His Excellency
Mr. Dulcidio De La Guardia
Minister of Economy and Finance
Ministry of Economy and Finance
Panamá, República de Panamá

Re: PANAMÁ: Strengthening the Social Protection and Inclusion System Project
IBRD Loan No. 8532-PA

Additional Instructions: Disbursement Letter

I refer to the Loan Agreement ("Agreement") between the Republic of Panamá (the "Borrower") and the International Bank for Reconstruction and Development ("Bank"), for the above-referenced Project, dated December 18, 2015. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8532-PA ("Loan"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Loan:
- Reimbursement
- Advances
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Condition(s) specified in the Loan Agreement.
II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: J. Humberto Lopez, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
SCN Quadra 02, Lote A
Edificio Corporate Finance Center
7º Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4). The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Secure Identification Credentials”) provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.
(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications is US$ 100,000 for Reimbursements and Direct Payments.

(vi) Advances (sections 5 and 6) to Ministry of Social Development (MIDES)

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** United States Dollars.
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Banco Nacional de Panamá.
- **Ceiling (subsection 6.1):** US$ 7,500,000

III. Reporting on Use of Loan Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and reporting eligible expenditures paid from the Designated Account:**
  
  o Statement of Expenditure in the form attached (Attachment 4) for eligible expenditures financed under Category 1;
  
  o Information about contracts subject to the Bank’s prior review as indicated in column 4 of Attachment 4;
  
  o Customized Statement of Expenditures for Stipends financed under Category 2 (Attachment 5 - Customized Statement of Expenditures for Stipends);
  
  o Customized Statement of Expenditures for Categories 3 and 4 (Attachment 6 - Customized Statement of Expenditures for Out-put based disbursements);
  
  o Verification Report issued by an Independent Auditor covering a period of a calendar quarter, applicable when reporting payments financed under Categories 2, 3 and 4; and
  
  o Designated Account Activity Statement in the form attached (Attachment 7) with a copy of the Designated Account Bank Statement, applicable only when reporting eligible expenditures paid from the Designated Account.

- **For requests for Direct Payment:** Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices).
(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Quarterly.

IV. Additional Disbursement Instructions

(i) Stipends Payments – Category 2

The unit cost of the stipend (refer to the Appendix to the Loan Agreement, definition No. 29) will be calculated, and adjusted from time to time, in accordance with the procedures set forth in the Project Operational Manual.

The stipend will be transferred to each participant of a training Activity in 3 installments: (i) at the end of the first month of training to those participants that had at least 75% attendance; (ii) at the end of the second month of training to those who have completed a minimum of 75% attendance of their respective program during the second month; and (iii) for those who, having met the minimum attendance required for all training, meet the curricular requirements and skill defined.

MIDES will make the payment of stipends to the eligible participants based on the attendance and graduation records provided by INADEH (i.e. number of persons actually trained by INADEH and attendance).

MIDES will report to the Bank, on quarterly basis, the payments of stipends through the use of a Customized Statement of Expenditures (Attachment 5) and along with the Independent Verification Report approved by the Bank.

(ii) Out-put Based Disbursements – Categories 3 and 4

Under Categories 3 and 4, the Bank will finance operating cost of INADEH and MITRADEL through an output based disbursement (OBD) mechanism.

Reimbursement to INADEH will be based on a unit cost per Trained MIDES participant, and it would be calculated as part of the incremental operational cost carried out during the execution of training activities. The training activities in rural and difficult access areas will have an additional fee to the unit cost.

Reimbursement to MITRADEL will be based on a unit cost per MIDES participant that have completed MITRADEL program. A MIDES participant is said to have completed the MITRADEL program when they have attended a minimum number of hours and received the certificate of apprenticeship.

The unit costs will be calculated, and adjusted from time to time, in accordance with the procedures set forth in the Project Operational Manual.
MIDES will reimburse INADEH and MITRADEL based on the delivery of Trained Participants by INADEH and on the delivery of Participant Apprentice by MITRADEL. The Operational Manual will describe the mechanism for verification and validation of the output.

Once MIDES has reimbursed INADEH and MITRADEL, MIDES will report to the Bank, on quarterly basis, the results achieved (output) through the use of a Customized Statement of Expenditures (Attachment 6) and along with the Independent Verification Report approved by the Bank.

V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. All Borrower officials authorized to sign and deliver Applications by electronics means are required to register with Client Connection before electronic delivery can be affected. For more information about the website and registration arrangements, please contact the Bank by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact Maria Virginia Hormazabal (mhormazabal@worldbank.org), Finance Officer at the World Bank Loan Department. Kindly place the loan number and name in the subject line.

Yours sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Anabela Abreu
Country Manager - LCCPA
Latin America and the Caribbean Region
Attachments

2. Authorized Signature Sample Letter
3. Terms and Conditions of Use of Secure Identification Credentials
4. Statement of Expenditures (Category 1)
5. Customized Statement of Expenditures for Stipends (Category 2)
6. Customized Statement of Expenditures for Out-put Based Disbursements (Categories 3 and 4)
7. Sample Designated Account Activity Statement

CC:
Mr. Ivan Zarak, Vice Minister of Finance
Ms. Katyuska Correa, Director of Public Financing
Mr. Alcibiades Vásquez Velásquez, Minister of Social Development
Mr. Luis Ernesto Carles, Ministro de Trabajo y Desarrollo Laboral
Mr. Modaldo Tuñón, Director General del INADEH
Ms. Aida Batista, Directora Ejecutiva del Sistema de Protección Social