



Panama Social Protection Project

A cross-sector approach to CCT programs

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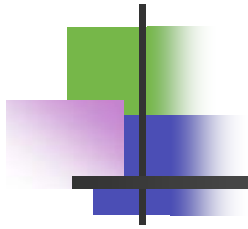
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July 25, 2007

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Outline of the presentation

- Country Context
- Identifying the intervention
- Preparing the project
- Challenges and Lessons learnt



Country Context



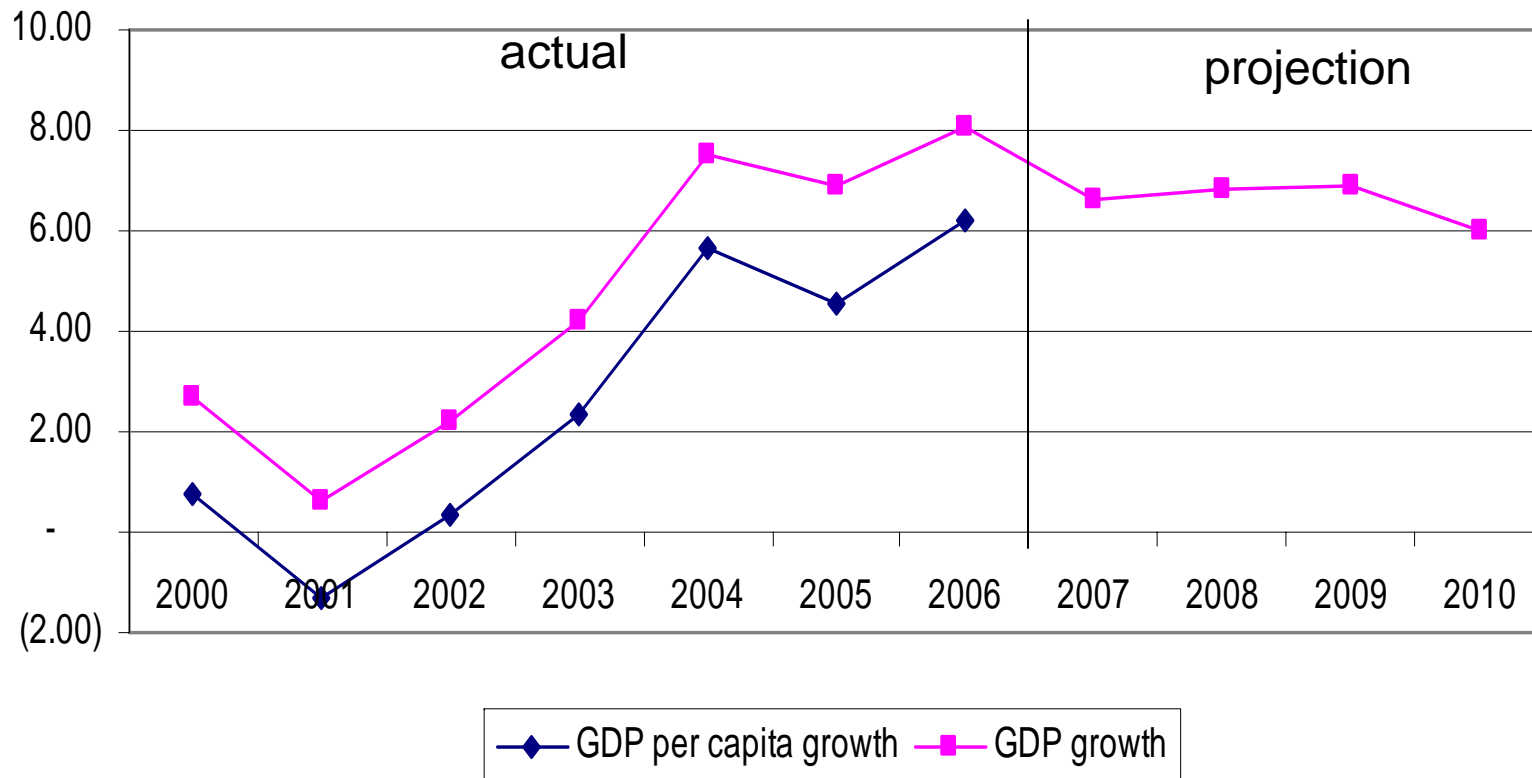
Some facts about Panama



- Population: 3.5 million (10% indigenous)
- Income per capita: \$7,000 (UMC)
- Service economy (76% of GDP) – Finance, tourism, and retirement



Strong economic performance



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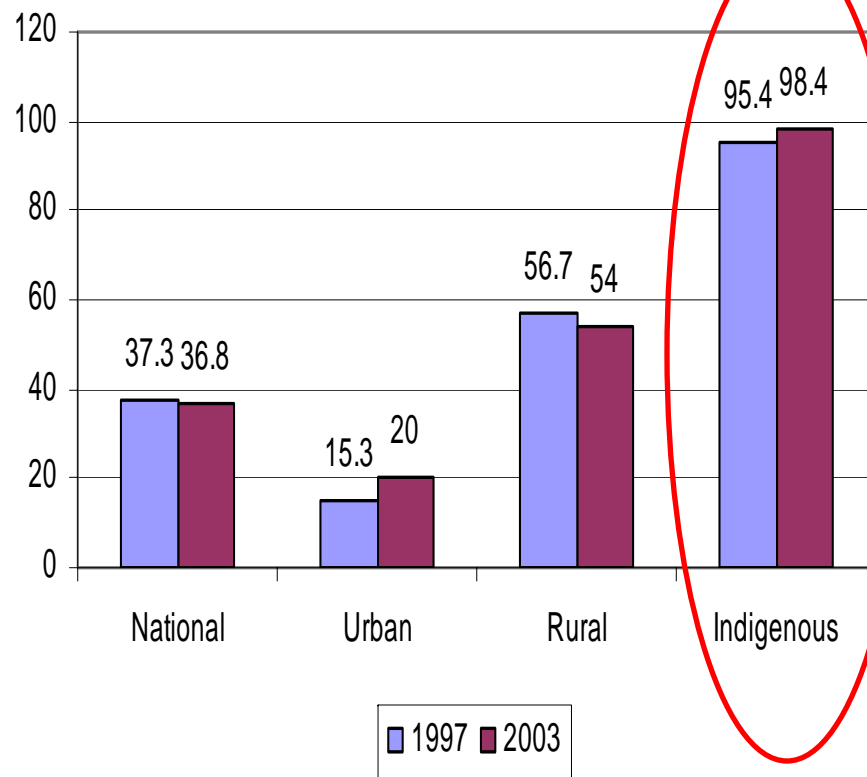
and healthy public finances

- Primary balance: 4.8% of GDP (2006)
- Total public debt; from 66% to 57% of GDP (2003-06)
- Sophisticated international financial district but basic domestic banking system

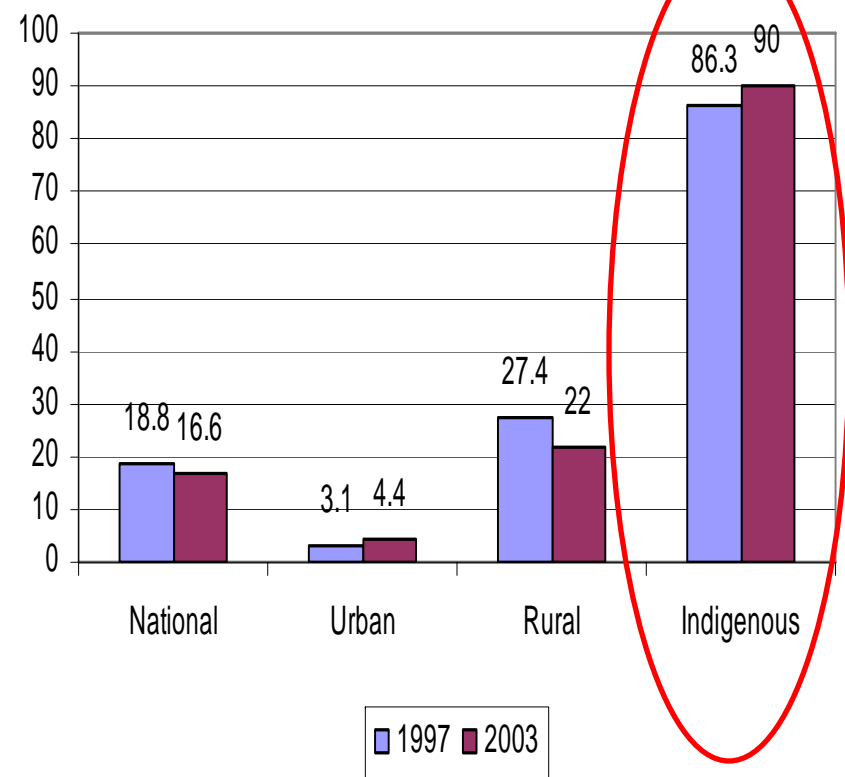


Little progress in poverty reduction

Poverty



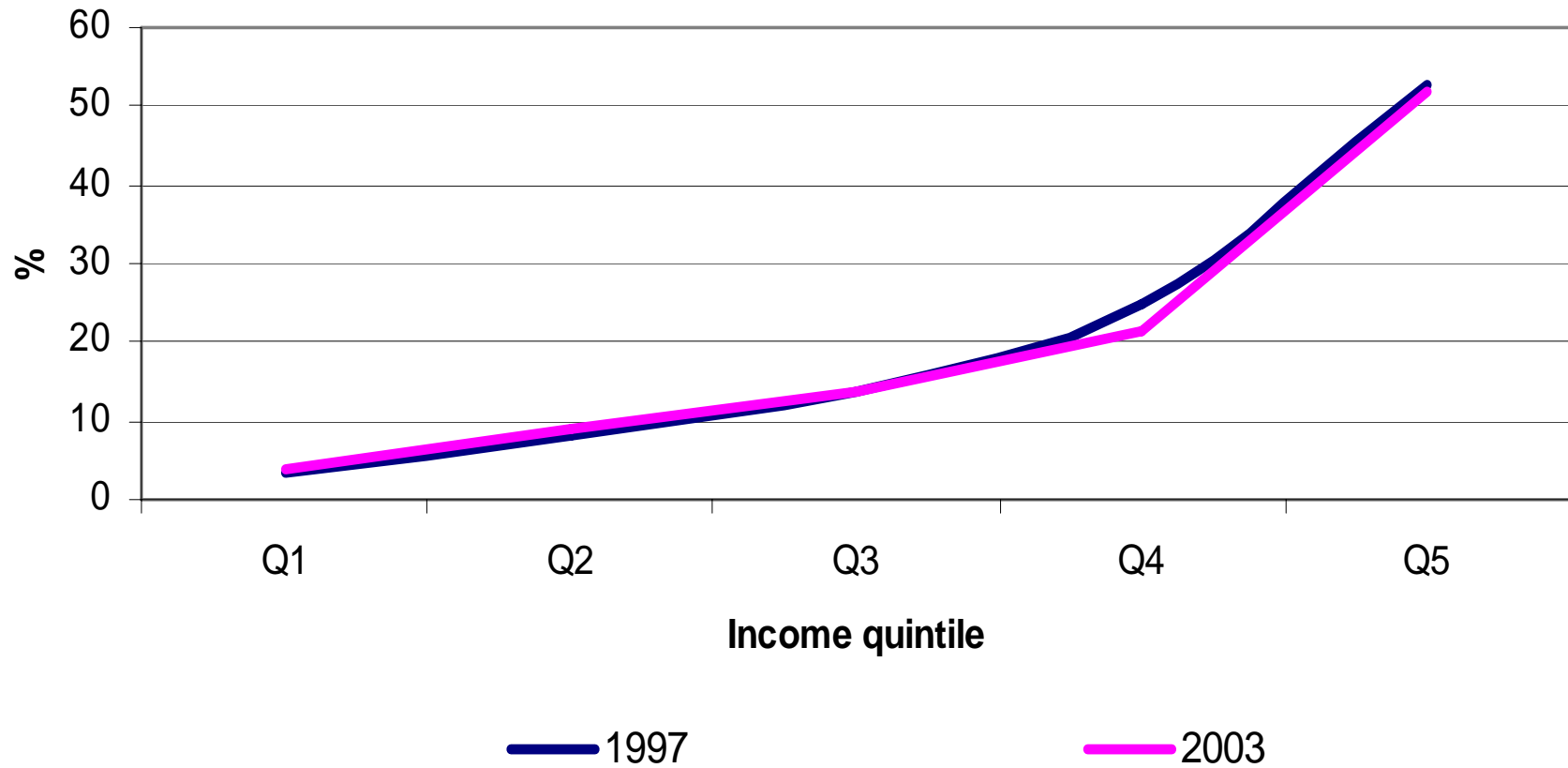
Extreme poverty





and high inequality

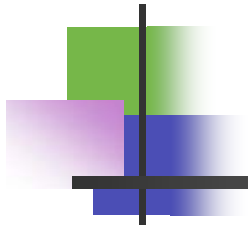
Consumption inequality



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Current Administration

- Poverty alleviation core to Government program
- Internal division in Government about program (in-kind, cash, supply)
- Process of government reform to address ineffectiveness of social protection and huge exclusion and inequality
- New Ministry in charge of social assistance



Identifying the intervention



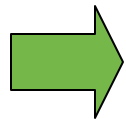
The task of the Bank

- A new ISN after 5 years w/o CAS → Building trust
 - WB 3 projects, no office
 - IDB 28 projects, big office
- Analytical work (PA+PER) and operational work (water, rural productivity, and an SP project)
- Ongoing policy dialogue (2005 onwards)
- Support to donor coordination (IDB, UNDP)



The foundations - Poverty Assessment and PER in 2005/6

- Poverty diagnostics
 - Modest improvement in poverty and inequality
 - Deep and worsening indigenous poverty
 - Gaps in education and health
 - Chronic malnutrition (over 50% in rural and indigenous areas)
- Ineffectiveness of social spending
- Dissemination and discussion with government



Basic Identification → a CCT program

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Inputs from PA & PER processes

- Identification of main vulnerable groups
- Empirical evidence and analysis to inform government debate on CCTs
- Feasibility and acceptability of CCTs in indigenous areas
- Proxy Means Test
- Evidence to foster a reorganization of social spending



A CCT program, but...

- Innovative intervention
 - in a country with traditional supply side policies and little targeting
- Indigenous people traditionally excluded but key to addressing poverty
- Severe supply shortages (coverage and quality of services)
 - Huge disparities in access to and quality of basic services



Project description-Sectors involved

- Improving effectiveness and operation of CCTs
- Family Support to boost demand (*Acompañamiento*)
- Extension of coverage of health services
 - Coverage issues especially in indigenous areas
 - Component to complement existing IDB project
- Technical Assistance for institutional strengthening: program, ministry, and social sector levels



The Red de Oportunidades Program

Project Components	GOP	IDB	WB
Cash transfers to families	160.1		
Inst. Arrangements for CCTs	2.1	3.8	4.1
<i>Acompañamiento</i>	0.1	5.1	5.5
Health & Nutrition Supply	0.5	10.3	9.9
T.A. for social sector reform	0.1	0.9	4.6
T O T A L	162.9	20.2	24.0

Implementation period: 5 years

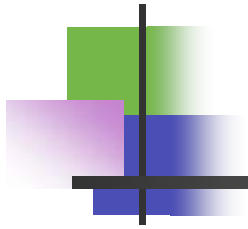
Two implementing agencies

Co-financing and parallel financing with the IDB



Some challenges

- CCTs as the core of the Social Policy (*Red de Oportunidades*)
- Program starting from scratch, but
 - Government flagship
 - Rapid expansion, little planning, high political visibility and no budget restriction to finance the cash (CCTs to reach 100% of extreme poor in 2 years)
 - CCTs to reform social sector
- Legitimacy and capacity of new Ministry responsible for social protection (new Minister and staff in charge of the program)
- Complex donor coordination



Preparing the project



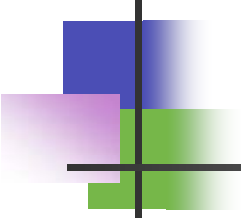
Project preparation team

- HD –Social Protection (TTLs) and Health -
- PREM
- DEC
(PA and SP project teams overlap)
- Legal, Procurement and FM
- Internal coordination (FPSI (SD)/Water and rural projects, and Education/current and new
- Joint preparation with IDB (Social, health and education sectors)
- CMU leading ongoing policy dialogue (including regional study on inequality, CFAA/CPAR)

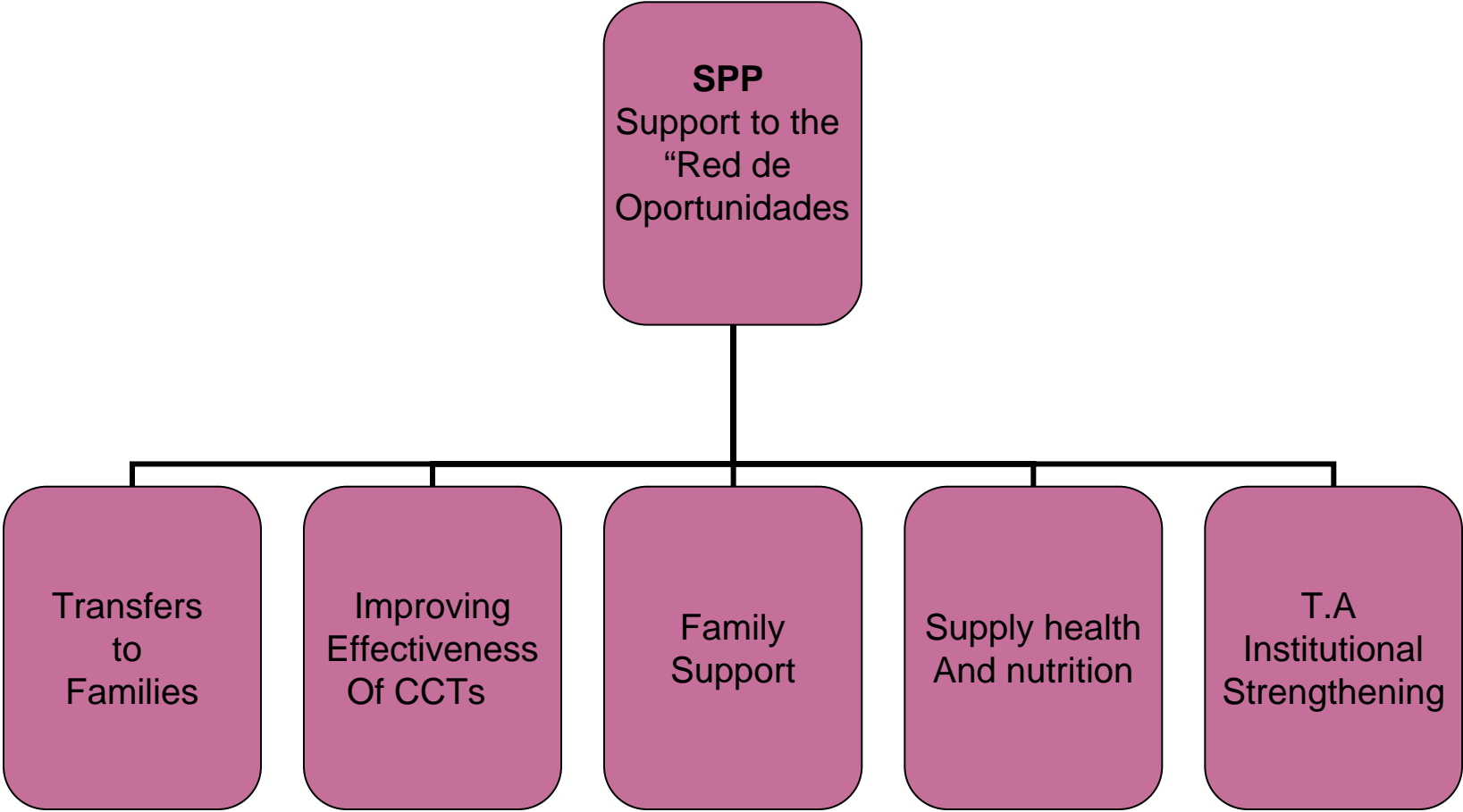


Government counterpart team

- MIDES/SSPS
 - Ministries of Education, Health, Agriculture, Comptroller office
- Social Cabinet
- Ministry of Economy and Finance
 - Social sectors, investments, and public credit units



The Project





Transfers to families

- Fully financed by GOP
- The conditional cash transfers
 - Primary education and ECD, basic health care and nutrition;
 - 5 years; \$35/month paid bimonthly;
 - nationwide in rural and urban areas;
 - transfer to households (except indigenous – to families)
- Targeting: Universal in indigenous communities (40% of beneficiaries -100% of formalized indigenous areas); PMT in rural and urban (different cut-off)
- Payment system: post office in remote areas
- A single transfer for both conditionalities
- Recertification in 2009



Bank assistance: Improving effectiveness of CCTs (Demand)

- No WB/IDB funding
- Post- PA analysis
 - PMT calibration (cut-off, formula) in rural, urban, indigenous areas
 - Ex-ante simulation to inform design of the transfer (conditionality, structure, amount, period)
 - Inputs to policy dialogue and to ensure wide-based government support for the program
- Indigenous Assessment
 - Support families to make the most of \$
 - Cultural appropriateness (health)



Improving effectiveness and operation of CCTs – Project support

- Effectiveness and efficiency of CCTs
→ MIS, Registry of beneficiaries,
Verification of compliance, spot checks
- Impact evaluation
- Recertification
- Accountability framework (formal and social controls)

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Acompañamiento component

- Designed as a new public service to:
 - Encourage take-up of CCT
 - Boost demand for social services (ID, health and education) and
 - Connect to other services
 - Support exit strategies for families
- Fully outsourced through NGOs (health model)
 - No public service recruitment
 - Performance-based local contracts

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Supply side: Education

- Education (indigenous and ECD focus)
 - Re-orientation of existing IDB project to match the *Red de Oportunidades* Program's areas of intervention
 - Additional financing for the existing WB project
 - New Education project in the CAS FY08-10

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Supply side: Health and Nutrition

- Health and Nutrition (prevention and basic care)
 - Top-up IDB project to improve quality of services through alternative service provision
 - Introduction and adoption of an innovative protocol to prevent chronic malnutrition
 - Targeted to indigenous areas
 - Linked to a new WB project in CAS FY08-10



Supply side: Health and Nutrition Process

- First step: To engage Ministry of Health on a **policy dialogue** to **improve** existing basic and **preventive** health and **nutritional** services (PAISS) provided by NGOs and outreach teams.
 - Sharing knowledge and experiences to address malnutrition in Central America beyond distribution of food
- Second: To reach a **consensus** on the need for new interventions based on evidence that involve community participation, growth promotion, modifying behaviors to improve care and feeding practices (AIN-C type).



Supply side: Health and Nutrition Process

- Third: To facilitate an **inter-institutional policy dialogue** (MIDES – MINSA) to exploit synergies between demand support through CCTs and supply of health and nutritional services and outcomes.
- Fourth: **Generate broad-based support** to test new interventions with AIN-C model to improve quality of the existing package in indigenous areas (including a rigorous impact evaluation)
- Fifth: Identify new investment projects to incorporate lessons and **expand the intervention** to other beneficiaries of Red de Oportunidades

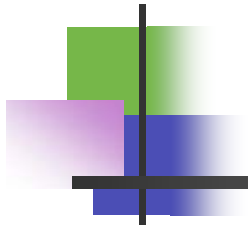


Technical Assistance Component

- Reform the social sectors institutional arrangements, decision-making, coordination and monitoring
- Generate knowledge for evidence based decision-making
- Support the Ministry of Social Development in its stewardship role for social assistance



New Social Protection Project in CAS FY08-10



Challenges and lessons learnt



Challenges

- Large teams: expensive preparation
 - Multiple network within the Bank
 - Donor coordination (IDB, WB, UNDP)
 - Government: ministries and other levels (MEF, MIDES, MINSA, Indigenous groups, Local gvts)
- Inter-governmental coordination
 - Legitimacy of new Ministry
 - Different agendas (MEF, MIDES, MINSA)
 - Local government involvement
- Speed to expand, slowness to decide
- Innovation → high risk project and slow implementation

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Challenges

- Tension b/w starting a highly visible program fast and evaluating (positive) results
 - Rhythm of program expansion; government focused on getting the \$ out
 - Window of opportunity closing fast to provide knowledge, design, and piloting
 - First-best design vs. operational realities

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Challenges

- Pioneering CCT for indigenous people (50% of beneficiaries)
- Supply gaps not closed (ambitions -4 to 17 years- vs challenges of service provision) in remote under-served areas



Lessons learnt

- Importance of policy dialogue
 - office-CMU with MEF
 - PREM (PA and PER) with MEF & MIDES
 - IDB with MINSA (+ and -)
- Given inexperienced counterpart:
 - Early involvement of procurement and financial management to build capacity
 - Importance of champion in MEF
 - Following government's pace
- Early piloting and evaluation to improve acceptance of lessons learnt from other countries
- Early coordination with donor community

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Lessons learnt

Working in an UMC:

"...it is always better to work with the World Bank because we want to not because we have to"

*Hector Alexander
Minister of Economy and Finance*