene	0.00	150.00
Percentage of grievances received which are resolved	0.00	70.00
Percentage of beneficiary Indigenous communities with JAARs that have women in management positions	0.00	100.00
Percentage of women participating in the IP Roundtable as official members of traditional structures' delegation	8.00	30.00
Number of beneficiaries from infrastructure investments supported by the Project	0.00	50000.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Republic of Panama Support for the National Indigenous Peoples Development Plan

A. BACKGROUND AND CONTEXT

1. Panama is home to seven Indigenous ethnic groups or peoples with distinct cultural identities and governance structures: the Emberá, Wounaan, Naso, Guna, Bri-Bri, Buglé and Ngäbe, representing a population of almost 418,000 or over 12 percent of the Panamanian population. The majority of IPs in Panama live in twelve collectively occupied territories of which five are semi-autonomous *comarcas*. In 2010, approximately 196,059 Indigenous peoples lived in *comarcas*, while 221,500 lived in other Indigenous Territories or collective lands or had migrated to urban areas. The Indigenous *comarcas* are sizeable, comprising 22.2 percent of the country's area and some of Panama's richest natural resources and cultural diversity. Despite significant differences among territories in regards to the levels of formalization and legal recognition of tenure, each territory exercises a certain level of autonomy and is governed by its traditional Indigenous Congress or Council³⁰ which also vary greatly in their levels of consolidation, number of people represented, and institutional structures.

2. The proposed Project is the first attempt to implement the Plan, and thus will create an important precedent for the Plan's future and sustainability. The Plan represents, for the first time in Panamanian history, a national consensus among the 12 Indigenous traditional governance structures on a common vision for their development. The Plan is unique in several ways. First off, it articulates the vision and development priorities of the communities it aims to benefit. Secondly, it proposes coordinated action between the GoP and Indigenous Authorities in defining and implementing the development process. Thirdly, it calls for actions that address the multidimensional aspects of well-being through integral development approaches. Finally, it puts all 12 Indigenous Territories on the map versus only the five *comarcas*, thus giving visibility and proposed investments to communities that have been largely marginalized from public investments.

3. The Plan is organized around three Pillars, namely: (a) political and legal (governance and land rights); (b) economic (productive activities and food security); and (c) social (access to basic infrastructure and services). Each Pillar articulates an overarching objective, specific objectives, and actions for 15 years. The Project will support sectors that demonstrate serious deficits in basic indicators relevant to IP development, as reflected in Table 1. For almost all indicators, Panama represents the greatest inequalities between Indigenous and non-Indigenous populations in Latin America.

³⁰ There are 10 Congresses and 2 Councils.

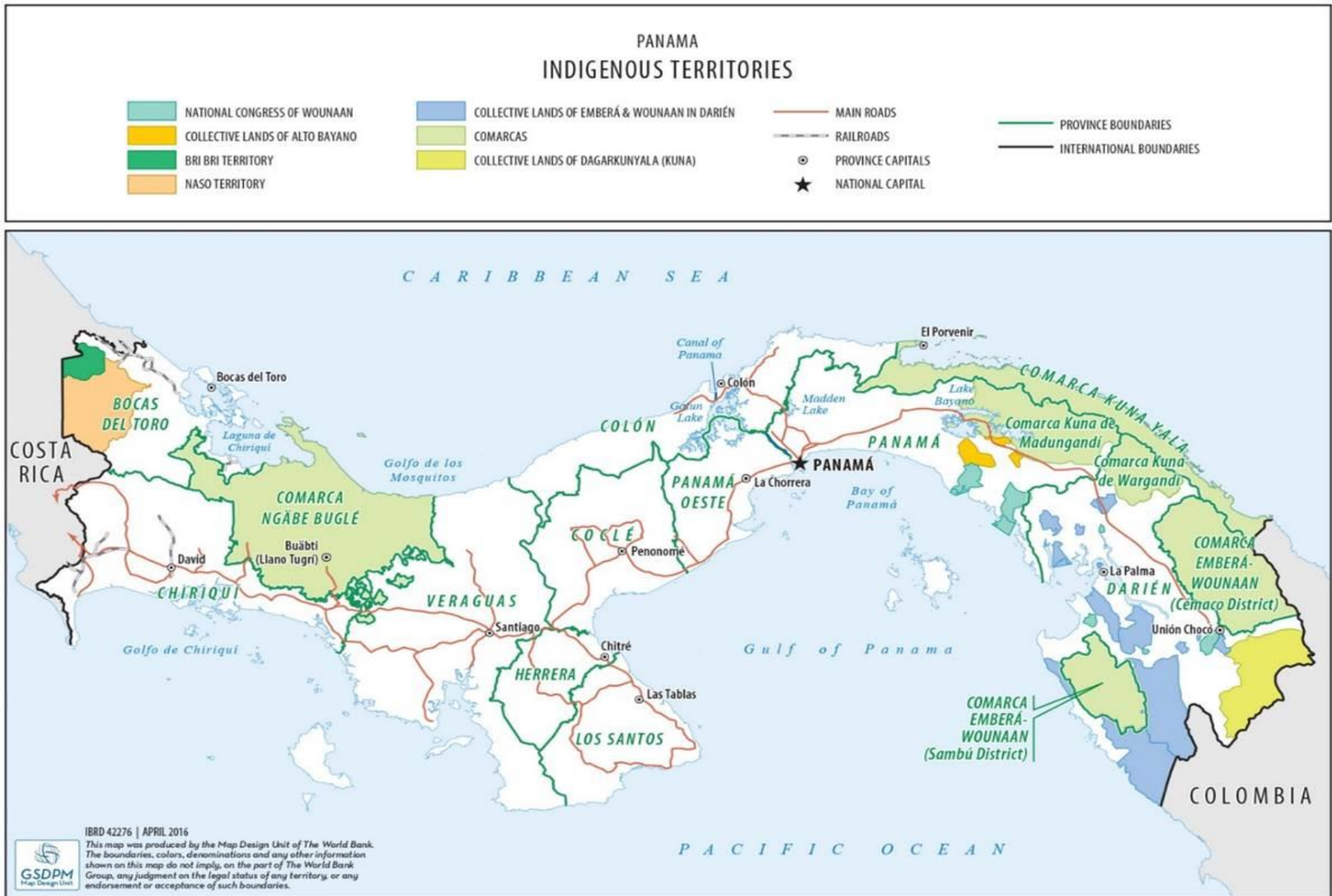




Table 1: Basic Indicators of Indigenous peoples vs. non-Indigenous people in Panama

Indicator	IPs living in 3 comarcas*	IP total (national)	Rural Non-IPs	Non-IPs in Panama**	Source
Share of national population	5.6%	12.10%	25.60%	87.90%	Population and Housing Census, 2010
Share of population living in poverty (4 USD 2005 PPP)	86%	Data not available	26.60%	12%	Labor Markey Survey, 2015
Share of population living in extreme poverty (2.5 USD 2005 PPP)	66%	Data not available	10.20%	5%	Labor Markey Survey, 2015
Income per capita per day (2010 US\$)	\$1.25	\$3.03	\$5.40	\$11.70	Population and Housing Census, 2010
Income per capita per day (US\$ 2005 PPP)	\$3.06	Data not available	\$10	\$16.60	Labor Markey Survey, 2015
Life Expectancy	67.75	Data not available	Data not available	79 (2010) (For national population)	PAHO, 2013; WDI, SSEIR, and INEC (2010)
Child mortality, under 5 yrs. (per 1,000 live births)	38	Data not available	Data not available	19 (2010)	SCD, WDI and SSEIR
Maternal mortality (per 100,000 births)	462	Data not available	Data not available	80 (2015) (For national population)	Trends in maternal mortality 1990-2015) WHO, UNICEF, UNFPA, World Bank Group & United Nation Population Division
Teenage pregnancy (% women ages 15-19 that gave birth in the last 12 months)	17.5%	17.9%	10.81%	9.9%	Author's calculation based on Population and Housing Census 2010 and WDI
Access to water (% of people)	44.80%	61%	86%	95%	Population and Housing Census, 2010
Connection to sewage system or septic tank (% of people)	0.90%	18.70%	30%	63.90%	Population and Housing Census, 2010
School enrollment 6-18 yrs	82.90%	82.80%	88%	91.30%	Population and Housing Census, 2010
Primary School Enrollment (6-11 yrs)	90.60%	92.10%	98%	98.30%	Population and Housing Census, 2010
Secondary School Enrollment (12-18 yrs)	73.50%	72.40%	78%	85.22%	Population and Housing Census, 2010
School Enrollment at 18	36.10%	36.90%	43.60%	55.10%	Population and Housing Census, 2010
Access to electricity (% of people)	5.90%	33.90%	69%	88.90%	Population and Housing Census, 2010
Access to cell phone (% of the population living in a HH with at least one cell phone)	31.90%	51.70%	79%	88%	Population and Housing Census, 2010

* Data is only available for IPs in three *comarcas*, thus not covering the full 12 percent of IPs that live in Panama. However, given similar circumstances in other *comarcas* and territories, these numbers serve as a relevant proxy for all IPs living within their traditional territories.

**“Non-Indigenous people” refers to national averages for the Panamanian population that does not self-identify as Indigenous or Afro-descendant.



B. PROCESS TO DESIGN PROJECT COMPONENTS & INVESTMENTS

4. Project preparation included thorough technical and participatory processes to define a scope of investments in line with the Plan that: (a) were identified as highest priority by Indigenous communities and their Authorities; (b) were not already included in GoP programmed investments; (c) were politically, technically, and operationally feasible; (d) would avoid involving the Project in highly conflictive or risky issues; (e) would respond to urgent basic development needs; and (f) could contribute to overcoming long-term structural barriers for quality and culturally pertinent service delivery in Indigenous Territories.

5. Based on these criteria, early in project preparation, the PDO was developed together with the IP Roundtable to ensure a common understanding around the Project's proposed scope. MINGOB, the IP Roundtable, and the Bank agreed that the Project would focus on governance (Pillar 1) and access to quality and culturally pertinent public services (Pillar 3). Given the broad range of needs within Indigenous Territories across numerous sectors, the first task was to ring-fence the sectors within which the project could feasibly deliver results. MINGOB held bilateral meetings and arranged several inter-ministerial roundtables to raise awareness on the Plan in order to gauge political commitment and technical capacity for collaboration. The results of this process demonstrated that both MINSA and MEDUCA were critical and committed partners as they saw the project as an opportunity to deliver on their institutional mandates with IPs despite the fact that they would not directly receive Project funds. This determination clarified early on that the sectoral scope of the project would focus on: governance (MINGOB), education (MEDUCA), and health and water and sanitation (MINSA).

6. Investments under Components 1 and 2 of the Project have been designed to support *specific objectives* rather than specific actions outlined in Pillars 1 and 3 of the Plan, given that: (a) the Plan was finalized in 2014 and is considered a living document that should be continually evaluated, adjusted, and updated as necessary; and (b) the consultation and technical processes undertaken during project preparation reflect the most up to date evaluation and agreements between Indigenous stakeholders, the GoP, and the Bank on how to best achieve the specific objectives of Pillars 1 and 3 that meet the four criteria described above. Table 2 below illustrates the specific objectives of Pillars 1 and 3 that will be supported by the Project, as well as those that do not meet the four criteria outlined above, and are therefore considered outside the scope of the Project.



TABLE 2: Alignment of Project with Pillars 1 and 3 of the National Indigenous Peoples Development Plan

<i>Pillar 1: Governance</i>		
Overarching Objective:	Specific Objectives Supported by the Project:	Specific Objectives NOT Supported by Project:
Capacity building for Indigenous Authorities and governance structures to strengthen their dialogue with the GoP; guarantee territorial security and governance; strengthen the administration of Indigenous justice systems; and consolidation of procedures for consultation and full and effective participation of IPs, consistent with international standards and paying particular attention to the leadership strengthening needs of Indigenous women and youth.	<p>Objective 1: Indigenous Authorities and governance structures strengthened in their dialogue with the GoP.</p> <p>Objective 3: Consultation and participation procedures and mechanisms established and applied in all decision-making processes and projects that affect the Indigenous Territories.</p> <p>Objective 4: Leadership capacities of Indigenous women, youth, and their organizations strengthened and supported, guaranteeing their equal participation.</p>	<p>Objective 2: Guaranteed territorial governance through the legal recognition and protection of Indigenous <i>comarcas</i>, territories, collective, and annexed lands.</p> <p>Objective 5: Strengthened application of traditional justice systems within Indigenous Territories and harmonization between Indigenous and non-Indigenous justice systems.</p>
<i>Pillar 3: Access to Quality and Culturally Pertinent Public Services</i>		
Overarching Objective:	Specific Objectives Supported by the Project:	Specific Objectives NOT Supported by Project:
Improved living conditions for IPs through the implementation of programs in education, culture, health, housing, and infrastructure within the Indigenous Territories, in line with the priorities outlined in the development plans of each of the 12 Indigenous Territories.	<p>Objective 1: Increase the implementation and quality of intercultural bilingual education.</p> <p>Objective 2: Indigenous cultures strengthened and fostered in the context of the country's cultural diversity.</p> <p>Objective 3: Improved health of IPs through: the incorporation and strengthening of traditional medicine within the framework of the GoP's public policies; increased attention to the needs of IPs in the provision of public health services; improved infrastructure critical for health; and an increase in health prevention programs.</p> <p>Objective 5: Increased and improved public infrastructure in Indigenous Territories (including in health, education, and cultural centers), the construction and maintenance of which respect environmental sustainability.</p>	<p>Objective 4: Improved housing conditions for IPs through comprehensive improvements in housing, taking into account IPs' cultural housing norms and patterns.</p> <p>Objective 5: Most categories of infrastructure identified as part of this Objective 3 will be supported by the Project, except for transport and energy infrastructure.</p>

7. To determine which investments were highest priority by Indigenous communities an extensive consultation process was carried out in the 12 territories. The methodology, locations and invitations were managed by the Indigenous Authorities of each territory and MINGOB supported the workshop facilitation



and costs. This process included 37 workshops with a total of 2,178 community members and leaders, of which 44 percent of participants were women. Some participants traveled several days, including some walking over eight hours each way, to participate in workshops. The priorities were systematized by territory and sector.

8. In parallel, a mapping of public investments under implementation or programmed for the twelve territories was developed by identifying all communities in each territory, collecting MEF SINIP data on investments for these communities, and verifying data in bilateral meetings with sector agencies. These investments were incorporated into the systematization of Indigenous community priorities to filter out existing and planned projects.

9. In order to ensure an equitable distribution of resources for infrastructure investments per territory, an approximate allocation was developed utilizing the following variables: (a) a minimum floor to ensure that the smallest territories have adequate resources for critical projects; (b) population size; (c) population density; (d) poverty levels; and (e) existing and planned government and other donor investments.

10. Finally, four sectoral studies were carried out to identify critical issues and structural barriers for governance and for quality and culturally pertinent service delivery in education, health, and water and sanitation (summary conclusions and recommendations are described in paragraphs 12-15 below).

11. **Governance:**

- **Information for Policy Planning and Investments:** Lack of data on IPs and their territories in Panama is a major obstacle for effective policy making, planning, and equality in investments. Census data is known to far undercount the Indigenous population in many territories as data collectors lack the transportation and resources to visit more remote communities, resulting in significant gaps between official numbers and those claimed by Indigenous communities.^[6] In addition, the way national data are reported, it is impossible to identify and understand the situation of nine of the 12 Territories, as these communities are grouped with other non-Indigenous communities and reported by *corregimientos* or provinces. During project preparation, MINGOB and the Bank carried out an extensive process to define which communities were affiliated with each of the 12 Territories and identify the public investments programmed and under implementation for each. The results of the mapping show that the vast majority of public investments go to the three Indigenous *comarcas* reported on as separate Indigenous Territories in public data.^[7]
- **Inter-Institutional Coordination and Consultation with Indigenous Authorities:** Currently, policy making, planning, and investments relevant for IPs are carried out on an ad hoc basis by different sectoral agencies. Each agency is characterized by a distinct level of understanding and capacity to engage with IPs and employs varying methods for consultation and participation of Indigenous Authorities. Until the Plan was introduced by the Indigenous Authorities to the GoP, investments were made with little or no coordination with Indigenous Authorities or among government actors. This disarticulated approach has led to high levels of cost inefficiencies; conflicts, questioning, and contradictions with and among

^[6] Whereas the 2010 Census reports the Bri-Bri population to be 2,521 inhabitants, of which only 820 live in their ancestral territory, the Bri-Bri Authorities and communities report to have a total population of 4,336 people and 2,166 homes living in four communities within their ancestral territory. These two scenarios present a significant difference- the Census reducing what the Indigenous Authorities claim as their population by 42 percent.

^[7] An example of this can be seen in the Bri-Bri territory where the mapping found that no public investments were programmed despite the lack of basic public services. Currently most Bri-Bri families send their children to Costa Rica to attend primary school.



Indigenous Authorities regarding the legitimacy of consultations and investments; slow and minimal progress in the application of laws such as the law on intercultural bilingual education; and weak long-term development results. The Plan calls for integral development and a systematic and structured seat at the table for Indigenous Authorities in defining, planning, and implementing development policies and programs within their territories.

- **Indigenous Governance:** One of the primary requests of Indigenous Authorities, manifested both in the Plan and in the consultation process for this project, was for support to improve their own governance and negotiation capacity at a community and territorial level and with external actors, ranging from mayors, governors, private sector, and the national government. At the same time, staff in key line ministries, who are critical to designing services and planning infrastructure investments in Indigenous Territories lack a basic understanding of the IPs, their aspirations, locations, how they self-organize, and other critical tools for effective engagement.
- **Legal Framework relevant for IP Plan:** Since 2010, the Panamanian National Assembly has passed four critical laws in support of IP rights and with important implications for development opportunities, including: Law 37 for Free, Prior, and Informed Consultation and Consent (FPIC) (2016); Law 17 for the Protection of the Use and Practice of Indigenous Traditional Medicine (2016); Law 88 that Recognizes IP Languages and Alphabets and Dictates Intercultural Bilingual Education (2010); and Law 66 that puts into place a process of Decentralization of the public administration of resources (2015). The first three laws have been approved but lack regulatory frameworks and thus are not being implemented. The Decentralization law, which is currently under implementation with mixed results, presents both risks and opportunities for Indigenous Territories in regards to governance and access to public resources to attend to local priorities.

12. Education:

- **Summary Situation & Contributing Factors:** For the education sector, a lack of comprehensive demographic data on IPs complicates the analysis to understand access, attendance (overall, by gender, and age groups), dropout rates, repetition, and completion rates. However, based on available information from MEDUCA, supplemented by field visits, it is clear that in the Indigenous Territories: (a) much of the school infrastructure is in poor condition; (b) the majority of education centers offer at most three grades, and multi-grade teaching is common; (c) there is very limited access to middle school, and even less to high school, meaning accessing secondary school often requires children to leave their communities, something which is beyond the financial capability of most families; and, consequently (d) it is quite rare that young Indigenous students are able to reach higher education, or access anything beyond low-skill jobs. Beyond the lack of service provision, a variety of other factors contribute to low educational attainment by Indigenous children and youth, ranging from widespread poverty and illiteracy and/or very low educational attainments of adult family members to the need for children to help in income generating activities. Other factors noted to demotivate educational continuation and graduation: health issues, drug and alcohol addiction, and sexual abuse often experienced by young female students who travel distances or live away from home to attend middle or high school.
- **Intercultural Bilingual Education (IBE):** Panama started to adopt bilingual education many years ago, developed alphabets for six Indigenous languages, and translated some texts and other educational materials into several of these languages. A National Bilingual Education Plan was launched in 2005; the National Bilingual Education Directorate was created within MEDUCA in 2008, and; Law 88 on Intercultural Bilingual Education was passed in 2010. However, for a variety of reasons (in particular, lack of trained



teachers, school administrators, and appropriate teaching and learning resources)^[4], bilingual education is only offered in 22 percent of education centers in Indigenous Territories.^[5] This is critical, not only because of the language of instruction *per se*, but also because the curricula employed lacks cultural and contextual relevance conducive to learning and critical for cultural identity (i.e., does not incorporate traditional knowledge, information on Indigenous history, values and aspirations, etc.).

- **Recommendations:** Throughout project preparation, Indigenous leaders and community members have consistently emphasized the priority they attach to developing inclusive, intercultural, quality, and geographically accessible education for Indigenous children from primary to higher education. Achieving these goals will require: (a) investing in infrastructure and equipment to repair, expand, and in some cases, build new education centers in the Indigenous Territories, both to improve the physical conditions in which children study and to reduce the extent of multi-grade teaching; (b) supporting the continued development and expansion of IBE to enhance the content and extend years of coverage, including teacher training and production of relevant materials; (c) expanding training programs and strengthening of incentives for teachers and administrators who have the professional skills to work in Indigenous Territories; (d) exploring alternative strategies to support a greater number of Indigenous students to stay in school at all levels, access university, and go on to graduate studies; (e) strengthening education governance in the Indigenous Territories (developing/strengthening parent-teacher and student associations, accounting for how resources are spent, increasing opportunities for two-way communication between communities and education authorities); and (f) developing the regulations needed for implementation of Law 88 on Intercultural Bilingual Education.

13. Health:

- **Summary Situation:** Weak data availability makes it difficult to analyze health needs and evaluate health interventions and outcomes in Indigenous Territories. The National Census, and MINSAs administrative structure do not align with that of most Indigenous Territories and communities (except for Guna Yala and Ngäbe Buglé). However, the limited available data and interviews with health service providers, Indigenous leaders, and community members, reveal a consistent pattern of gaps in health indicators between Indigenous and non-Indigenous Panamanians. For example, maternal mortality in the two largest *comarcas* was 542 and 300 per 100,000 live births in Guna Yala and Ngäbe Buglé, respectively (2011), compared with a LCR regional average of 60 and Panama national average of 80 (2015).^[1] Overall life expectancy in Panama of 79 years (2010) compares with only 67.75 in the largest *comarcas*.^[2] The health profile of IPs also differs in several notable respects, including much higher incidence of tuberculosis and certain other communicable diseases, albeit with variation across Indigenous Territories.
- **Contributing Factors:** Access to health services is lower in the Indigenous Territories than in other parts of the country. This is partly a function of the geographic dispersion of many Indigenous communities, but the absolute availability of health infrastructure and staffing is also limited. Most facilities^[3] are lower-tiered health posts staffed by nursing assistants able to provide only limited care, often without the necessary inter-cultural and language training that would maximize their effectiveness. At the professional and administrative levels, MINSAs has only a small number of staff with experience

^[4] MEDUCA data indicates that only 12 percent of teachers in the IP territories have received formal training in bilingual education.

^[5] For three IP groups (Bri-Bri, Naso, and Buglé), as of the 2017 school year, bilingual education was not available in any of their schools.

^[1] Trends in maternal mortality: 1990 to 2015. Estimates by WHO, UNICEF, UNFPA, World Bank Group and the United Nations Population Division. http://lac.unfpa.org/sites/default/files/pub-pdf/9789241565141_eng.pdf

^[2] INEC (2010).

^[3] Health facilities in the *comarcas* include two hospitals (both in Guna Yala), 17 health centers/políclinics, and 112 sub-centers and health posts. The *Caja de Seguro Social* does not operate any facilities in the Indigenous Territories.



relevant to Indigenous communities, and in-service training and career development opportunities on Indigenous health issues are limited. Much of the existing health infrastructure in the Indigenous Territories needs repair, expansion, and/or re-equipping. There is recognition in Panama of the value of integrating traditional and Western medicine, reflected in the newly passed Law 17 for the Protection of the Use and Practice of Indigenous Traditional Medicine (2016). However, implementing regulations are yet to be prepared. Finally, Indigenous governance structures in the territories lack opportunities to engage upstream with health sector officials and service providers at the national and local levels for identifying needs, proposing solutions, and lending their support to implementation.

- **Summary Recommendations:** Improving the health status of IPs in Panama's Indigenous Territories requires addressing both the absolute availability of health infrastructure, staff, and other resources deployed, as well as the underlying cultural, administrative, and legal issues that undermine the effectiveness of those resources. The highest priority actions would include: (a) designing improvements to the national health information systems used by the GoP for planning purpose to disaggregate data by territory and thereby permit more focused planning and oversight of health interventions; (b) repairing existing health facilities and constructing new ones (especially above the health post level) in the Indigenous Territories; (c) exploring opportunities to employ modern communications technology to address challenges posed by geographic dispersion of many Indigenous communities; (d) better aligning MINSA's regional administrative structure with that of the Indigenous Territories; (e) institutionalizing arrangements to engage Indigenous leadership in planning and implementation of health investments and other operational matters; (f) developing a cadre of health professionals with bilingual skills and knowledge of Indigenous cultural issues to support delivery of health services in the territories; (g) developing in-service intercultural training for health professionals and opportunities for graduate studies on traditional medicine and other subjects relevant to health of Indigenous communities; (h) adjusting operating arrangements for health facilities in the Indigenous Territories to better reflect cultural needs of Indigenous communities (language, cultural sensitivities, hours of operation, etc.); and (i) regulating and implementing Law 17 on Traditional Medicine (2016).

14. Water and Sanitation:

- **Data collection carried out for study:** Primary data collection was carried out in a representative sample of 138 Indigenous communities under the WASH Country Diagnostic to inform comprehensive WASH investments for the Project. In each community, the SIASAR criteria were applied to assess the state of the water and sanitation system, including: the community, the system or physical infrastructure, the service provider, and the provider of technical assistance. Communities in the sample included those from: Ngäbe Buglé, both inside the *Comarca* (97) and well as outside the *Comarca* but within the province of Bocas del Toro (12), and communities within the *Comarca* of Guna Yala (10). The sample included communities of all levels of accessibility, including very remote communities.

- **Findings.** Weak service provision, community environment, water quality, and lack of adequate water and sanitation infrastructure are key factors leading to poor WASH outcomes, as graded by SIASAR in Indigenous communities. Communities that have water systems (83 of the 138), perform the worst in terms of the *community environment* (indicators: access, location, population, coverage, households, health and hygiene practices), as over 80 percent of all communities were graded C and D for this category.
 - **Service providers:** The SIASAR data base and new data collection have shown that slightly less than two-thirds (62 percent) of the sample communities had a service provider, and among those that do, these systems are likely to exhibit serious problems. The service provider domain (community associations, JAARs) is most frequently considered in need of improvement. Although most systems fall under category B (operational but not in optimal state), and thus are considered acceptable, most



service providers were graded as C, and thus would require some sort of technical assistance. In regards to the operating status of systems, 93 percent of water systems (77 communities) were classified as failing ("D") for water quality.

- **Sanitation infrastructure:** The key aspect leading to the classification of communities into C and D is the lack of sanitation infrastructure, followed by the insufficient coverage of water systems (almost 40 percent of the sample has no coverage). Another important finding is that even in those communities where latrines exist, they are not properly used. This underscores the relevance of carrying out capacity building and awareness campaigns with communities to ensure that they fully understand the potential benefits, how to utilize new infrastructure, and feel ownership and pride in the investments.
- **Sector Institutions:** On the institutional side, the political economy analysis from the WASH Poverty Diagnostic revealed, among other aspects, that: (a) sectoral planning and investments do not respond to the cultural and geographical specificities and preferences of Indigenous communities; and (b) lack of proper consultation and awareness activities limits acceptance of government interventions and undermines the sustainability of WASH services.
- **Sustainability:** Recent global studies point to lack of sustainability as the main factor hampering progress on reaching the Sustainable Development Goals (SDGs) for water supply and sanitation. Data suggest that although 78 percent of water point schemes are functional at one time, almost 15 percent of water points fail after one year, and 25 percent of water points are non-functional by their fourth year (Banks et al, 2016).
- **Recommendations.** Based on this analysis, priorities for action include: (a) support both pre and post construction capacity building and technical assistance for community water committees, their local authorities and regional operations; (b) complement TA with investments for systems rehabilitations; and (c) increase water quality and demand for sanitation services through health and hygiene campaigns.

C. DETAILED DESCRIPTION OF PROJECT COMPONENTS & ACTIVITIES

15. The proposed Project will support three components: (a) Institutional strengthening and governance capacity for the GoP and Indigenous Authorities; (b) Improved quality and cultural pertinence of select public service delivery in education, health, and water and sanitation in Indigenous Territories; and, (c) Project management and monitoring and evaluation.

16. **Component 1: Institutional strengthening and governance capacity for the GoP and Indigenous Authorities (US\$5.5 million).** The objective of this component is to contribute to the Plan's first Pillar by enhancing both the GoP and the Indigenous Authorities' capacity to carry out key governance functions necessary to improve the opportunities and living conditions in Indigenous Territories.

(a) **Subcomponent 1.1: Institutional strengthening for the Vice Ministry of Indigenous Affairs (VMAI) to effectively plan and coordinate public policies, investments, dialogue, and conflict resolution with IPs.**

(i) **Institutional Strengthening of VMAI.** An institutional assessment and implementation of an action plan to strengthen VMAI's capacity to deliver effectively on its institutional and legal mandate with IPs, including IP policy and investment planning, support for consultation processes, inter-institutional coordination, and conflict resolution.

(ii) **Consultation and Coordination Platforms.**

a) The institutionalization and strengthening of the IP Roundtable including support for the



- secretariat (until local funds are available to permanently finance this function through an existing decree) and the funding of quarterly meetings to allow for effective participation of IP Authorities in project planning, implementing, and monitoring.
- b) Support for regular programming, meetings, and follow-up to the IP agenda within the GoP's Social Cabinet and with international donors and agencies.
 - c) Support for upstream territorial planning in communities benefiting from the project's infrastructure and equipment investments.
- (iii) **Public investment information system for Indigenous Territories.** In coordination with MEF, strengthen the design, operation and accessibility for use by Indigenous Authorities, of the geo-referenced information platform to monitor public investments in Indigenous Territories.
- (iv) **FPIC Regulations.** Technical assistance and operational costs to prepare and consult regulations for the Law 37, approved in 2016 that establishes free, prior, and informed consultation and consent.
- (b) **Subcomponent 1.2: Capacity building and strengthening of Indigenous Authorities for effective governance within their territories.**
- (i) **Institutional Strengthening of Indigenous Authorities.** An institutional assessment and implementation of an action plan to strengthen each of the 12 Indigenous Councils and Congresses, their secretariats and technical commissions through capacity building, technical assistance, scholarships and exchanges on: (a) laws and regulations relevant for their territorial and natural resource rights and management, revisions of institutional statutes and charters, leadership, intellectual property, decentralization, among others; (b) territorial governance and administration (planning, operational and financial management, accountability, information systems, conflict resolution, etc.) and (c) gender equality.
 - (ii) **Territorial planning processes.** Support for consulting services and logistics to carry out territorial planning processes within the communities, and with representatives of surrounding communities, where the Project will support infrastructure investments.
 - (iii) **Small-scale investments in infrastructure and equipment for Indigenous territorial governance.** The purchase of equipment, small-scale infrastructure and critical inputs for territorial governance.
 - (iv) **IP Leadership Program.** The design and implementation of a leadership program for male and female Indigenous representatives, youth and women, building on international good practice.
- (c) **Subcomponent 1.3: Institutional strengthening and support for other critical actors to enhance public planning and investments in Indigenous Territories.**
- (i) **2020 Census and Multi-Dimensional Poverty Census.** In coordination with the National Census and Statistical Institute (INEC), purchase equipment, provide technical assistance, and finance operating costs to carry out the necessary consultation processes to design and validate revised methodologies in data collection for application of the 2020 Census in Indigenous Territories and the IPs' multi-dimensional poverty Census.
 - (ii) **Tracking public investments' alignment with the Plan.** Technical assistance to support MEF in creating a revised format, guidelines and a tracking system for its SINIP in order to identify and track public investments in Indigenous Territories, and measures to ensure alignment with the Plan and adequate consultations.
 - (iii) **Institutional Strengthening of MINSA and MEDUCA.** In coordination with MEDUCA and MINSA, carry out an institutional assessment and implementation of action plans to strengthen both MINSA and MEDUCA's capacity to deliver effectively on their institutional mandates with IPs. The types of investments foreseen could include: (a) the design, operation, capacity building, and equipment for



an information system to monitor the state of critical infrastructure, equipment, and service delivery in Indigenous Territories; (b) the preparation of databases of experienced and recommended contractor/service provider lists; (c) the establishment of realistic unit costing tables that reflect the climate, accessibility, and other challenges for infrastructure construction, maintenance, operation, supply/goods delivery, and service provision in Indigenous Territories; (d) technical assistance to revise and resolve institutional administrative and fiduciary procedures and bottlenecks for operating in Indigenous Territories; (e) the assessment, reorganization, and strengthening of regional offices attending to Indigenous Territories; and (f) the support to scholarships and exchange programs to improve knowledge on international good practice in their respective sectors, among others.

(iv) **Intercultural Law Regulations.** In coordination with MEDUCA and MINSAs, support technical assistance, and operational costs to prepare and consult regulations for Law 88 on Intercultural Bilingual Education, approved in 2010 and Law 17 on Traditional Medicine, approved in 2016.

(v) **IP Participation in decentralization processes.** In coordination with the National Secretariat on Decentralization, support: (a) technical assistance and operational costs to improve the participation of Indigenous representatives in municipal development planning processes mandated under the Decentralization Law 66 (2015); and (b) technical assistance for Indigenous Authorities to inform the Law's revision and reform in 2018 and in subsequent revisions.³¹

17. Component 2: Improved quality and cultural pertinence of select public service delivery in education, health, and water and sanitation in Indigenous Territories (US\$67 million). The objective of this component is to improve the quality and cultural pertinence of service provision in Indigenous Territories as outlined in Pillar 3 of the Plan and prioritized during the Project's consultation process. Prefeasibility studies were carried out during project preparation of 53 prioritized infrastructure and equipment investments, of which 42 were deemed feasible from a technical and budgetary perspective and will undergo further planning and analysis to determine their final inclusion in project investments. This component's activities vary in scope in regards to the delivery of direct and indirect benefits. Whereas infrastructure and equipment investments are localized in those communities prioritized by each Indigenous Congress and Council, service interventions, in their majority, include the design of tailored programs and the pilot implementation of the program in a select set of communities, schools, health centers/posts, and/or with teachers/health providers. The 12 Indigenous Congresses and Councils, through their representatives in the IP Roundtable, together with partner agencies, will define which communities should benefit during project implementation.

(a) **Subcomponent 2.1: Improved quality and cultural pertinence of educational service delivery and opportunities in Indigenous Territories, including:**

(i) **Education infrastructure and equipment:** Designs, equipment, and construction of new, or rehabilitation or expansion of existing educational centers;

(ii) **The expansion of Intercultural Bilingual Education (IBE):** (a) a diagnostic of the state of IBE per ethnic group, experience to date in implementing IBE (grade levels already covered), bilingual teacher availability, and the level of integration of cultural concepts into curriculum, teaching materials, and practices; and (b) the preparation and implementation of an action plan to advance the state of IBE³²

³¹ The decentralization law transfers resources to local government representatives to attend to local development priorities. Whereas the infrastructure and services to be supported by the Project in health, education and WSS are still driven at a central level by the relevant line ministries with the support of their regional offices, the Project will support efforts to strengthen the participation of Indigenous Authorities in local planning processes for the use of the decentralization funds.

³² The state of implementation of IBE varies greatly among Indigenous Territories in Panama. In some territories, the native



for each Indigenous ethnic group, including the design and implementation of a new curriculum to strengthen the integration of cultural concepts, expand the grade levels in which IBE is offered, teacher training for IBE, and in cases where languages are still not written, carry-out linguistic studies and explore orally-based curriculum options;

(iii) **Improved school management:** The design and pilot implementation of a technical assistance program for improved school management with educational communities (parent-teacher associations, school directors, student associations), including support to prepare school projects to access the existing program *Funds for Equity and Quality in Education* that automatically assigns each school \$40 per year per student, and is highly underutilized in Indigenous Territories. The program would also encourage co-responsibilities, support mothers with low-levels of education, and seek to improve accountability to meet national educational standards in regards to hours taught.

(iv) **Access and Retention of IPs to higher education:** In alliance with select Universities (public and private), design and implement an integral program to promote access, completion, and pertinence of higher education for Indigenous youth.

(b) **Subcomponent 2.2: Improved quality and cultural pertinence of health service delivery in Indigenous Territories, including:**

(i) **Health infrastructure and equipment:** Designs, equipment, and construction of new, or rehabilitation or expansion of health posts and centers.

(ii) **Design and implementation of an Intercultural Health System, including:**

a) The preparation of a diagnostic by Indigenous ethnic group of their traditional medicinal systems;

b) Support for workshops, trainings, and exchange programs to build mutual understanding between traditional healers and western medical practitioners with the end goal of creating intercultural health attention protocols that can be adopted by MINSA;

c) Capacity building and support for the implementation of the intercultural health attention protocols that include well defined guidelines and procedures for attention and referral for four risk areas³³; and

d) Investments in small-scale botanical gardens and infrastructure for traditional healers.

(iii) **Capacity building for existing and new health providers working in Indigenous Territories, including:**

a) The design and pilot implementation of an in-service training program for MINSA health personnel working in Indigenous Territories, both to improve cultural sensitivity and to support their continued education in relevant health attention protocols and issues; and

b) Support for the expansion of existing programs to train nursing assistants and community health promoters to increase the supply of qualified personnel within Indigenous Territories for behavioral change and basic care.

(c) **Subcomponent 2.3: Improved quality of water supply and sanitation in Indigenous Territories, including:**

(i) **WSS Infrastructure:** Designs, equipment, and construction of new, or rehabilitation or expansion

languages is oral only, where as in others, such as Guna Yala, IBE curriculum has been developed and implemented in many schools up to third grade. Given this variance, a diagnostic and action plan is proposed for each ethnic group to advance the state of IBE implementation in accordance with their reality and aspirations.

³³ Initial agreement is that the four risk areas will include: (a) prenatal care and birth; (b) children with diarrhea; (c) children with respiratory issues; and (d) psychosomatic illnesses commonly diagnosed and treated within Indigenous health systems.



of existing water and sanitation systems, including small-scale rehabilitation of up to 100 systems.

(ii) **Capacity building and technical assistance for service providers (JAARs, DAPOs, and Comarcal Water Commissions):** The capacity building program will benefit up to 150 communities and will include TA and training for community and local service operators in operations and maintenance, campaigns to promote behavioral change for basic hygiene and sanitation practices, inclusion or updating of the relevant systems into SIASAR. Beneficiary communities will be selected by each territorial Congress and Council in coordination with MINSA’s regional DAPOs or offices attending to WSS.

18. **Component 3: Project management and monitoring and evaluation (US\$12.50 million).** The objective of this component is to ensure that overall project management delivers on the expected range of investments, is agile and transparent, and maintains effective participation and coordination among the key stakeholders. This component will finance MINGOB’s PCU activities for: (a) project implementation oversight (supervision of the PEA); (b) planning and coordination with the IP Roundtable and partner agencies; (c) budget allocation requests with MEF and coordination of fiscal reviews with CGR; (d) reporting, disbursement, and no-objection requests to the Bank; (e) reporting and secretariat function to the PSC; (f) social management; (g) communications; (h) monitoring and evaluation; and (i) audits. This component will also finance the costs of a PEA to support MINGOB’s PCU with key technical, operational, administrative, safeguards, and fiduciary functions.

Table 3: Direct beneficiaries from investments in improved and culturally pertinent service provision

Sector	(a) Intervention category	Types of Interventions	Number of Participating Entities	Number served per year	Total Potential Beneficiaries
Health	Health Centers & Health Posts	Improved service delivery & application of intercultural health attention protocols as a result of: 1. 200 medical personnel benefiting from training; 2. 50 new health assistants trained 3. 500 new health promoters trained 4. Implementation of Intercultural health training and exchange program 5. Traditional healers registered by MINSA 6. Construction of traditional medicinal gardens and other basic infrastructure	Health Centers: at least 50% of 20 existing Centers = 10 Centers for targeted interventions	Average patients attended to in Indigenous Territories per year: Health Centers = 5,466 Health Posts = 3,798	Health Centers = 54,660 Health Post Beneficiaries = 201,294
			Health Posts: At least 40% of 133 existing Posts = 53 Posts for targeted interventions		
Education	Schools	Schools applying new or expanded IBE curriculum & materials	55	Average students per school in Indigenous Territories = 155	8,525
		Schools benefiting from school management strengthening program	100	Average students per school in Indigenous Territories = 155	15,500
		Schools applying environmental & sanitation education program	36	30 students per school	1,080
	Teachers	Teachers from Indigenous	450	Average number of	7,650



		Territories benefiting from continued education program		students per teacher = 17	
	Students	Number of new Indigenous students enrolled in participating Universities	200	Incremental increase in Indigenous students enrolled in Universities during project	200
Water & Sanitation	Communities	Communities benefiting from W&S service provider strengthening program (water committees, Indigenous Authorities, and regional W&S authorities)	150	Average number of people per Indigenous community = 200	30,000
	W&S Systems	Benefiting from investments to rehabilitate WSS systems	100	Average number of people per Indigenous community = 200	20,000
		Registered in SIASAR	150	Average number of people per Indigenous community = 200	30,000

D. CLIMATE CO-BENEFITS

19. Panama is a biologically diverse country with more than 12 percent of its landmass protected. Nevertheless, poverty pressures have driven many to exploit the natural resources of the Meso-American Biological Corridor in harmful ways. In particular, deforestation is a growing concern, as forests cover 40 percent of Panama’s territory. Panama ranks 14th among countries most exposed to multiple hazards based on land area: 15 percent of its total area is exposed and 12.5 percent of its population is vulnerable to two or more hazards (Panama ranks 35th among countries in terms of the share of total population considered at a relatively high mortality risk from multiple hazards). Panama experiences a series of extreme weather events, including intense and protracted rainfall, windstorms, floods, droughts, wildfires, earthquakes, landslides, and tropical cyclones; many related to ENSO/El Niño-La Niña cycles. Between 1982 and 2008, Panama was struck by 32 natural disaster events, with total economic damages estimated at US \$86 million and loss of human life at 249.³⁴

20. Climate change threatens to increase vulnerability of both human and ecological systems to these hazards, many of which will become less predictable and more intense in the future. Dry season temperatures are projected to increase between 0.4°C and 1.1°C by 2020, 1.0°C and 3°C by 2050, and 1.0°C and 5.0°C by 2080. Given large model uncertainties, it is not yet possible to make a clear determination of likely annual precipitation change, but most General Circulation Models (GCMs) suggest that precipitation may increase by some 80 percent overall by 2080, and project great variability in dry season rainfall from -7 percent to +7 percent by 2020, -12 percent to +5 percent by 2050, and -20 percent to +9 percent by 2080. Increase in sea levels might reach 35 cm by the end of this century. These changes will lead to more frequent and intense hazards, including extreme precipitation events, storms, floods, and droughts, and secondary impacts in terms of economic losses and impacts on livelihoods, particularly

³⁴ World Bank. Panama Dashboard: Natural Hazards. http://sdwebx.worldbank.org/climateportalb/home.cfm?page=country_profile&CCode=PAN&ThisTab=NaturalHazards



for the poorest and most marginalized members of society.³⁵

21. Vulnerable sectors include: agriculture, water resources, forestry, coastal zone management, and health that will be impacted by increased incidence of crop failure, loss of biodiversity and forests, reduced water quality and quantity, and increased incidence of climate-related human health impacts. Especially vulnerable areas include the San Blas Archipelago (Guna Yala), coastal areas of Bocas del Toro, Colón, and western areas of Panama Province. Indigenous populations, especially those living in rural areas and Indigenous Territories, are at risk given various factors, including: the high current and future exposure of these areas to extreme events and impacts of climate variability and change; IPs integral link with and high dependence on their natural environment to sustain customary way of life, livelihoods, health, and wellbeing; and their limited adaptive capacity, given high levels of poverty and low access to basic services. Various efforts are underway to address these challenges, through improving knowledge and building capacity on climate change mitigation, adaptation, and disaster risk management in Panama. Some major frameworks include the Comprehensive Disaster Risk Management Policy and the National Climate Change Policy, enacted in 2011 and 2017, respectively.

22. The proposed Project is expected to contribute to national climate change objectives by generating climate co-benefits beginning in 2019 and estimated at approximately 30 percent of total Project costs (US\$25M) by completion. The majority of climate-co benefits will be achieved under Component 2, through the use of climate resilient siting, design, and construction techniques for territorial infrastructure investments in health, education, water and sanitation. This would also include support for territorial planning processes for infrastructure works. To a lesser extent, Project investments under Component 1 will also aim to generate climate co-benefits by incorporating climate change mitigation and adaptation considerations into activities that strengthen national and territorial governance capacity for the GoP and Indigenous Authorities.

23. For infrastructure works under Component 2, the design of new construction and rehabilitation and expansion of existing infrastructure will incorporate mitigation and adaptation measures by applying climate resilient best practices and green building design and configuration standards recently adopted by MEDUCA and in the process of adoption by MINSAs.³⁶ These include design measures to reduce energy consumption and to increase infrastructure resiliency to the impacts related to current and projected future climate variability and change, including extreme precipitation, flooding, storms, and sea level rise (for coastal investments, for example in the Guna Yala Comarca). Examples of such measures include: improved drainage, landscaping to increase infrastructure resiliency and reduce impervious surfaces, improved water runoff management, and the incorporation of improved liquid and solid waste management practices. Specific mitigation and adaptation measures will be identified for each infrastructure investment financed by the Project, the determination of which begins with the territorial planning process for works and prefeasibility studies that include analyses of exposure to current and projected future climate and disaster-related hazards as part of location and siting evaluations. The results of these planning processes will guide the identification of specific adaptation and mitigation measures to be incorporated in the designs and technical specifications, as well as into terms of reference (ToRs) for supervision firms for tracking and reporting.

³⁵ World Bank. Panama Dashboard: Climate Future.

http://sdwebx.worldbank.org/climateportalb/home.cfm?page=country_profile&CCode=PAN&ThisTab=ClimateFuture.

³⁶ 2016 New School Design Standards adopted By MEDUCA www.meduca.gob.pa/node/1184. MINSAs, the mandate of which covers health and rural water supply and sanitation, is currently preparing for the adoption of similar design standards.



24. The use of new technologies to improve energy efficiency contribute to Panama's mitigation objectives for the energy sector, as outlined in the Nationally Determined Contributions (NDC) (2016), and to achievement of the Bank's Climate Action Plan targets to promote energy efficiency and resilient building by 2020. Among the suggested measures to help achieve Panama's National Contribution to Mitigation in the Energy Sector, the Panama NDC document (2016) identifies the use of new technologies to obtain improvements in energy efficiency. The green building design standards recently adopted by MEDUCA and in the process of being adopted by MINSA, include measures to reduce energy consumption that are consistent with Panama's NDC objectives for the energy sector.

25. Additionally, albeit not calculated as part of the climate co-benefits analysis, non-infrastructure investments supporting enhanced service provision and the expansion of intercultural services in health, education, and water and sanitation under Component 2 also have the potential to contribute to climate change adaptation. This would include, for example, the incorporation of climate change mitigation and adaptation elements into: (a) the management and contingency plans for water systems (i.e. protection of water sources), and for schools and health facilities (i.e. evacuation, shelter, and operating procedures during disasters, etc.); (b) the development of IBE curricula; and (c) community-level awareness raising campaigns on health, hygiene, and sanitation. The best strategies for incorporating these elements into specific non-infrastructure investments under Components 2 will be explored and incorporated into the terms of reference (ToRs) for activities. These activities contribute to national objectives to educate and sensitize the population on climate change mitigation and adaptation.³⁷

³⁷ Government of Panama. 2016. Nationally Determined Contribution to Mitigation. http://www4.unfccc.int/Submissions/INDC/Published%20Documents/Panama/1/Panama_NDC.pdf.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Republic of Panama Support for the National Indigenous Peoples Development Plan

A. Project Institutional and Implementation Arrangements

1. This is a complex, high-risk project, with several aspects that are being tried for the first time in Panama. Implementation arrangements would balance the need for rapid delivery of high priority works and services with the objective of building permanent capacity for implementation of the Plan. The higher-level structures established for the Project will remain throughout its duration, but the arrangements for day-to-day implementation may be adapted as the government's institutional capacities grow, particularly in MINGOB. The following sections explain the starting arrangements, including enduring higher-level entities, then present criteria to be used when considering future changes to working level implementation arrangements.

2. As illustrated in the Project's Organizational Charts below, project implementation is divided into three levels, including: (a) a PSC, responsible for high-level oversight and political coordination; (b) a PCU within MINGOB's VMAI, responsible for overall project coordination and achievement of project objectives; and (c) an implementing agency--the PEA--responsible for implementation (technical, operational, fiduciary, safeguards, administrative) of Components 1 and 2 of the Project. The PEA will work in direct collaboration with partner ministries (MINSAs, MEDUCA, or MINGOB, depending on the type of activity). The IP Roundtable will serve as the official permanent space for consultation and coordination between the PCU and the Indigenous Authorities. Throughout implementation, the PSC, PCU, IP Roundtable, and partners will exist and maintain their involvement. However, as some institutions involved in the provision of infrastructure, goods and services to the Indigenous Territories strengthen their capacities, some or all the functions carried out by the PEA may be transferred to them, as explained below.

3. Important considerations in the design of the initial arrangements include the following:

- The GoP institutions involved did not, at the time of appraisal, have adequate capacity to implement the project, in many cases due to lack of appropriate technical, operational, or fiduciary skills (especially skills that are new needs emerging from the Plan), tools (systems and platforms for data monitoring, planning, and consultation) or legal frameworks. At the same time, mechanisms and incentives for inter-institutional planning and coordination need further strengthening.
- Panama presents particular complications because its own control system for public expenditure involves multi-stage processes for approving contracts, contract amendments, and payments. These processes may take up to six months for contract approvals and three months for each payment clearance, and can involve rejection of requests or demands for significant changes.
- There are high expectations for prompt delivery of investments and services, given that the IPs of Panama, through their Roundtable and other formal channels, have worked with the MINGOB and other stakeholders for several years to consult and prepare the Plan, and subsequently arrive at an agreed and justified list of priority activities to be supported within the Project.



4. For these reasons, it has been agreed that at least the initial years of project implementation should be handled by an experienced firm/institution (competitively selected internationally), based on a precedent from an IADB-financed project. Such an organization will become the PEA. It would provide a full range of services for project implementation, including procurement, financial management, contract management for most contracted works, goods and services, safeguards, and related tasks. The PEA would have a bank account (Operational Account) and receive funds to use for Project expenditures against contracts, according to AOPs. Funds for the Operational Account would be obtained through disbursements (likely quarterly) that would be reviewed by the CGR, allowing a more agile flow of funds for the numerous contracts and payments financed by the Project. Spending would be verified and audited rigorously under the auspices of the VMAI PCU.

5. The contract of the PEA will be supervised by VMAI in MINGOB, in the following ways:

- Annual planning exercise;
- Quarterly reviews of expenditure and replenishment needs;
- Continuous collection of monitoring information both for the results framework and for other indicators of practical aspects of implementation; and
- Presenting progress reports to the PSC and transmitting their observations, suggestions, and questions to the PEA.

6. While this initial arrangement is expected to address the first aim of the implementation arrangements—rapid delivery of high priority works and services through the project—the efficiency of implementation is not the only consideration for the project implementation arrangements, particularly in the later years. Specifically, it is also important to build capacity in the relevant parts of the government to implement this sort of investment beyond the scope of the Project. The Plan is an important and enduring document, and in a sense the present Project is the first learning stage. (It is hoped that in future, other sources of finance will come forth, and much more can be done in the context of the Plan.) By the end of the Project, it is expected that the government will be able to increasingly undertake these sorts of activities, identified in and aligned with the Plan, to advance the living standards of IPs. With this in mind, the plan for future implementation arrangements allows the possibility that many or all of the responsibilities of the PEA would be transferred to the government, as and when the appropriate agencies of government demonstrate the needed capacities.

7. Thus, before the end of the initial three-year PEA contract, a MTR of the Project will examine whether conditions are appropriate for downsizing or ending the contract, or alternatively continuing with a renewal or extension of much or all of the initial contract. Prior to the MTR, MINGOB (VMAI/PCU) and MEF should provide to the Bank a draft assessment, consulted with partner agencies and the IP Roundtable, and agreed with the PSC, addressing the readiness for transference of some or all of the functions of the PEA during the remaining project duration. Should the proposal be for the complete transfer of all functions in a defined period, the draft assessment should explain how these functions will be carried out: by which staff/consultants, with which qualifications, how managed and organized. If the proposal is for transfer of some or all functions of the PEA to MINGOB's PCU, the MTR would look at the following criteria for government readiness to implement the Project (or aspects of it):

Staffing for each function.

MINGOB has hired staff/consultants according to ToRs agreed with the World Bank, or MINGOB has



TORs and shortlists ready for such hiring within a short-defined period, for the following:

- General project management and oversight, including coordination of all involved partners and entities
- Technical specialists that can prepare ToRs and work with line ministries for technical inputs and contract administration;
- Procurement
- Financial management, reporting and administration of funds
- Communications
- Safeguards.

Ongoing contracts.

The proposal demonstrates that the transition is possible without significant implementation delays in the administration of existing contracts with third parties, or the procurement of remaining project activities.

- MINGOB and other relevant authorities have arranged, with documentation acceptable to the World Bank, a way of transferring responsibility as counter-party for all ongoing contracts from PEA to MINGOB.
- The appropriate government authorities have arrangements that will allow prompt payment of all future amounts due to firms and individuals under contract (and such arrangements would apply to firms and individuals yet to be contracted during the remainder of the project implementation period).
- With respect to oversight of construction supervision contracts, MINGOB would have staff/consultant(s) qualified for this responsibility *or* has arranged with partner ministries (MEDUCA, MINSAs) for them to oversee such contracts with personnel and in a manner acceptable to the World Bank, based on existing Inter-Institutional Agreements.
- If most or all PEA functions are eventually moved to MINGOB, the principle of a single payment account would remain (i.e. there would not be the option of setting up different accounts and payment systems for other partner ministries/agencies).

Other functions, if any.

Any other functions of the PEA have been analyzed and arrangements made for them to be carried out by suitably qualified staff/consultants either in MINGOB or in a partner agency with a defined form of linkage to MINGOB.

8. If all these criteria are met, then it may be possible to phase out the PEA. If some of these criteria are met, but not others, it may be possible to consider moving some functions to the PCU while leaving others with the PEA, modifying its contract to reduce some deliverables while extending the duration of the contract. If very few of the criteria are met, the PEA contract could be renewed.

9. Complementary to MINGOB's efforts to be ready to assume some or all the functions of the PEA, the Project, especially through Component 1, will build the capacity of the appropriate government agencies and Indigenous organizations to jointly implement the Plan. Such capacities include:

- Knowledge and information base for defining needs and progress for improving living conditions in Indigenous Territories, including:
 - More accurate Census data;
 - Mapping and monitoring system of public infrastructure, facilities, services, and needs.



- Territorial planning and enhanced participation of Indigenous Authorities in municipal planning processes to access decentralization funds;
- Platforms for consultation, coordination, and conflict resolution;
- Strong Indigenous Councils and Congresses, building on diagnostic analysis;
- In MINGOB, MEDUCA, and MINSA, stronger organizations and capacities, knowledge bases, and skills to handle all aspects of improving sectoral infrastructure and services in Indigenous Territories for their respective sectors; and
- Support for the design and consultation of regulations for three critical laws for the implementation of IPs' rights and priorities.

10. The OM includes detailed descriptions of each entity's roles and responsibilities, the inter-relationships of these actors, and the flowcharts for decision making and administrative steps for project processes, including: the preparation of the AOPs requests for disbursements and no-objections, reporting, procurement processes, and grievance redress among parties. The OM also includes a detailed organizational chart, list of the expected team composition, and terms of reference for the core staff of both the PCU and the PEA. Draft ToRs for the PEA, based on the full scope of project activities and disbursement schedule, were prepared to allow the process of procurement of the PEA to begin well before loan effectiveness, so that the contract may be signed soon after effectiveness.

11. The Inter-Institutional Agreements prepared for the Project and negotiated between MINGOB and MINSA, and MINGOB and MEDUCA, outline the legal mandates, roles and responsibilities, and expected scope of engagement (investments and activities) that will govern the partner agencies' participation in the Project. These reflect agreements in substance between the responsible technical parties representing each ministry, and will be signed prior to loan effectiveness. These agreements are subject to review and endorsement by CGR before they become legally binding.³⁸

12. The proposed implementation mechanism attempts to simplify, to the extent possible, a complex project and operating environment. These complexities stem from: (a) multi-sectoral interventions in a country with very weak inter-institutional planning and coordination; (b) location of investments in 12 Indigenous Territories with, in some cases, very difficult access, and with long-standing unresolved issues with the government; (c) a counterpart ministry with limited experience with externally financed projects; (d) an implementation environment with lengthy administrative and oversight procedures for the implementation of public funds; and (e) a limited market of service providers and contractors with the specialized capacity and interest to work in Indigenous Territories or on intercultural issues.

13. The proposed mechanism attempts to mitigate these risks through:

- A reduced scope of sectors/institutional partners;
- A single flow of funds;
- Support from an experienced project management agency (PEA) to focus entirely on project implementation during at least its first half and longer if appropriate;
- A pre-consultation with CGR to limit prior controls to the PEA contract and disbursements/payments, which are planned to occur approximately four times per year (as opposed to review and endorsement of every contract and all payments under project implementation);
- Streamlined decision-making processes;

³⁸ This review and endorsement should occur subsequent to the CGR's review and endorsement of the Project's Loan Agreement.



- Inter-Institutional Agreements outlining each main partner’s roles and responsibilities (and MoUs for partners with smaller scope of activity, such as INEC);
- Provision of consultants to reinforce partner ministries to fulfill their respective implementation responsibilities;
- Detailed AOPs outlining project activities and agreed by the various stakeholders;
- A component dedicated to building tailored institutional capacity and the enabling environment to allow for a take-over of the Project’s programs, investments, and long-term implementation of the Plan (“exit-strategy”);
- A strong engagement with the IP Roundtable.

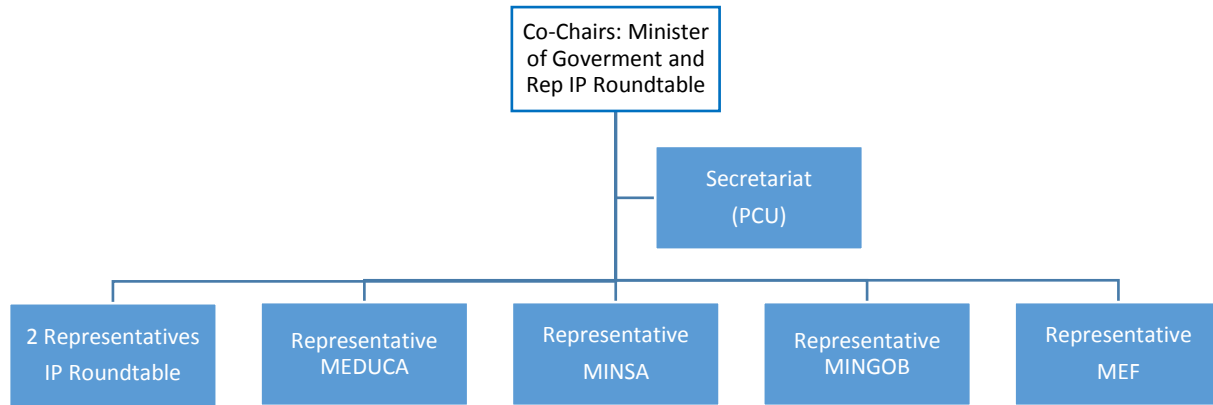
14. Only under exceptional circumstances (for example, if there is a need to carry out initial activities before the hiring of the PEA), the PCU could procure and administer contracts for activities under Components 1 and 2 per the Inter-Institutional Agreements and with prior written authorization by the Bank.

15. Table 1 presents a summary of the roles and responsibilities of the different actors involved in project implementation, and as relevant, their team compositions.



Table 1: Summary of Key Actors for Project Implementation and their Roles & Responsibilities

Project Steering Committee (PSC)

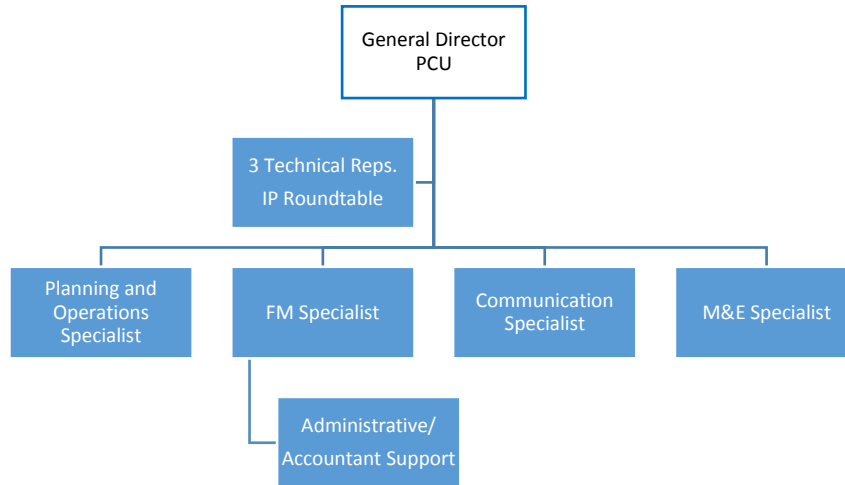


Composition	Roles	Responsibilities
<p>Co-Chaired by the Minister of MINGOB and a representative of the IP Roundtable. Also include 1 Representative of: MINSA, MEDUCA and MEF; and 2 additional representatives of the IP Roundtable, and additional representatives of MINGOB. Note: The OM will define quorum and detailed functions.</p>	<p>Through consensus-based decision-making, serve as a high-level political coordination & resolution body to ensure fluid project implementation in line with Loan Agreement, the Plan, & Inter-Institutional Agreements, and the PAD</p>	<p>Meet 2-3 times per year (or under extraordinary circumstances) to:</p> <ol style="list-style-type: none"> 1. Endorse AOPs 2. Review project progress reports against AOPs 3. Resolve high-level outstanding issues between: (a) partner ministries and MINGOB; (b) IP Roundtable and MINGOB, or partner agencies or PEA; and (c) PCU and PEA. 4. Address external political issues affecting project implementation



Table 1: Summary of Key Actors for Project Implementation and their Roles & Responsibilities

A Project Coordination Unit (PCU) within MINGOB’s Vice Ministry of Indigenous Affairs (VMAI)



Composition	Roles	Responsibilities
<p>The PCU will be led by a Coordinator, who will be supported by a lean team, including a specialist in planning and operations, a specialist in monitoring and evaluation; a FM analyst and back office administrative team; and a specialist in communications. A procurement specialist will be hired to support the PCU in procuring the PEA, core PCU team, M&E, communications, and auditing services.</p> <p>The PCU will also maintain the support of the three technical representatives named to represent the IP Roundtable to carry out functions related to social aspects of the project.</p>	<p>Government Agency in charge of project coordination & management, and primary counterpart to Bank.</p>	<p><u>General Director:</u></p> <ol style="list-style-type: none"> 1. Reports to Vice Minister, VMAI 2. Secretariat of PSC 3. Oversight of PCU Team 4. Bank Counterpart 5. Follows up to ensure compliance of Inter-Institutional Agreements and MoUs 6. Coordinate requests to MEF & CGR 7. Manages overall relationship with PEA <p><u>Planning and Operations:</u></p> <ol style="list-style-type: none"> 8. Coordination for project planning & reporting with all actors: Steering Committee, Partner Agencies, IP Roundtable, and Bank 9. Preparation and negotiation of AOPs with partner agencies 10. Contracting and supervising PEA <p><u>FM Specialist & Accountant:</u></p> <ol style="list-style-type: none"> 11. Carry out overall Project FM 12. Prepare requests for disbursements and prepare financial reports 13. Hire and coordinate project Audits 14. Prepare review and endorsement requests to CGR 15. Prepare budget allocation requests to MEF <p><u>Procurement:</u></p> <ol style="list-style-type: none"> 16. Procure PEA and other goods and

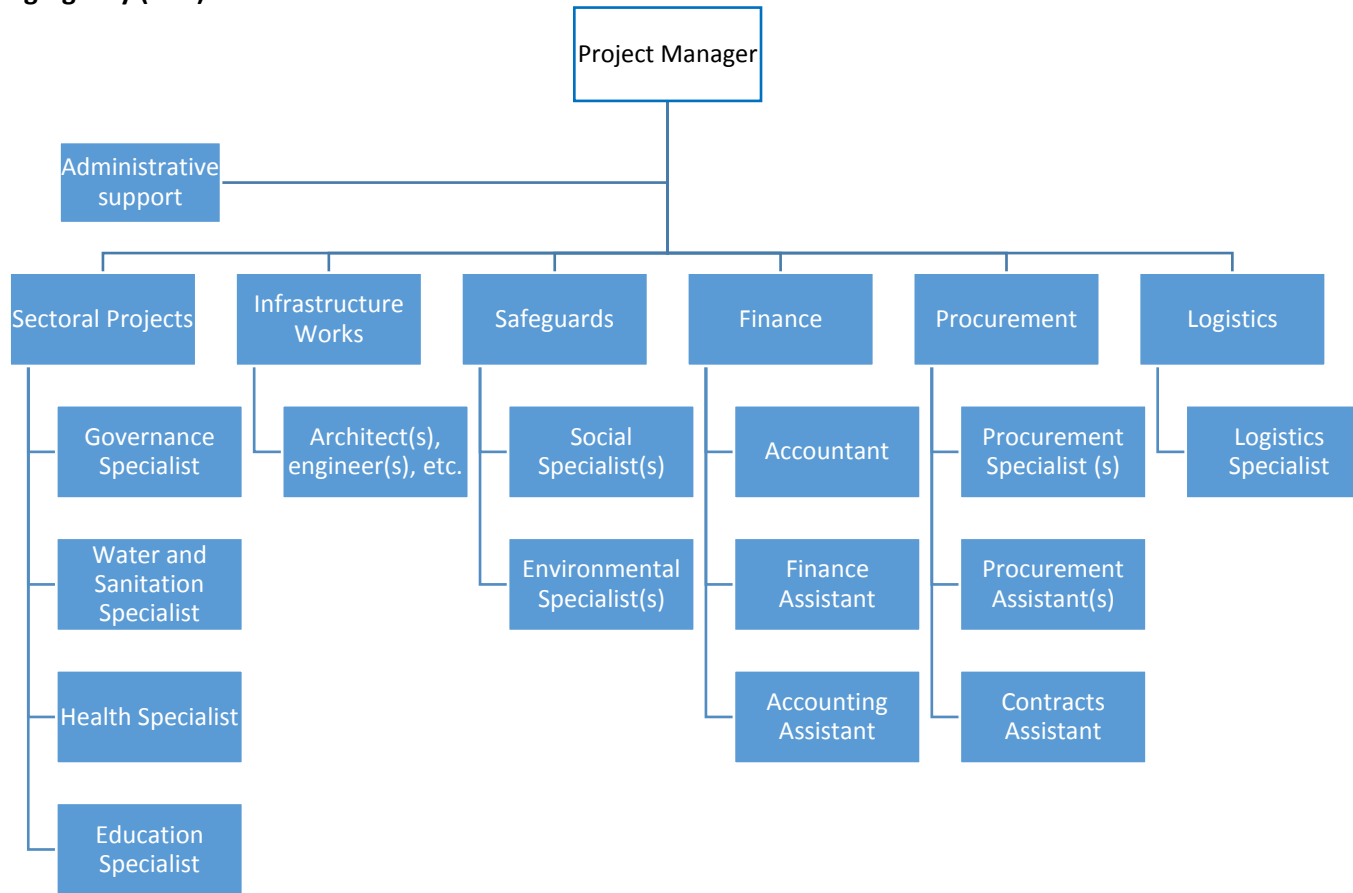


		<p>consultancies for Component 3</p> <p>17. Supervise procurement of PEA and report to Bank on all procurement issues</p> <p><u>Communications:</u></p> <p>18. Implement Communications Strategy</p> <p><u>Monitoring and Evaluation:</u></p> <p>19. Design and implement project monitoring systems and evaluation, including commissioning surveys and studies per the results framework and learning goals</p> <p><u>Social Aspects/Technical Reps</u></p> <p>20. Ensure ongoing communication, reporting and coordination with Indigenous Authorities and communities, identifying and addressing grievances, conflicts and information requests.</p> <p>21. Advising PCU on key IP issues/external conflicts</p>
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Table 1: Summary of Key Actors for Project Implementation and their Roles & Responsibilities

Project Executing Agency (PEA)



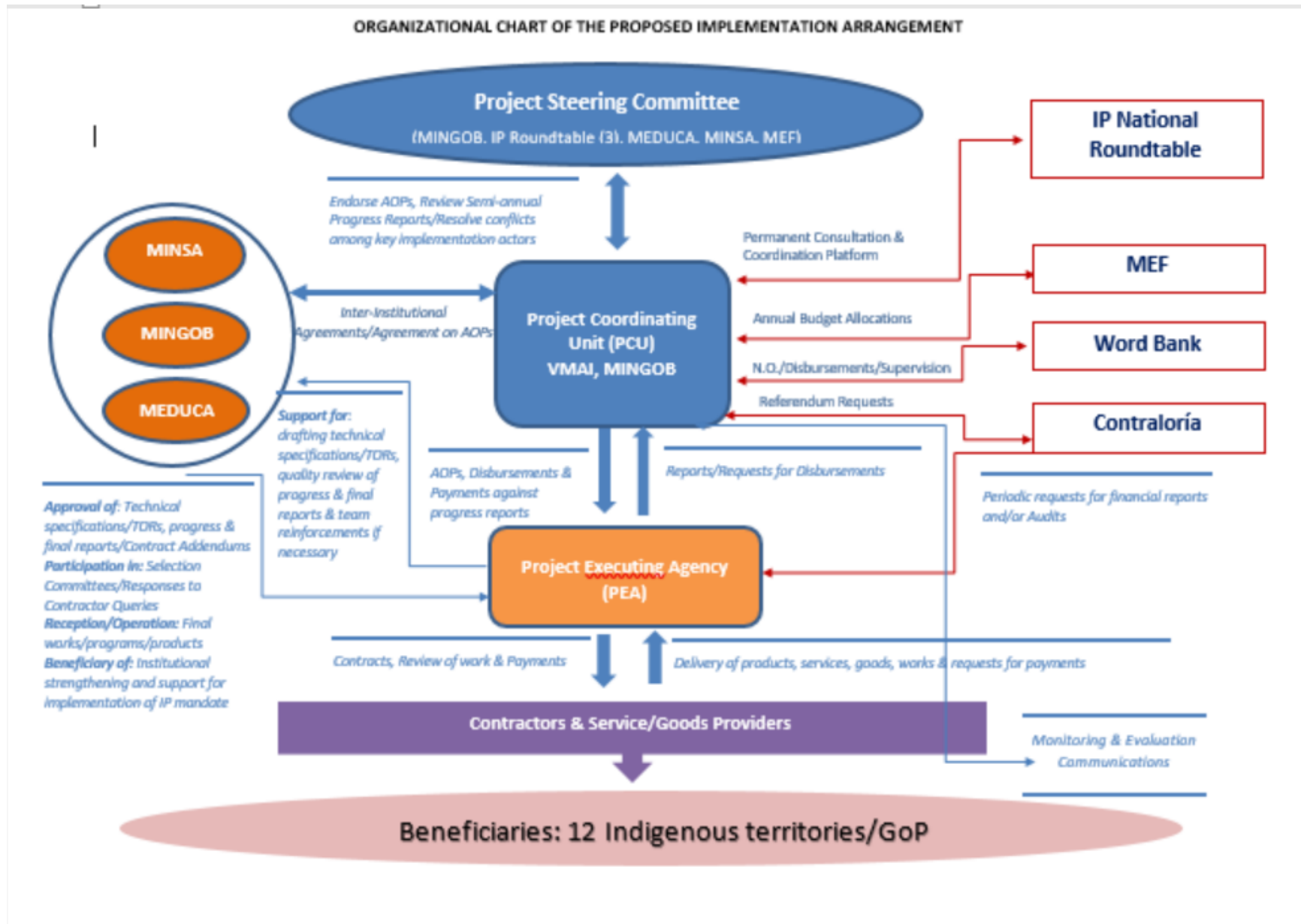


Project Executing Agency (PEA)		
Composition	Roles	Responsibilities
<p>As illustrated in the organizational chart, the PEA will be led by a Manager, and have a core team of:</p> <ul style="list-style-type: none"> ▪ An administrative unit to assist the manager, possibly including a deputy manager; ▪ A technical team with specializations in education, health, water and sanitation, and governance; ▪ An engineer, infrastructure specialist, and architect as needed for coordination of preparation of bidding specifications and supervision of works, without duplicating the job of contract supervisors; ▪ A safeguards team, including both environmental and social specialists; ▪ A financial management team; ▪ A procurement team; ▪ A logistics team. <p>The PEA may need to hire additional short-term specialists to assist in its work program delivery.</p>	<p>Implement technical, operational, fiduciary, safeguards, and administrative aspects of the Project</p>	<ol style="list-style-type: none"> 1. Prepare Procurement Plans for Components 1 and 2 in accordance with AOPs 2. Implement Annual Operations & Procurement Plan in accordance with OM 3. Ensure compliance with ESMF 4. Request disbursements to PCU and provide technical and financial reports 5. Draft ToRs and Technical Specifications and process review and approval by partner agencies 6. Prepare and publish bidding packages 7. Coordinate the formation of evaluation committees, participate in the evaluation committees, or recruit external experts as necessary 8. Emit and sign contracts with contractors and service providers per selection committee’s ruling 9. Coordinate preparation of responses and clarifications to market queries, in coordination with partner agencies, 10. Prepare and process approval with partner agencies for contract addendums 11. Provide quality review of all products and reports and submit these to partner agencies for request for revisions or approval for payments 12. Coordinate with partner agencies final receipt of works 13. Close contracts 14. Contribute to building GoP capacity to implement projects 15. Coordinate, as necessary, logistics for contractors and activities in remote areas



Table 1: Summary of Key Actors for Project Implementation and their Roles & Responsibilities

Composition	Roles	Responsibilities
Partner agencies		
<p>EDUCATION: MEDUCA HEALTH: MINSAs Directorate of Indigenous Health WSS: MINSAs, DISAPAS IP Governance: MINGOB CENSUS: INEC HIGHER EDUCATION: Select Universities (TBD) The PEA can finance consultants to support the partner agencies in delivering on these roles, as deemed necessary, as part of the institutional strengthening action plan.</p>	<p>Participate, with support of the PEA, in project implementation and ensure long-term sustainability of investments under their “ownership”</p>	<ol style="list-style-type: none"> 1. Participate in PSC 2. Participate and approve relevant actions of AOPs 3. Provide existing technical specifications, standardized designs, contractor lists, etc. 4. For works, carry-out necessary upstream planning and process SINIP 5. Approve final ToRs or technical specifications prior to bidding 6. Participate in contract selection committees 7. Provide clarifications and technical inputs for questions/addendums from contractors 8. Approve interim products (exception MEDUCA works) 9. Receive final works/goods/products 10. Allocate budget and resources for long-term functioning (SINIP)
IP Roundtable		
<p>Political and technical representatives of the 12 Indigenous Congresses and Councils of Panama.</p>	<p>Ensure Project is fully aligned with the Plan and facilitate active participation of Indigenous communities and Authorities in project planning, implementation, and monitoring.</p>	<ol style="list-style-type: none"> 1. Assign three technical specialists to work within the PCU to ensure that their vision and priorities are reflected in all project planning and coordination activities 2. Assign three political representatives to serve on the PSC 3. Meet at least four times a year to: <ul style="list-style-type: none"> ▪ Provide feedback to PCU on AOP; ▪ Review and provide feedback on project implementation reports and key products; ▪ Raise & support resolution of outstanding informational requests or grievances communicated by project beneficiary communities; ▪ Serve as the consultation body for those project activities delineated in the ESMF. 4. Communicate project progress and key messages to constituent Councils and Congresses 5. Facilitate territorial and local level access and work for service providers and contractors





B. Procurement

16. Procurement will be carried out in accordance with “World Bank Procurement Regulations for IPF Borrowers” (July 2016, revised November 2017) (“Procurement Regulations”). A PPSD, prepared by the Borrower, describes how procurement in this operation will support the PDO and deliver value for money under a risk-based approach. The PPSD provides adequate supporting market analysis for the selection methods detailed in the Procurement Plan. Mandatory Procurement Prior Review Thresholds detailed in Annex I of the Bank’s Procurement Procedure are observed. All procurement procedures, including roles and responsibilities of different participating entities and units, are defined in the OM.

17. **Procurement Plan.** In accordance with paragraph 5.9 of the Procurement Regulations, the Bank’s Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the Project. A Procurement Plan covering the first 18 months of the project implementation was prepared by the Borrower in accordance with the results provided by the PPSD and was agreed with the Bank as part of Project negotiations. A summary of the PPSD, including recommended procurement approach for higher risk/value contracts, is detailed in Table 3 below.

18. **Civil Works.** The Project will finance new constructions, rehabilitation and expansion of schools, health centers, and water and sanitation services, as well as other minor civil works.

19. **Goods.** Goods to be financed under this project include school furniture, medical equipment, information technology, water supply (machinery and equipment), etc.

20. **Non-consulting services.** The Project will finance services such as design and printing, workshops and training logistics, etc.

21. **Selection of consulting services.** Consulting services to be financed under the Project will be focused on project executing services (PEA), M&E services, design and supervision of civil works, external auditing, information systems, design and development of plans and programs to support capacity building and service delivery in governance, health, education, and water and sanitation in Indigenous Territories, among other services.

22. **Bidding Procurement Documents.** Standard Procurement Documents shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan in STEP. Procurement using a national market approach shall be conducted using bidding documents to be agreed with the Bank.

23. **Operating costs.** Operating costs refer to incremental expenses incurred on account of project implementation, supervision, monitoring and evaluation, which may include office supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, operation and maintenance of office equipment, office administration costs, utilities, travel, and *per diem*, and remuneration of locally contracted employees, none of which would have been incurred in the absence of the Project.

24. **Capacity assessment.** The Bank carried out a procurement capacity assessment to evaluate the



adequacy of procurement arrangements of MINGOB and partners Ministries. The assessment focused on how the entities will be organized to procure using the loan's funds, in terms of staffing structure, procurement record system, internal controls, roles and responsibilities, etc.

25. MINGOB has no experience implementing projects financed by the Bank, and therefore, a PCU will be created with a team of qualified experts and a PEA will be hired with the responsibility for the implementation of the procurement activities included under Components 1 and 2, while the contracts included in Component 3 will be executed by the PCU. Given that the PCU and the PEA will be responsible for procurement activities, both agencies will have as a member of their key professional staff, a senior procurement specialist with appropriate qualifications and competencies, and TORs acceptable to the Bank.

26. The partner ministries will remain responsible for the decision making in relation to the technical aspects of the procurement activities (processes and contract administration) to be financed by the Bank's loan. Given that certain weaknesses have been detected, the Project will finance individual consultants, office equipment, and operating costs to support the ministerial agencies involved in: (a) the preparation of technical specifications; (b) the resolution of technical issues during procurement processes; and (c) acting as the technical counterpart for the administration of contracts financed with funds from the Bank loan.

27. The PCU and the PEA will have appropriate facilities, office and IT equipment, procurement record systems, procurement support staff, and the resources needed to comply with their obligations in a timely manner.

28. The key issues and risks concerning procurement for project implementation include: (a) inherently complex inter-institutional flows and administrative procedures, that are required to carry out the procurement processes and contract administration; (b) the selection, contracting, and management of the PEA contract; and (c) the management of contracts in Indigenous Territories. Further, and related to the procurement processes, factors such as climate, topography, civil work access conditions, local and international market, tropical diseases, as well as violence and security related issues, could have a significant impact on the implementation of the activities. The PPSD includes initial analysis of these factors, that will require further elaboration during the first months of Project implementation.

29. **Frequency of Procurement Supervision.** In addition to prior review supervision to be carried out by the World Bank office, the capacity assessment of the implementing agencies recommends semi-annual supervision missions to visit the field to carry out post review of 1:10 procurement actions.



30. **Summary of PPSD** (recommended procurement approach for higher value contracts)

Table 2: List of Main Procurement Activities				
Description	Estimated cost (US\$M)	Prior / Post Review	Market approach	Procurement method
CIVIL WORKS				
Rehabilitations school and health center (Lano Nopo, Soloy)	7.8	Prior	National-Open	Request for Bids (RFB), post-qualifications
New constructions and rehabilitations of schools and health posts/centers (Alto Platon, Nargana, Playon Grande) – 3 Lots.	3.9	Post	National-Open	RFB, post-qualifications
New constructions and rehabilitations of schools and health posts/centers (Akua Yala, Arimae, Ipeti Emberá, Puerto Lara) – 5 Lots.	3.2	Post	National-Open	RFB, post-qualifications
GOODS				
Scholl furniture (Alto Playon, Nargana y Playon Grande)	1.6	Prior	Nacional - Open	RFB
Spares Water system	2.5	Prior	International - Open	RFB
CONSULTING SERVICES				
Project executing services (PEA)	5.9	Prior	International - Open	Quality and Cost Based Selection (QCBS) – Shortlist
Consulting services to implement training programs for Health Assistants.	2.4	Prior	International-Open	QCBS - Shortlist
M&E services	2.3	Prior	International - Open	QCBS – Shortlist
Design and implementation – strengthening program for key actors of water and sanitation services in IP territories.	2.1	Prior	International - Open	QCBS - Shortlist
Civil works supervision services – (Alto Playón, Narganá, Playón Grande and Cerro Banco, etc.)	1.1	Prior	International - Open	QCBS - Shortlist

C. Financial Management

31. The Project’s administrative and financial management procedures are detailed in the OM. The Bank has discussed and agreed with MINGOB a set of basic flowcharts for the main FM processes as well



as the sections in the Project's OM and these have been reviewed and consulted with the CGR. The Bank verified the acceptability and adequacy of the OM during appraisal and provided its No Objection to the FM chapter of the OM.

Financial Management Arrangements

32. Considering the complexity of the Project and the basic implementation capacity of MINGOB's PCU, the government has decided to support project implementation by supplementing its capacity with a PEA,³⁹ thus allowing for a smooth start-up of the project implementation. Key technical, operational, administrative, fiduciary, and safeguards functions of the project will be outsourced to the PEA, which will be selected through a competitive process subject to Bank's review and approval. It is expected that the bidding process for these consultant services will be launched in early 2018. The PEA will be tasked with carrying out implementation of Components 1 and 2, while the PCU will carry out implementation of Component 3 (Project Management and Monitoring and Evaluation) and will have an overall coordination role for project implementation. The implementation model with a PCU and PEA will be reviewed at MTR, with the objective of progressively phasing out the use of a PEA, while the GoP builds its capacity to implement the project.

33. FM tasks for the majority of the project (Components 1 and 2) will be carried out by the PEA while the FM tasks for Component 3 related to project management, which are less complex, will be carried out by the PCU. The PCU will be tasked with the Project's overall FM planning and reporting, as well as those tasks required to implement Component 3. Under said arrangements, the PCU will be directly in charge of the following FM tasks, including *inter alia*: (a) overall project budget formulation and monitoring; (b) overall cash flow management (including processing payments and submitting loan withdrawal applications to the World Bank); (c) maintenance of accounting records (including the administration and maintenance of an inventory of Project assets); (d) preparation of in-year and year-end financial reports; (e) administration of underlying information systems; and (f) arranging the execution of the external audit. The PCU will also be responsible for consolidating the financial information prepared by the PEA for Components 1 and 2 for the preparation of the financial reports and for administering the Project's Designated Account (DA). To properly support FM tasks, it has been agreed that the PCU would include a FM Specialist and an Accountant under ToRs approved by the Bank.

34. The PEA will be an implementing entity responsible of the FM tasks for the implementation of Components 1 and 2 which represent approximately 84 percent of project funds. The PEA will enter contracts with third parties on its own behalf per the objectives and conditions of the contract it signs with MINGOB. It will receive quarterly advances, as per the agreed upon Annual Operations Plan, which will be deposited into an account exclusive for the project and will be backed by a bank guarantee obtained by the PEA. As the funds advanced are invested by the PEA in project expenditures under Categories 1 and 2, the PEA will need to account for/document the funds in order to receive new advances. The administrative fees or payments for the PEA's consulting services will be deposited into their own commercial account, separate from project funds, per the agreed payment arrangement. The PEA will transfer legal title of the goods/works/products produced by third party contractors over to the respective partner agency of the GoP (MEDUCA, MINSA, MINGOB) in accordance with the CGR's 2017

³⁹ This proposal is in line with observations of the CPF that identifies both the weakness of many public-sector institutions and poor experiences with complex inter-institutional arrangements. This approach draws from a model successfully used in Panama by another multilateral financing institution for a project with similar complexity.



Manual on General Norms and Procedures for the Administration and Control of Public Sector Patrimonial Goods. FM tasks will include, *inter alia*: (a) set up and implement the project's financial management and control systems; (b) manage project cash flow and monitor funds availability to request further advances if needed; (c) maintain accounting records, including the maintenance of an inventory of fixed assets for Components 1 and 2; and (d) prepare periodic and year-end financial reports. It is expected that the PEA will have a suitable organizational structure with trained staff that will possess the required experience and credentials to ensure the responsible project management.

35. A FM assessment was conducted in accordance with World Bank guidelines, and the Project's overall FM risk was assessed as substantial. The factors contributing to this assessment include: (a) Project implementation is complex and requires, close inter-agency coordination as MINGOB will have to interact with MINSA and MEDUCA, the main technical counterparts; (b) while MINGOB is the responsible implementing entity, a significant portion of project funds will be implemented by the PEA, which can only be hired once the Project is approved, and thus limits the FM assessment during project preparation to ensuring adequate expertise and a clear scope of tasks and procedures are established in the PEA ToRs and OM; (c) MINGOB has no previous experience with World Bank requirements, and their internal administrative and finance arrangements may become cumbersome; and (d) modifications in the level of CGR's ex-ante review controls in project operations could delay project implementation and thus reduce project's expected results.

36. MINGOB has agreed to a Fiduciary Action Plan (FAP) including FM measures to ensure adequate capacity is in place for project implementation. The FAP includes measures comprising staffing, internal control procedures, accounting, financial reporting and transparency mechanisms to support the establishment of adequate capacity at project level and mitigate risks. Some actions included in the FAP, such as having an acceptable advanced draft of the OM, were prepared prior to negotiations. MINGOB's implementation of the FAP is needed in order to build the required capacity to carry out FM tasks.

37. MINGOB agreed to undertake the following FM risk mitigation measures, including: (a) hire trained staff who possess the experience and credentials required to ensure responsible Project management; (b) describe, in detail, in the OM the scope of FM and procurement related procedures and operational responsibilities (an advanced draft was presented prior to negotiations); (c) prepare semi-annual interim financial management reports linking physical progress and financial execution; and (d) hire external auditors acceptable to the Bank within 3 months after Project effectiveness with an expanded scope of work and interim internal control reports that would be available to the Bank.

Programming and Budget

38. The project has been registered at the National System for Public Investments (SINIP), hence all project funds will be allocated into the MINGOB's institutional annual budget to be concurred by the MEF and approved by the National Congress as part of the public annual budgeting process. The budget execution will be subject to provisions of the General Law on Budgeting, Budgeting Classification Manual, and General Rules on Budgeting, among others. This set of legal and regulatory arrangements, jointly with use of the institutional FM Information System ISTMO, provides for reasonably sound budget formulation, execution, and control. In the case that the annual programmed budget allocation recommended by the MEF and approved by the Congress is insufficient based on major variances in levels of execution and disbursements, the PCU will develop a Project Execution Plan (PEP) for the entire life of the project, as



well as timely prepare, based on the PEP, the AOP of the Project, which will be used for planning and budgeting purposes, and supporting the budget requests to be submitted to MEF. The AOP for the first implementation year has been prepared by MINGOB and submitted to the Bank.

Accounting and Financial Reporting

39. MINGOB is subject to compliance with the Governmental Accounting Manual, issued by the CGR. Hence, the Project accounting will be based on the accounting standards applicable to public sector, including the standardized chart of accounts.

40. In terms of the Financial Management Information System (FMIS), at an institutional level, as mentioned earlier, MINGOB currently uses ISTMO system, which is a modular system based on the SAP platform that allows for the recording of institutional budget in accordance with budget classifications used at the national level. However, ISTMO currently does not provide an adequate transaction flow for projects financed by external credit. Given this, for the Project, both MINGOB's PCU and the PEA will use the Pentagon system, which is a modular system that includes procurement, accounting, budgeting, and disbursement modules, among others. The system allows, in addition to detailed registry of project transactions by component and disbursement category, for automatic producing of required project financial statements, including Interim Financial Reports (IFRs), Statements of Expenditures (SOEs), and banking reconciliations in formats agreed with the Bank. The reconciliations between ISTMO and Pentagon will be carried out on a monthly basis. In this context, Project transactions will be processed at aggregate level in ISTMO, following the local budget classification and accounted for based on the standardized government chart of accounts, while detailed Project records at component/category level will be registered and monitored, using cash basis of accounting, through the Pentagon system.

Internal control and written procedures

41. As any other public-sector entity, MINGOB has an internal audit office (*Oficina de Auditoría Interna*) and the CGR's oversight office, which are directly and indirectly involved in Project monitoring and supervision. It was discussed and agreed with MINGOB's Internal Audit Office that the operations under the project will be included in their annual audit plan and that reports produced by this office on project operations will be shared with the Bank. To this end, after the project is effective, the PCU will formally request the inclusion of the activities of the project's execution throughout project life.

42. At the project level, the internal control procedures, will be mainly focused on: (a) proper segregation of FM-related functions; (b) management and control of long-term assets, including those originated from PEA contracts; and (c) adequate control of disbursements and flow of funds, among others. These procedures are documented in the Project OM, including the FM and disbursement arrangements section that was reviewed and provided No-Objection by the Bank prior to negotiations.

Financial Reports

43. On a semi-annual basis, the PCU will prepare and submit to the Bank, as part of the Project Progress Reports, an unaudited IFR containing at least: (a) a statement of sources and uses of funds and cash balances; (b) a statement of budget execution per activities (with expenditures classified by the major budgetary accounts); and (c) a statement on physical progress linked with financial execution. The interim



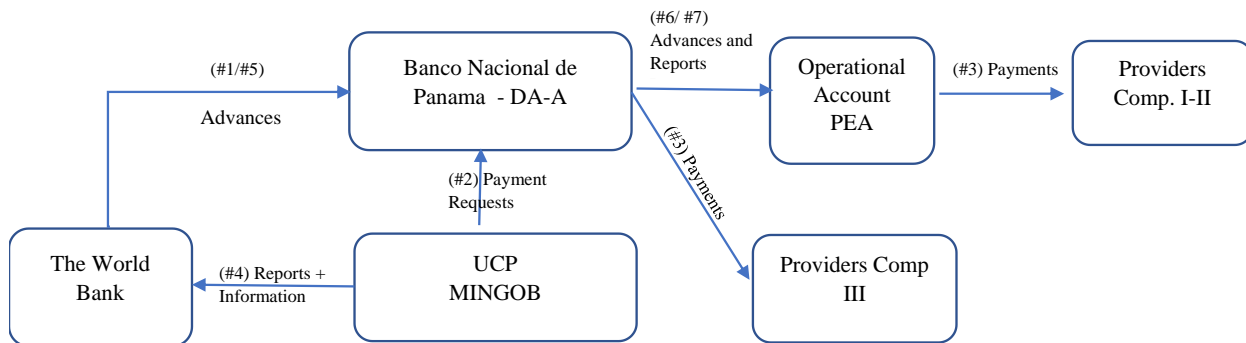
reports will be submitted not later than 45 days after the end of each semester.

44. On an annual basis, the PCU will prepare Project financial statements including cumulative figures of the financial statements cited in the previous paragraph. The financial statements will include explanatory notes in accordance with national accounting standards and MINGOB’s confirmation that loan funds were used in accordance with the intended purposes as specified in the Loan Agreement. These financial statements, once audited, will be submitted to the Bank not later than six months after the end of the government’s fiscal year (which is equivalent to the calendar year).

45. The supporting documentation of the semester and annual financial statements will be maintained on the PCU’s premises (or PEA, where applicable) and made easily accessible to the Bank and to external auditors. Documentation should be maintained until at least three years after Project Closing or the submission of the last audit report, whichever occurs later.

Flow of Funds - Disbursements

46. MINGOB will open a segregated DA in the *Banco Nacional de Panama* in compliance with regulations issued by CGR for opening government bank accounts. The DA will be used exclusively for deposits and withdrawals of loan proceeds for eligible expenditures. After Project effectiveness and after the DA has been opened, MINGOB will submit its first disbursement request to the Bank up to US\$4M, the established ceiling that would provide adequate financing for the next six months of forecasted expenditures. For subsequent withdrawals, the PCU will submit the disbursement request, along with the supporting documentation (SOEs), as established in the Disbursement Letter. The primary project disbursement method would be advanced to the Designated Account in US\$ to be administered by the PCU to be held in *Banco Nacional de Panama*. The description of the flow of funds and information is presented in the following diagram:



- (1) The Bank advances the authorized amounts into the project DA held in the *Banco Nacional de Panama*.
- (2) As expenditures are incurred or advances are approved, MINGOB, through the PCU, requests to process payments.
- (3) Financial institutions process payments to project contractors, consultants, and providers for Component III.
- (4) Project eligible expenditures are aggregated and summarized by MINGOB, through the PCU, in SOEs



to be formally submitted, together with a loan withdrawal application, to the Bank in order to document advances and/or to request new advances, whatever the case may be.

- (5) The Bank processes new advances corresponding to the documented expenditures.
- (6) The PEA prepares quarterly financial forecasts for MINGOB’s approval (and CGR review and endorsement) and once approved the PCU makes quarterly advances to the PEA based on the forecasted expenses.
- (7) The PEA reports to the PCU on the documentation of the advances and/or request new advances, whatever the case may be.

47. **Other Procedures.** No need has been identified for the use of special commitment procedures. Should the need arise during implementation, the World Bank will evaluate it and if granted, agree to their use via an amendment to the Disbursement Letter. The Project may use reimbursement or direct payments.

48. **Disbursement Deadline Date.** Four months after the Closing Date specified in the Loan Agreement

Table 4. Disbursement Table by Expenditure Category		
Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants’ services, operating expenses, and training for Components 1, 2, and 3 of the Project	80,000,000	100%
TOTAL AMOUNT	80,000,000	100%

Audit Arrangements

49. **External Audit.** The annual Project financial statements prepared by MINGOB will be audited following International Standards on Auditing (ISA) by an independent firm and in accordance with ToRs, both acceptable to the World Bank. The audit opinion covering project financial statements will contain a reference to the eligibility of expenditures, and will include physical inspection of works and, according to Bank policies, will be public. Audit ToRs would include an interim semi-annual internal control memoranda (“management letters”) including review of compliance with Bank and OM procedures.

50. External Auditors shall be hired not later than three months after effectiveness. Each audit engagement is expected to cover at least three years.



Fiduciary Action Plan

51. The Fiduciary Action Plan is presented in Table 5 below:

Table 5. Fiduciary Action Plan				
Action	By Appraisal	By Negotiation	By the time of Effectiveness	Responsible Entity
1. Hiring of Key FM staff (FM Specialist and Accountant) subject to prior review.			x	MINGOB
2. Contracting the PEA under Terms of Reference subject to Bank’s prior review.			Within 4 months of effectiveness	MINGOB
3. Finalizing the proposal in relation to the unified chart of accounts that will be used by both MINGOB and PEA for project accounting and reporting.	X			MINGOB
4. Submission to the Bank of an advanced draft of the project operational manual		X		MINGOB
5. Implementing an accounting system for project accounting and reporting.			X	MINGOB
6. Training in World Bank policies and OM procedures to PCU and PEA staff.			Within 3 months of effectiveness	World Bank
7. Contracting external auditors, based on short list satisfactory to the Bank.			Within 3 months from effectiveness	MINGOB

52. **Implementation support strategy.** In view of: (a) the institutional capacity for implementation risk which has been assessed as high; (b) the capacity substitution, using a PEA; and (c) the need for building sustainable capacity for FM within MINGOB, over time, the scope of project supervision will be tailored to the fiduciary risk, including “smart fiduciary” principles. The core implementation support activities will be undertaken (i.e.: review the implementation of FM arrangements and performance, identify corrective actions if necessary, and monitor fiduciary risks). It will take place on a semi-annual basis and include: (a) desk reviews of project IFRs and audit reports, following-up on any issues raised by auditors, as appropriate; (b) participation in project supervisions at least twice a year, which will assess the operation of the control systems and arrangements described in this assessment; and (c) updating the FM rating in the FM Implementation Support and Status Report (FMISR), as needed. In addition, during the first year of execution, the Project will be closely monitored (quarterly) with the aim of reviewing that the FM arrangements are working as intended and to make changes if needed.

53. **Considerations to prevent and combat Fraud and Corruption.** In addition, given the high governance risk rating, implementation support will entail at least one in-depth review (jointly with procurement), of the control environment. The OM will appropriately reflect fiduciary and administrative practices and oversight arrangements to prevent and detect fraudulent or corrosive practices.



D. Social and Environmental (including safeguards)

Social

54. The Indigenous Peoples Policy (OP/BP 4.10) is triggered and project preparation has been fully informed by free, prior, and informed consultation with intended project beneficiaries. A separate Indigenous Peoples Plan (IPP) has not been developed for the Project as all beneficiaries are Indigenous and thus per OP/BP 4.10, the Project’s design and OM should fully integrate the Policy’s objectives and be informed by the Social Assessment and community consultations. These consultations were undertaken in all 12 Indigenous Territories with the participation of 2,178 Indigenous community members, facilitated by their local Authorities and including dedicated workshops with Indigenous women. At the national level, the 12 territorial Congresses and Councils are represented by the IP Roundtable, which in turn, has been represented throughout all project preparation decisions and activities by three Indigenous technical representatives appointed by the IP Roundtable to form part of MINGOB’s project preparation team. The IP Roundtable was consulted directly for approval on all critical path decisions related to project preparation and design, and validated the Project’s final proposed design, five-year list of eligible activities, the ESMF, and the Gender Strategy through an Act of the IP Roundtable, signed on December 7, 2017.

Table 6: Consultation & Participation Processes Project Preparation	
National	Territorial (12 IP Congresses & Councils) & Community (Local Indigenous Authorities and communities)
<p>IP Roundtable:</p> <ul style="list-style-type: none"> • Consultation on all critical path decisions during preparation on priority investments and design • Representation of vision and voice in all project preparation activities and decisions via nomination of three Indigenous technical representatives to form part of the PCU project preparation team • Validation of first AOP, ESMF, and Gender Strategy, documented through Act of the IP Roundtable (signed by Indigenous Authorities representing the 12 Congress and Councils on the IP Roundtable, MINGOB and the World Bank on December 7, 2017) <p>National Indigenous women’s organizations:</p> <ul style="list-style-type: none"> • Dedicated community consultations and workshop with national Indigenous women’s organizations to prepare Gender Strategy 	<p>37 participatory workshops, with dedicated workshops for Indigenous women, with overall participation of 2,178 Indigenous community members (44% women), representing all 7 Indigenous ethnic groups and all 12 Indigenous Territories. Participatory identification and validation of:</p> <ul style="list-style-type: none"> • Priority investments in health, water and sanitation, education, governance for each Territory, within the framework of Pillars 1 and 3 of the Plan; • Project-related social risks; • Concrete measures for ESMF and Gender Strategy

55. The Involuntary Resettlement Policy (OP/BP 4.12) is not triggered given preferences expressed by



Indigenous Authorities and partner Ministries (MINSA, MEDUCA) to avoid all works that would require involuntary land acquisition or resettlement. This corresponds with the current practices of MINSA and MEDUCA in Indigenous Territories. The ESMF establishes detailed procedures to identify and assess that land donations are voluntary per the criteria and definitions established in OP/BP 4.12.

56. The key social risks identified in consultation with Indigenous Authorities and communities during Project preparation include: (a) the potential for conflicts unrelated to the Project between the GoP and Indigenous communities/Authorities affecting the political or operating context; (b) the failure of the GoP and the Project to deliver quickly and effectively on the broad expectations raised by consultation processes both for the Plan and specifically for the Project; (c) internal conflicts or governance issues among Indigenous Authorities that complicate or delegitimize project decisions around works selection and design and/or outcomes of participatory processes to deliver new programs, training, and curriculum; (d) lack of meaningful consultation/participation of beneficiary community members for specific investments to ensure cultural pertinence and community ownership; (e) conflicts between contractors and communities or Indigenous Congresses/Councils; (f) the lack of active participation and ownership over project activities by Indigenous women given low levels of female participation in Indigenous Congresses and Councils; and (g) the potential for loss of access to land for certain community members, if those lands are designated by communities as the adequate lands for public works.

57. Whereas some non-Indigenous families reside within and around some Indigenous Territories, risks around potential conflict with non-Indigenous people around Project investments were not raised during consultations or by the SA. This would constitute a potential social risk if the Project were addressing boundaries, recognition of land rights, and use of natural resources. However, within the scope of the Project's investments, this issue is only foreseen to potentially arise in select cases, specifically related to contamination or impacts on water sources for water and sanitation systems. To mitigate this potential source of conflict, for new water and sanitation systems, communities will have legal protection through a water permit provided by the Ministry of Environment. For water and sanitation TA and systems rehabilitation, the Project will ensure that the ToRs for capacity building address this issue. The pre-feasibility studies for the siting of infrastructure investments excluded any sites where potential land conflicts exist.

58. The ESMF establishes strategies to respond to key social risks and ensures continued consultation and participation of Indigenous stakeholders in project implementation. This includes mechanisms for: (a) the involvement of Indigenous stakeholders in project decision-making and documenting broad community support for national and territorial scale projects; (b) consultation and participation, including in the design, implementation, construction, maintenance, and monitoring and evaluation of activities at national and territorial levels to ensure ownership and cultural pertinence of investments; (c) detailed procedures to identify and assess land donations to ensure that they are voluntary per the definitions established in OP/BP 4.12; and (d) grievance redress, to channel and resolve project related conflicts and grievances across various levels, from the PSC to the community level within the 12 Indigenous Territories.

59. A Gender Strategy was prepared jointly by the Bank and MINGOB based on the analysis of challenges faced by Indigenous women and on the results of a national workshop with Indigenous women's organizations and representatives. While Panama has the most significant ethnic-based access gaps and inequality rates in the region, the intersection of gender and ethnicity deepens these gaps even further. The Gender Strategy aims to address these challenges in the context of Project activities by



promoting gender equality and women's empowerment.

60. The Gender Strategy was presented and has been approved by the IP Roundtable, and focuses on three objectives: (a) ensuring that sector-specific services and investments supported by the Project address the challenges faced by Indigenous women; (b) strengthening the capacity of the partner ministries to incorporate gender in the planning and delivery of services; and (c) strengthening participation of Indigenous women in decision-making processes of Indigenous Authorities and of the IP Roundtable. To achieve these objectives, the Gender Strategy outlines standalone activities, such as the inclusion of women appointed by the 12 Congresses and Councils to form part of the IP Roundtable and the design and implementation of a leadership program for male and female Indigenous representatives; as well as specific considerations to be incorporated in the ToRs of broader activities, such as the inclusion of a gender lens in studies that will inform those activities. The monitoring and evaluation of the Project will also adopt women-specific and sex-disaggregated indicators to track progress in closing gender gaps and in promoting women's empowerment.

61. While the PCU will be ultimately responsible for ensuring compliance with the ESMF during project implementation, the daily responsibility for safeguards management will be undertaken by the PEA. The three Indigenous technical representatives nominated by the IP Roundtable to form part of the PCU will be tasked with: (a) facilitating and supporting consultation processes by territory as required; (b) ensuring fluid, continuous communication between the MINGOB and the IP Roundtable; (c) ensuring that community grievances, conflicts, and information requests are addressed in a timely and effective manner; and (d) representing the vision and voice of the IP Roundtable and 12 Congresses and Councils in the Project.

62. The PEA will hire social specialists to ensure the application of procedures established in the Social Chapter of the ESMF and in the Gender Strategy for activities under Components 1 and 2. Among other tasks related to social safeguards, they will see to it that bidding packages, ToRs, technical specifications, and contracts for services and works include adequate activities and methodologies to ensure culturally appropriate and effective consultation with and participation of the relevant Indigenous Authorities or stakeholders. For territorial level investments, including infrastructure works, the PEA social specialists will be responsible for ensuring that territorial planning processes include: (a) free, prior, and informed consultations; (b) that documentation is provided of broad community support from affected/beneficiary communities; and (c) screening and verification that projects requiring land or change of use of land have not caused involuntary resettlement impacts according to the definition of the Bank's OP 4.12, and that any land donations meet the voluntary land donation (VLD) criteria established in the Social Chapter of the ESMF.

63. The IP Roundtable will continue to serve as the official and permanent platform for consultation and coordination between the PCU and the Indigenous Authorities, and will be ultimately responsible for ensuring that the Project complies with the vision and objectives outlined in specific aspects of Pillar 1 (on governance) and Pillar 3 (selected access to basic infrastructure and services) of the Plan. The IP Roundtable would meet at least four times a year to: (a) renew as needed, the assignment of three political representatives to serve on the PSC and three technical representatives to work within the PCU, to ensure that their vision and priorities are reflected in all project planning and coordination activities; (b) review and provide feedback on AOPs, project implementation reports, key products, and national level decisions; (c) serve as the consultation body for national level investments, as delineated in the Social



Chapter of the ESMF; and (d) facilitate project activities and communications within their respective territories, including in support of relevant consultation processes. Among their core functions, the IP Roundtable would also encourage their populations to be informed, communicate, and raise concerns with their local authorities or the Indigenous technical representatives of the PCU, and support the facilitation and resolution of any grievances against the project.

64. The Project GRM will operate at various levels, from the PSC to the community level within the 12 Indigenous Territories. The PEA social specialists will be responsible for the adequate day-to-day implementation of the GRM through receiving, following-up, monitoring, and coordinating with the PCU's technical representatives of the IP Roundtable (and other actors, as needed), for the resolution of complaints and conflicts related to supported projects, as well as maintaining the Project GRM log. Part of the social risk management role of the PEA will be undertaken through ensuring the inclusion of and compliance with: (a) clauses in ToRs and contracts that aim to ensure community health and safety; (b) contractor codes of conduct that obligate contractors to respect the customary norms or internal regulations of each community where a work is performed; and (c) clauses that define the agreements between the beneficiary communities and contractors on the participation of the community in the adaptation of designs (where feasible), provision of materials, execution, supervision, and maintenance of works. The PEA social specialists will also ensure that works supervision firms are carefully assessing contractors' behavior and engagement within beneficiary communities and, if issues arise, that they are addressed quickly and effectively. As part of the PCU's supervision of the PEA, and to ensure checks and balances in the management of grievances, the PEA will be required to report to the PCU on all grievances received and will escalate all complaints against the PEA to the PCU.

65. The PCU will include a Communications Specialist to coordinate the implementation of the Project communications strategy to ensure that beneficiaries, stakeholders, and audiences at various levels remain informed on progress of project implementation. Prior to the implementation of Project-supported activities, information about the projects to be implemented in each territory and the mechanisms for grievance redress will be disseminated through territorial planning processes, in written form, through workshops, and through radio announcements. Information will be provided and translated into local Indigenous languages as needed on how to file complaints and obtain information through contact with local Indigenous Authorities, the PCU, or the PEA. Signposts will be installed in communities to identify works financed by the Project and provide contact information for the PCU and PEA (phone number, mailing address, email address, website). The PCU will also be responsible for reporting on the resolution of conflicts and grievances, and for resolving complaints against or raised by the PEA. The Indigenous technical representatives in the PCU will provide a channel independent from the PEA for raising grievances through continuous communication with Indigenous Authorities, and at the local level in territories where projects are being executed. The PCU Indigenous technical representatives of the IP Roundtable will also facilitate and participate in conflict resolution processes, as needed.

66. The IP Roundtable will play a proactive coordination and political role to ring-fence the project from other conflicts and issues between the GoP and IPs, and to ensure legitimacy and transparency in their role in project management. The IP Roundtable will also serve as a platform for the resolution of project-related conflicts between Congresses and Indigenous Authorities, with facilitation as needed by the VMAI. Finally, the PSC will serve as the highest-level venue for the resolution of serious complaints against the Project, PCU, or PEA, including responsibility for resolving political or coordination barriers raised by the PCU. The PSC will also resolve high level or pending conflicts between the main Project's core



implementing and stakeholder agencies (MINGOB, PEA, MINSA, MEDUCA, IP Roundtable), and ensure that the Project does not deviate from the Plan's intentions and proposed types of actions. This will be critical for ensuring continued broad community support for the project and sustainability of its implementation arrangements. Table 7 provides an example of the processes established within the ESMF for consultation and engagement during Project implementation.



Table 7: Example of Consultation & Participation of Stakeholders during Project Implementation

Types of Components / Activities	Stakeholder & Consultation/Participation Method			Process & Method of verification
	National (IP Roundtable)	Territorial Authorities/ Congresses/Councils	Beneficiary Communities	
1. Construction of new and rehabilitation of existing infrastructure in health, water and sanitation, education, and governance in 12 IP territories (Subcomponents 1.2 and 2.1-2.3)	<ul style="list-style-type: none"> • Approval final list of works to be included in each AOP • Facilitation of contacts and communication with territorial and local Authorities for PEA • Communication of community level grievances to PEA, PCU, and PSC as necessary 	<ul style="list-style-type: none"> • Identify territorial infrastructure investment priorities • Facilitate planning studies • Support and facilitate land use transfers, when necessary • Facilitate and support territorial planning processes to establish: community counterpart and operations and maintenance plans, protocols for contractors, community involvement in construction, design preferences, etc. • Participate in processes to evidence community support for investments and legality of land for works, and to • Communicate grievances to IP Roundtable or PCU Indigenous technical representatives • Support conflict resolution with communities as needed 	<ul style="list-style-type: none"> • Participate in free, prior, and informed consultations to establish agreements with PEA and contractors around: (a) adaptation of design of works (where feasible); (b) community counterpart for construction and materials; (c) community operations and maintenance plans; (d) protocols for contractors; (e) community supervision; (f) agreements for local income generation; and (g) agreements on for communication and grievance channels, etc. • Provision of lands as necessary and verification that donations are voluntary in nature 	<ul style="list-style-type: none"> • Territorial Planning Processes (Contractor of this process & PEA • Supervision Contractor Reports • PEA social specialist Supervision • PCU 3 IP Roundtable technical specialists



Environment

67. The Environmental Assessment policy (OP/BP 4.01) is triggered and the ESMF was prepared by the Borrower to screen and mitigate for environmental and social impacts related to small works. Whereas an initial list of prioritized works have gone through a pre-feasibility screening and assessment, the final decision on works will only take place once each proposed investment undergoes: (a) the relevant planning process within the partner ministry to confirm adequate demand (in some cases this is complete and in others in process); (b) topographic, land, and technical studies to ensure feasibility of siting (in process for almost all cases); and (c) approvals by the relevant line ministry of designs which are prepared and consulted with the beneficiary communities, and approved by the partner ministry (readiness of designs vary by case). Only once the Project is approved will the conditions be in place (Inter-Institutional Agreements) for the partner agencies to commit to integrating proposed investments in their long-term budgeting, which, in turn, clears the way to determine the final lists of eligible investments.

68. The principal environmental risks and potential impacts are those associated with poor practices in the construction of small civil works, such as dust, noise, erosion and sedimentation, and waste management. In addition, there is a risk of impacts to natural habitat if works are carried out in areas with well-preserved or sensitive ecosystems. Indigenous Territories of Panama contain many of the country's protected areas, while steep slopes, heavy rainfall, and fragile soils create conditions susceptible to erosion and sedimentation problems. The scale of the works is small, but must be managed carefully and designs should take into account factors such as access, flood risk, flora and fauna protection, and adequate supervision.

69. The ESMF includes measures to screen, assess, and manage environmental and social impacts from small-scale infrastructure and equipment in health, education, water and sanitation. It also includes generic Environmental Management Plans (EMPs) for the types of small works foreseen under this Project. Any subproject considered a Category A, affecting International Waterways, requiring involuntary land acquisition, or on the WBG Exclusion List will be screened out as not eligible for Project funding. The ESMF describes the applicable legal, institutional, and cultural framework for environmental and social management, and the process to prepare the necessary Environmental Assessments (EAs) and Environmental Management Plans (EMPs) for each investment as required by their scale and the characteristics of their location. The ESMF also describes the responsibilities of different stakeholder groups and identifies their related capacity building and training needs, as well as the human and other resources needed to secure its adequate implementation. The ESMF was presented in late September to the IP Roundtable, distributed for review and comment to each of the 12 Indigenous Councils and Congresses, and validated, without comments, by the IP Roundtable on December 7th, 2017. The ESMF was published on MINGOB and the Bank's website on January 8th, 2018.

70. Additional environmental policies triggered include: Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Physical Cultural Resources (OP/BP 4.11), and Pest Management (OP/BP 4.09). The Project will not finance any activity that could potentially cause significant conversion or degradation of critical natural habitats; however, OP/BP 4.04 is triggered as some investments may be close to, lie within, access, or cross through protected areas. OP/BP 4.36 is triggered and will be implemented in conjunction with OP/BP 4.04 because there is some potential for clearing of forests or trees as part of other investments; however, the project will not support the harvesting of forest materials, reforestation, or other activities that could affect forest use or management. The ESMF includes criteria and procedures to screen for, avoid, and



minimize these risks, and to manage potential negative impacts on natural habitats. The Physical Cultural Resources (OP/BP 4.11) Policy is triggered as the Project will invest in Indigenous Territories where aspects of cultural value may require special protection to assess and manage risks. Finally, the Pest Management Policy (OP/BP 4.09) is triggered to mitigate impacts in cases of incidental use of pesticides.

E. Other Safeguard Policies (if applicable)

71. The Policy for International Waterways (OP/BP 7.50) is triggered due to small scale water system rehabilitation investments that could occur in border regions with Costa Rica and Colombia where international rivers are located. Given the limited amounts of water to be abstracted and the localized nature of the sources, the Project has processed an exception to the notification requirement, as provisioned under this Policy, as the potential investments in said areas will be made only with respect to ongoing schemes, involving additions or alterations that will require rehabilitation, construction, or other changes that: (a) will not adversely change the quality or quantity of water flows to the other riparian; and (b) will not be adversely affected by the other riparian possible water use. The ESMF includes screening procedures and exclusion criteria to identify and deem ineligible new water and sanitation schemes that could require the notification under OP/BP 7.50.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Republic of Panama Support for the National Indigenous Peoples Development Plan

1. The implementation support strategy of the Project during the first half of 2018 will be focused on key milestones to be reached prior to and immediately after effectiveness. These include: (a) contracting the PEA and its review and endorsement by the CGR; (b) signing and attaining review and endorsement over the Inter-Institutional Agreements; (c) establishing a quality PCU team; (d) passing the Ministerial Resolution to establish the PSC; (e) finalizing planning and pending technical studies/designs to bid out the first lot of works; and (f) drafting initial ToRs for some service contracts that need to be procured by late 2018.
2. Once implementation has commenced, implementation support will focus on the overall substantive risks and challenges identified, ensuring that the Project's M&E system is moving forward with the establishment of baselines and track results. Implementation support will also closely follow inter-institutional relationships to ensure that agreed roles, responsibilities, and decision/time flow charts are being met, and will carry out technical reviews to provide no-objections to numerous processes that are to be launched during the first two years.
3. The MTR will assess institutional capacity of the VMAI and other line ministries, as well as other critical enabling factors, to start planning for the possible phasing out of the PEA and transition of responsibilities and ownership for project implementation to the GoP.
4. In general, given the Project's complexity, implementation challenges, and overall high-risk rating, a greater level of implementation support will be called for under the Project than is standard for other Bank operations. In response, the Project task team proposes an implementation support strategy that would combine a standard semi-annual implementation support mission approach with more frequent shorter-term technical support missions to be carried out by senior technical and fiduciary specialists (both staff and consultants), particularly in the first two years of project implementation. The adequacy of this Implementation Support Plan will be reviewed periodically to ensure that it continues to meet the implementation support needs of the Project.

Implementation Support Plan

5. In addition to overall project management and implementation support, Bank support will focus on providing detailed guidance and advice for the establishment and proper functioning of the PEA, and technical inputs for the design and rollout of the sectoral service support investments for education, health, and water and sanitation. Additional implementation support is also anticipated around: (a) the contracting and supervision of infrastructure works; (b) integrated planning and upstream engagement with IP Authorities; (c) the design and oversight of baseline and specialized studies; and (d) the adequate application of safeguards. In order to ensure effective and efficient support, the Bank supervision team will continue to be multi-sectoral, and will draw on team members based in the Region to the extent possible.
6. Procurement. The Bank shall carry out procurement supervision missions and would conduct post



reviews of contracts that are not subject to prior review every year (see Annex 2). The procurement post review will cover at least 10 percent of contracts not prior reviewed by the Bank. The ratio will be reviewed and adjusted as required, based on performance of the PEA.

7. Financial Management. The scope of project supervision will review the implementation of FM arrangements and performance, identify corrective actions if necessary, and monitor fiduciary risks. It will take place on a semi-annual basis and include: (a) desk review of project IFRs and audit reports, following-up on any issues raised by auditors, as appropriate; (b) participation in project supervisions at least twice a year, which will look into the operation of the control systems and arrangements described in this assessment; (c) updating the FM rating in the FMISSR, as needed. In addition, during the first year of execution, the Project will be closely monitored (quarterly) with the aim of reviewing that the FM arrangements are working as intended and to make changes if needed.

8. Table 1 below indicates the expected focus of implementation support during the different phases of the Project, and the skills and level of effort currently anticipated.

Table 1: Main Focus in Terms of Support to Implementation

Time	Focus	Skills Needed	Resource Estimate
0 – 12 months	• Project start-up and general implementation support (see para 1)	Project management/launch workshop, TTL, Legal, FM, procurement	• 16 SW
	• Procurement of PEA and establishment of project implementation systems	FM and procurement specialists	• 4 SW
	• Fiduciary training	FM and procurement specialists	• 2 SW
	• Project Communications	Communications	• 3 SW
	• Detailed design of IBE, Census, Intercultural health, WSS training, and Institutional strengthening service ToRs and contracts, IP Roundtable	TTL Education specialist Health specialist WASH Specialist Institutional Capacity/Governance Specialist Census/Data specialist	• 14 SW
	• Detailed designs of infrastructure and equipment, Lot 1	Infrastructure specialist	• 5 SW
• Safeguards	Environment and Social Safeguards	• Safeguards Specialists: 3 SWs social, 2 SWs env.	



	<ul style="list-style-type: none"> • Design and recruitment of baseline surveys 	M&E/data	<ul style="list-style-type: none"> • 4 SWs
13 – 48 months	<ul style="list-style-type: none"> • General project implementation support • Procurement and FM assessment and post-reviews • Infrastructure quality/ contractor responsiveness • Institutional strengthening & National/sub-national planning and coordination mechanisms • Regulations for Laws • Decentralization • On-going diagnosis of Indigenous education service delivery constraints • On-going diagnosis of Indigenous health service delivery constraints • Community based water and sanitation support • Safeguards • Analysis of survey data; design advice for special studies • Citizen engagement, qualitative analysis 	<p>Overall project management, IPs, community participation, etc.</p> <p>FM and procurement specialists</p> <p>Engineer</p> <p>Governance/public sector management specialist</p> <p>Lawyer</p> <p>Public sector management</p> <p>Education specialist</p> <p>Health specialist</p> <p>WASH specialist</p> <p>Environment and Social safeguards</p> <p>Poverty data/M&E</p> <p>Social development specialist</p>	<ul style="list-style-type: none"> • 16 SW • 12 SW • 10 SW • 8 SW • 4 SW • 4 SW • 8 SW • 7 SW • 7 SW • Safeguards Specialists: 6 SW social, 6 SW env. • 12 SWs • 6 SWs



Table 2: Skills Mix Required (FY'18-'23)

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>
General project management/ implementation support	45	30 int'l; 20 domestic
Financial Management, Disbursement	10	10 int'l
Procurement (standards, training, reviews)	10	10 int'l
Safeguards		
- Social	10	10 int'l; 10 domestic
- Environment	7	10 int'l
Engineer	15	10 int'l; 50 domestic
Health Specialist	12	5 int'l; 10 domestic
Education Specialist	10	5 int'l; 10 domestic
WASH Specialist	10	2 int'l; 20 domestic
Quantitative analysis	14	7 int'l; 7 domestic
CE/Qualitative analysis	8	2 int'l; 2 domestic
Governance/institutional strengthening/decentralization specialist	15	10 int'l; 5 domestic
Communications	4	3 int'l; 3 domestic
Legal	4	3 int'l

