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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

PANAMA: UNIVERSITY OF SANTA MARIA LA ANTIGUA

525-L-031

AID-ILC/P-805

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

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AID-DLC/P-805  
April 8, 1969

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Panama - University of Santa Maria La Antigua

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$1,300,000 to the University of Santa Maria La Antigua for United States dollar and local cost of goods and services to assist in financing the cost of construction, equipment and technical services for the first four (4) buildings of the new campus of the University and the cost of consultant services on higher education and campus planning.

Please advise us as early as possible but in no event later than close of business on Thursday, April 17, 1969, if you have a basic policy issue arising out of this proposal.

Rachel C. Rogers  
Assistant Secretary  
Development Loan Committee

Attachments:

Summary and Recommendations  
Project Analysis  
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PANAMA - LOAN TO THE UNIVERSITY OF SANTA MARIA LA ANTIGUA

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1/ - Available for inspection in LA/DR files (Exhibits 6B, G, and J presented herein). → See Bulk File

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CAP - SANTA MARIA UNIVERSITY, PANAMA

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1/ - Annex II is available for inspection in LA/DR files (Exhibits 6B, G, and J presented herein).

April 8, 1969

PANAMA: UNIVERSITY OF SANTA MARIA LA ANTIGUAPART ONESUMMARY AND RECOMMENDATIONS

1. BORROWER: The University of Santa Maria La Antigua (USMA) a nonprofit, private institution of higher learning, having juridical personality and authority to borrow. (See Annex II Exhibits 1 & 2)
2. GUARANTY: The Government of Panama guaranteed by Decree No. 6 of April 20, 1967 the repayment of this Loan. (See Annex II Exhibit 3)
3. LOAN :
  - a. Amount: Not to exceed one million three hundred thousand U. S. dollars (\$1,300,000)
  - b. Terms: The loan will be repayable in thirty (30) years, including a grace period not to exceed five (5) years of grace, at an interest rate of two percent (2%) during the grace period and three percent (3%) thereafter. The two-step procedure will be offered to the Government of Panama.
  - c. Local cost component: Approximately two hundred and eighty five thousand dollars (\$285,000) of the loan funds may be used to finance about twenty two percent (22%) of the local cost component of the project.

4. DESCRIPTION OF THE PROJECT

The USMA has started a development program designed to increase the enrollment from about 450 to 2,500 students. Phase one, involving the establishment of the University has been successfully financed and completed in the temporary quarters donated by the Archbishop of Panama.

Phase two involves the construction and installation of a new campus on an appropriate site.

The project proposed for AID financing consists in the construction of the first four units of the new campus and the implementation of a program of academic excellence with the technical assistance of U.S. University Experts. The four units are:

- a. General classroom Building. (3500 m<sup>2</sup>) will include 17 classrooms and 17 faculty office. It is designed to accommodate about 970 students.
- b. Science Building (2600 m<sup>2</sup>) will include 15 laboratories - 9 faculty offices - one office for a Dean - a small auditorium and a library. It is designed to accommodate about 650 students.
- c. Student Center. (1700 m<sup>2</sup>) will include a bookstore, a cafeteria, a recreation center and five (5) offices. It is designed to accommodate between 750 and 1000 students.
- d. Administration Building (1600 m<sup>2</sup>) will include 1) the Admission and Registration Center 2) the Office of the Rector, Vice-Rector, Dean of the University, Treasurer and Director of Maintenance 3) the Central Files 4) rooms for testing and counselling services.

The estimated cost breakdown per unit is as follows:

	<u>Total Cost</u> (Equiv. U.S.dollars)	<u>Balboas</u>	<u>U.S.Dollars</u>
General Classroom Building	730.000	410.000	320.000
Science Building	710.000	310.000	400.000
Student Center/Library	365.000	265.000	100.000
Administration Building	345.000	230.000	115.000
	<u>2.150.000</u>	<u>1.215.000</u>	<u>935.000</u>
Cost of educational Consultant	90.000	10.000	80.000
<b>T o t a l</b>	<u>2.240.000</u>	<u>1.225.000</u>	<u>1.015.000</u>

(One Balboa equals one U.S. Dollar)

The proposed loan will assist in the financing of the consulting and engineering services, the construction contract, the procurement of equipment materials and furnishings and the cost of the technical assistance of the Educational Consultants.

The loan funds will be used to finance the procurement of materials, equipment and services from the U.S. amounting to about \$1.015.000 and local costs estimated at \$285.000.

##### 5. PURPOSE

To assist in a 10 year development program to create an expanded private university on a new campus. The University of Santa Maria will have an improved curriculum and high teaching standards. It will provide an alternative to the University of Panama and will help meet the growing social, political and economic demands for more and better trained technical and professional personnel in Panama.

6. FINANCIAL PLAN

The proposed financial plan is as follows:

	<u>Total</u>	<u>Local Cost</u>	<u>Dollar Cost</u>	<u>%</u>
A.I.D.	1.300.000	285.000	1.015.000	58
USMA	<u>940.000</u>	<u>940.000</u>		<u>42</u>
	2.240.000	1.225.000	<u>1.015.000</u>	

7. OTHER SOURCES OF FUNDS

- a - By letter dated June 1, 1967, the Export-Import Bank has formally expressed no interest in financing this loan. (See Annex 1, Exhibit 5)
- b - In 1965, the IDB had formally expressed that it had no interest in financing this loan because it was more inclined to help in the expansion of an existing institution than in the development of a new one.  
In March 1968 the USMA reiterated its request and indication was given by the IDB representative that IDB would not be interested.
- c - The IBRD stated by letter dated May 17, 1967 that it was not interested.
- d - The USMA has explored the possibility of securing private financing from U.S. and Panamanian financial institutions. Financing from private U.S. sources is not available. Long term financing from Panamanian sources is not available.
- e.- Financial assistance was sought from the Social Security Fund of Panama. The rate of interest was too high and the 10-year term too short.
- f - The USMA has received substantial assistance from the GOP and the Catholic Church of Panama who have donated the bulk of the new site. Panamanian private donors have also given generously. More is expected to be forthcoming; such contributions in funds, materials and services are to be utilized for the construction program. Through a Fund Raising Plan carried out by a Permanent Promotion Office the USMA expects to tap more and more from these private sources and from the Catholic Church, to assure continued growth and capacity to repay.

8. STATUTORY CRITERIA:

All statutory criteria have been met (See Annex 111)

## 9. VIEWS OF COUNTRY TEAM

The pressing demand for quality higher education in Panama and the strong need felt for an alternative to the National University of Panama make this loan highly desirable. The Country team feels that investment in education is one of the principal forms of productive long range investment necessary to Panama's continued growth.

Through loans and grants the U. S. Government has given substantial aid to help improve the educational facilities and standards in Panama.

In addition this project fits within two of the basic goals of the Alliance for Progress by giving assistance to the development of human resources and by encouraging the interest and participation of private enterprise in higher education in Panama.

## 10. ISSUES

- a - Financial capacity of USMA to carry out the project, meet its administrative expenses and its debt service obligation?  
The conclusion is that USMA will meet all its obligations.
- b - Do the requirements of USMA for courses on religion conflict with AID policy?  
The conclusion is that they do not.
- c - Conflict of Interest (A&E firm)? AID regulation will apply.  
(See PART TWO, SECTION IV, Pages 41 to 43)

## 11 LOAN ADMINISTRATION

### a - Disbursement Procedure

U.S. Dollar disbursements will be made through the Special Letter of Commitment Procedure. A.I.D. funds for local currency costs will be disbursed through the Special Letter of Credit procedure.

The USAID will explore the possibility of establishing a pari passu arrangement for the disbursement of the local currency generated through the SLC procedure to assure timely cash contributions by the Borrower.

### b - Procurement procedure

All procurement with the project funds will be made according to A.I.D. regulations. An amount of \$1,015,000 is earmarked for the procurement of U.S. goods and services.

An amount of approximately \$285,000 will be available for financing eligible local costs.

## 12. RECOMMENDATIONS

On the basis of the conclusions of the Capital Assistance Committee that the project is technically, economically and financially justified, it is recommended that a loan to the University of Santa Maria La Antigua, for an amount not to exceed \$1,300,000 be authorized subject to the following terms and conditions:

### 1. Conditions Precedent to first disbursement.

In addition to the applicable standard conditions precedent to the first disbursement the Loan Agreement shall provide that the Borrower submit the following:

- a - evidence of contracting an architectural, engineering firm acceptable to A.I.D. for the finalization of a Campus Master Plan and the preparation of plans, specifications, bid documents, cost estimates and time schedules for the various units of the project. The selected A & E firm shall undertake the supervision of the project construction.
- b - evidence of contracting educational consultants acceptable to A.I.D. to advise on organizational and curriculum reforms and assist in their implementation.
- c - evidence in form and substance satisfactory to A.I.D. that the USMA has acquired title to the additional 13.8 acres required to complete the site.

### 2. Conditions Precedent to any Disbursement other than for Consultant Services.

Prior to any disbursement or issuance of any Letter of Commitment, except for the architectural engineering firm or for the educational consultants, the Borrower shall submit, in form and substance satisfactory to A.I.D.:

- a - evidence that the Borrowers contribution of 575,000 balboas or its equivalent in construction materials is available. In the case of currency, evidence of deposit in a separate account for a Construction Fund established in a commercial bank. In the case of materials, written evidence of specific firm pledges signed by the pledgors.
- b - plans and specifications, bid documents, cost estimates and time schedules for the execution of each one of the four units contained in the project and the construction contracts.
- c - a maintenance plan and pertinent budget provisions for adequate maintenance of the USMA.

3. Other terms and Conditions

The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

4. Covenants

The Borrower shall covenant, except as A.I.D. may otherwise agree in writing:

- a) to faithfully carry out all terms and conditions of the Loan Agreement;
- b) that the funds of the loan will be used exclusively to finance the cost of construction, material and equipment, and the services of the consultants on higher education mentioned in paragraph b. above;
- c) that it will complete the Project and provide any additional resources which may be required;
- d) that admission or continued enrollment to the University will not be predicated on race, color, religion or nationality;
- e) that the faculty will be selected on the basis of competence and teaching experience rather than race, color, religion or nationality;
- f) that it will not dispose of any of its assets or borrow any additional funds for a period extending beyond one (1) year without A.I.D. approval.

PROJECT COMMITTEE

Loan Officer: Jean M. E. Artaud, USAID/Panama  
Chief, Human Resources Division: Charles Briggs, USAID/Panama  
Engineer: C. Stevens/R. Adams, USAID/Panama - C.L.Molineaux AFR/CIF/ENG  
Economic Advisor: M. Dagata, USAID/Panama  
Legal Advisor: Regional Legal Advisor, Colombia.

CLEARANCES:

John Banville: CDO, USAID/Panama  
Charles Briggs: Chief, HRD, USAID/Panama  
Charles Stevens: Chief Engineer, USAID/Panama  
John Gibson: ADP, USAID/Panama  
William McMoil: Controller, USAID/Panama  
William Ketner: ADO, USAID/Panama  
Harry Ackerman: DD, USAID/Panama  
David Lazar: DIR, USAID/Panama.

Drafted by: Jean M. E. Artaud/Martin Dagata.

PART TWO:      THE PROJECT

April 8, 1969

SECTION I:      NATURE OF THE PROJECT

A. DESCRIPTION OF THE PROJECT

1. Definition

The loan will assist the USMA to develop the plans for the new University and to complete the initial phase of construction of the first four (4) buildings as recommended by the technicians of the South Western Alliance for Latin America (SALA)\*. Part of the loan funds will be used to finance the cost of services of consultants on higher education to follow through with the organizational and curriculum reforms required.

Following the recommendations of the SALA technician the USMA has given priority to the construction of the following units:

- a) General Classroom building - will include 17 classrooms, 17 faculty offices - one dean office, is designed to accommodate approximately 970 students (3500 m<sup>2</sup>) (\$730,000).
- b) Science Building - will include 15 laboratories - 9 faculty offices, one Dean's office - one small auditorium a special science library - designed to accommodate 650 students. (2600 m<sup>2</sup>) (\$710,000).
- c) Student Center - will include a bookstore - a temporary library - a cafeteria - recreation center and 5 offices - designed to eventually accommodate between 750 to 1,000 students. (1700 m<sup>2</sup>) (\$365,000).
- d) Administration building - will include: 1) the Admission and Registration Center, 2) the offices of the Rector, Vice Rector, Dean of University, Treasurer and Director of Maintenance, 3) the Central files, 4) Rooms for testing and counseling services. (1600 m<sup>2</sup>) (\$345,000).

Each basic unit has been planned and will be designed with a view to future expansion at a minimum cost.

2. Limits of A.I.D. Financing

- a) Overall Program of the USMA - Since 1964, the USMA is embarked on a multiple phase development program which,

\* Contract AID/LA-478 - SALA will provide eighteen (18) months of long and short-term consultant services in Campus Planning, Administration and organization, and Academic Affairs under the initial contract. Services began in Jan. 1968. The following U.S. institutions of higher education are members of SALA - University of Oklahoma, Arizona State, Baylor, Kansas State, North Texas State, Oklahoma City, Southwest Texas State, Texas Technological, Tulsa, Colorado, Louisiana Polytechnic, Texas A and M, and Denver.

when completed, will comprise 16 building units all situated on the new campus site. Phase one involving the establishment of the University has been successfully financed and completed utilizing temporary quarters, the use of which was donated by the Archbishop of Panama

The overall program is based on the following: (1) a 5 year curriculum (2) an entering freshman class of 600 (3) a daytime enrollment of 2,500 students (4) uniform rates of drop outs, mortality, transfers in all colleges and schools (5) a graduating class of 360 students (105 from the College of Humanities and Education - 150 from the College of Natural Sciences and Engineering - 105 from the College of Social Sciences and Administration).

A Preliminary Master Plan for the total development of the new campus has been prepared by SALA and its refinement and submission, in form and substance acceptable to AID, is one of the conditions precedent to any loan funds for construction. (See Section III C Page 39 ).

- b) Part covered by this loan - The loan funds will be used to finance part of the cost of Phase two which involves the construction of the first four units of the new campus and the implementation of a program of academic excellence with the technical assistance of U. S. University experts.
- c) Summary cost estimates - The breakdown of the summary cost estimates is as follows:

	<u>Total Cost</u> (Equiv. U.S. Dollars)	<u>Balboas</u>	<u>U. S. Dollars</u>
General Classroom Building	730.000	410.000	320.000
Science Building	710.000	310.000	400.000
Student Center/Library	365.000	265.000	100.000
Administration Building	345.000	230.000	115.000
	<u>2.150.000</u>	<u>1.215.000</u>	<u>935.000</u>
Cost of educational Consultant	90.000	10.000	80.000
<b>T o t a l</b>	<u>2.240.000</u>	<u>1.225.000</u>	<u>1.015.000</u>

(One Balboa equals one U. S. Dollar)  
(For details of cost estimates on principal components of each unit see Annex II Exhibit 10 F)

### 3. Operating Criteria

#### a) Present situation

1. Student Body and Faculty - The present enrollment is 440 students, served by a faculty of 52 professors (10 full time). Approximately 45 percent of the student body attend full time.

Between 1965 and 1968 the enrollment has practically doubled and the faculty has trebled. There is no possible way to add to the present facilities. The USMA will be obliged to arrange for the use of additional facilities in order to accommodate qualified applicants.

- ii. Tuition - The present tuition and laboratory fee averages about \$375.00 per student per annum.
- iii. Scholarships - From 1965 to 1967 the USMA collected about \$105,000 earmarked for the scholarship program (See ANNEX II Exhibit 4 B). A total of 185 students benefited from the scholarships during the first 3 years. In 1968, 103 students (more than 20% of the student body) are attending the USMA on scholarships sponsored by the private sector, the Church and USMA (See Annex II Exhibit 4 C). The value of these scholarships is estimated at \$45,000. The present distribution is as follows:
- |                                       |             |
|---------------------------------------|-------------|
| a - Full tuition, books and materials | 81 students |
| b - Full tuition only                 | 18 "        |
| c - 1/2 tuition only                  | 4 "         |

In addition the USMA has organized a pilot program for obtaining in Panama City free room and board for needy out of town students. The results are encouraging, 31 eligible students are taking advantage of this program.

The USMA is looking forward to expanding considerably its program of scholarships and aid to the students. This is treated in the following sub-section. (See Page 5).

- iv. Operating funds - The USMA has received a large part of its operating funds from the Church, the business community and from individual Panamanians interested in promoting quality higher education in Panama as a complementary alternative to the National University.

A fund raising campaign started by a U. S. firm hired by USMA gave limited results. The former Rector should be given well deserved credit for his personal efforts dedicated to obtaining cash donations from the private enterprises and individuals in Panama. Of the 210 private donors, 42 contributed twice, 9 contributed 3 times. The cash donations collected in 1965, 1966 and 1967 amounted to \$232,000. Of these \$200,000 were used for operating expenses of the institution. The balance of \$32,000 was earmarked for the construction of the new campus. The financial structure of USMA depends directly on its ability to raise funds on a

systematic basis. This is well understood by the USMA which is working actively to establish an office devoted completely to fund raising. The Fund Raising Plan is treated in the following sub-section. (See page 6 ).

Courses Offered - Three colleges have operated from the beginning:

- a) The College of Natural Sciences and Engineering which offers courses in the Basic Sciences and Applied Psychology. It has, at present, an enrollment of 115 students, served by 32 professors. It expects to graduate 56 students in 1969.
- b) The College of Humanities and Education which also offers courses in Linguistics, Foreign Languages and Anthropology. It has, at present, an enrollment of 105 students served by 14 professors. It expects to graduate 40 students in 1969.
- c) The College of Social Sciences and Administration which offers courses in Law, Public Administration, Business Administration, Economics, Accounting and Political Sciences. It has, at present, an enrollment of 140 students served by 16 professors. It expects to graduate 44 students in 1969.

In addition a nine week session is offered from the 15th of January to the 22nd of March. It is scheduled to offer courses primarily for the benefit of the Primary and Secondary school teachers, during their vacations.

b) Criteria for future activities

i. Student body and faculty

By the time the new campus site will be ready for occupancy in 1971, USMA-SALA project a total enrollment of about 900 students (70% full time) served by 50 full time professors.

The 10 year goal is to have a 1/15 teacher student ratio.

The projections for enrollment and graduation for the years 1965-1990 appear in Annex II Exhibit 5 A.

ii. Tuition

The USMA plans to increase its tuition to \$400.00 by 1971. It will also charge a General University fee of \$100.00 per year. The laboratory fees will be adjusted to cover the actual expenditures attributable to the use and maintenance of the laboratories.

iii. Scholarships and Student Aid

a) Scholarships - The USMA plans to carry out the policy of offering or obtaining sponsors for scholarships which will represent at least 20% of tuition income and benefit more than twenty per cent of the student body. The trend will be to encourage day time attendance and the number of scholarships will increase progressively.

b) Student Aid -

(1) The USMA will continue to concentrate its efforts towards the expansion of the program which provides room and board for the out-of-town students in the low economic brackets. This program will be kept until the dormitories scheduled for the second phase of construction are completed.

(2) Books and Materials - In addition to the tuition scholarship and the room and board program the USMA will continue to help the needy students obtain their books and materials. This represents approximately \$50.00 per year.

(3) Student Loan Fund - The USMA is planning with the technical help of SALA the creation of a revolving fund for loans to students. The self-help feature of such a program may greatly enhance the chances of the USMA to obtain the required financing.

iv. Operating Funds

The USMA is well aware of the need to organize a Fund Raising Plan on a systematic basis. Steps have already been taken to establish an office devoted exclusively to fund raising. Mr. Milton Murray, a SALA consultant came specially to Panama to advise the USMA on this matter. He interviewed personally five of the most active business in Panama and concluded that the circles of business and finance were prepared to support the USMA. Mr. James Triolo, Vice President for Development of the Salk Institute of La Jolla, California, has been invited to Panama as a SALA consultant for two different visits during 1969 to assist with the establishment of the Promotion Office. In addition, the USMA, with the assistance of the SALA Chief of Party, has started to interview candidates for the position of Executive Secretary of the Promotion Office. Once a potential fund raiser is found, the USMA has a plan ready to provide a two or three month internship in the U. S. for the training of the Executive Secretary for Promotion.

With an active Promotion Office, the list of donors is expected to grow and the size of the donation, in money and in materials will increase. The present program of the annual collection within the Catholic Church of Panama and possibly the Foreign Bishops' Fund will be expanded.

It is obvious that the fund raising plan of the USMA will become more effective once the AID loan is authorized and construction of the new campus can be started.

v. Expanded and Increased curriculum

The revised curriculum developed by the USMA with the technical assistance of the SALA consultants aims at:

- a) The establishment of a separate College of Education for the training of Primary and Secondary School Teachers.

Recently the Vice Minister of Education has offered full cooperation from the GOP, MOE in the development of a Teacher Training Program. Preliminary discussions have been held concerning the need for official accreditation of teachers and the types of incentives which will attract the most competent university students to the field of education. The USMA anticipates a specific GOP

subsidy for the program.

- b) An expansion of the College of Sciences to include a program in Biological Sciences - which would provide courses in: General Biology; Botany; Zoology; Microbiology; Physiology; Entomology, and possibly some specialized courses in a specific field such as Marine Biology.

It is expected that these courses will attract 40 to 50 students, most of them full time. This will require the services of 3 to 4 additional full time professors.

- c) A further expansion of the College of Sciences to include a Department of Industrial Engineering in the College of Sciences. The components of this course are under study by the SALA consultants and the USMA faculty.

It is expected that this new Department will attract 20 to 40 students, most of them full time. This will require the services of 2 to 4 additional full time professors.

(For details of the revised study programs see ANNEX 5 C)

vi - Anticipated Student space usage.

A breakdown of the anticipated use of the new buildings for 1975 and 1979, distributed by College and Department appears as ANNEX 11 Exhibit 5 B.

The projections take into account the recommendations of the SALA consultants and the approval of the Administrative Council to establish a Teacher Training Program. They also anticipate the establishment of programs in Biology and Industrial Engineering.

B. HISTORY AND BACKGROUND OF THE PROJECT

GENESIS

Up to 1965, the National University of Panama was the only higher education institution in the Republic of Panama. It had grown beyond all projections from a student body of 175 in 1935 to a student population of 8946 in 1967-68.

For a long time the need had been felt for the development of a strong private university which would train the professional and skilled manpower required to support Panama's social and economic development program. The very fact of overcrowding of the National University demanded additional educational facilities in Panama. Since the rate at which the Government could provide facilities was not adequate, a group of educators and parents, concerned over the prohibitive costs of sending students abroad for their education, began to look for other solutions.

As mentioned above, in July 1963 the National Assembly of Panama has authorized the establishment of private universities. In March 1965 the University of Santa Maria la Antigua was founded under the aegis of the Catholic Church of Panama, as a private non-denominational university. Although the Chancellor and the Rector are members of a Catholic Order, the various Boards and Councils are composed of representatives of major religions including the Jewish, Protestant and Catholic faiths. There is no discrimination based on race, origin, color, religion or sex.

The USMA has received a large part of its operating funds from the Catholic Church, the business community and from individual Panamanians interested in promoting quality higher education in Panama as a complementary alternative to the National University. The balance of its operating funds is derived from student tuition and laboratory fees.

It must be noted that various Panamanian industries, institutions and individuals are contributing annually to a scholarship fund which during the 1967 school year had donated sufficient capital to pay for 100 scholarships.

The enrollment at Santa Maria la Antigua University has exceeded all expectations and the present quarters are used to serve more than 400 students.

The initial enrollment in May 1965 was 230 students. The first year faculty consisted of 17 professors. In 1966 the enrollment jumped to 350. The faculty was more than doubled to a total of 38. In 1967, 418 students attended, 240 of which were full-time students and 178 were part-time students attending classes in the evenings. As of April 30, 1968 the enrollment was 440 students with 52 professors.

The USMA accepts students and contracts with professors solely on the basis of academic record and character recommendation. Neither heritage nor personal persuasions may qualify or disqualify any applicant. That this is a working principle is evidenced by the presence of both students and professors who are nationals of other countries and who are members of various religious congregations. This is illustrated by the fact that more than half of the students presently enrolled come from the Instituto Panamericano, a Methodist private school in Panama City.

In order to meet the increasing demand for high quality full-time education, the USMA is concentrating its initial efforts on the planning and developing of educational programs in four basic areas: General Education - Teacher Education - Business Administration and Science and Industrial Technology. With the technical assistance of a U. S. team of University specialists, funded with an A.I.D. grant, the University is planning its overall development in a well phased 10-year program.

During the preliminary conversations, at the IRR stage, the USMA had indicated as one of the main goals the establishment of a full-time higher education institution. After the team of SALA experts reported for duty in January 1968, an evaluation of the goals was made and the Team concluded that, while the emphasis should remain on full-time study the goal could only be progressively achieved. Their recommendation was to gear the curriculum and class schedule to an intermediate goal (five to ten years) of no more than twenty-five percent (25%) of part-time students. The Mission feels that the intermediate goal is realistic.

2. EVALUATION OF PREVIOUS U. S. ASSISTANCE.

At the present time through the cooperation of USAID/Panama, technical assistance to help the University develop its total organizational and academic structure is being provided under a contract with the South-Western Alliance for Latin America (SALA) a consortium of thirteen U.S. Universities and advanced technical schools.

The University has also received support during its first years from instructors provided through the Peace Corps and the Fulbright programs for overseas assistance.

In terms of educational materials USAID/Panama has arranged for donations of books to the University Library. In addition the Mission plans to undertake a project for a Textbook Rental Library at USMA in collaboration with the Regional Training Aids Center (RTAC) in Mexico City.

3. REVIEW AND RECOMMENDATIONS OF THE COUNTRY TEAM

a) IRR and CAEC

On March 21, 1967 the IRR was sent to AID/W (TOAID 607). The IRR was approved by the CAEC on June 2, 1967 (AIDTO 651) after receiving answers to several basic issues raised in the CAEC (see AIDTO 610 - 5/9/67 TOAID 850 - 5/24/67) (See Annex 1 Exhibits 1 to 4) (The issues raised by the CAEC are found in a classified cable AIDTO 617 "C". For obvious reason this cable is not included in the above ANNEX.)

b) The first version of the CAP was reviewed by the USAID's Management before forwarding it to AID/W in May 1968.

The Office of Capital Development in AID/W, in a preliminary review before submission to the CAEC raised some questions concerning the technical requirements of Section 611 of the Foreign Assistance Act. Other points were also treated as USAID/Panama prepared this new CAP following the new guidelines issued by AID/W in June 1968, and incorporating data which were not available at the time the first CAP was prepared in March and April 1968.

Recommendation

The USAID's Management has reviewed the new CAP and obtained the approval of the Country Team which recommends prompt approval of the Loan.

4. OPINION AND INTEREST OF OTHER INSTITUTIONS

In 1965, the USMA had approached the IDB with a view to obtaining funds from the Social Progress Trust Fund to finance the costs of construction of the new campus. The IDB had then formally expressed "no interest in financing this project" on the basis that it was more inclined to help in the expansion of an existing institution than in the development of a new one. In March 1968, after three years of experience, the University reiterated its request to the IDB and even though a formal refusal was not communicated, an indication was given to the USMA that the IDB was not interested.

By letter dated June 1, 1967 the Export-Import Bank has formally expressed no interest in financing this loan. (See Annex 1 Exhibit 5) The IBRD stated, by letter dated May 17, 1967 that it is not interested in financing this loan.

The USMA has explored the possibility of securing private financing from U.S. and Panamanian financial institutions. Financing from private U.S. sources is not available and long term financing from Panamanian sources could not be obtained.

The USMA has sought financial assistance from the Social Security Fund of Panama. The rate of interest of seven percent (7%) for a term of 10 years, without grace period could not be absorbed by the University. Without withdrawing its application the USMA continued its negotiations to obtain better terms. Such negotiations came to an end when the Social Security Fund of Panama advised the USMA that there would not be funds available for a loan to the USMA because other priority projects would exhaust the total amount of their lending capacity. In the light of this recent experience there is little likelihood that the USMA will obtain financial help from the Social Security Fund of Panama.

C. PROGRAM JUSTIFICATION

1. RELATIONSHIP OF PROJECT TO U.S. ASSISTANCE STRATEGY

Education in all its phases is of great importance to the United States Government and its partners in the Alliance for Progress. As pre-requisite for full political social and economic development, investment in education is one of the principal forms of productive long range investment that enables a modern society to grow. The United States seeks to assist Panama in its efforts to create a healthy and dynamic society capable of recognizing and solving its own national problems. The expansion of a high quality private university system in Panama is especially desirable in view of the increasing need both in government and in the private sector for professionally trained college graduates. With the help of the A.I.D. the GOP has improved its rural, and urban school systems at the elementary and secondary levels. U.S. loans and grants have been geared to cure specific weaknesses and provide for specific needs. At the request of the GOP a team from Pennsylvania State University, financed by an A.I.D. grant is helping the Ministry of Education plan for major reforms in the field of education.

This project fits within two of the basic goals of the Alliance for Progress by giving direct assistance to the Development of Human Resources and by encouraging the interest and participation of private enterprise in higher education in Panama.

2. PROJECT CONTRIBUTION TO COUNTRY'S ECONOMIC DEVELOPMENT

The macro-economic analysis of Panama appears in Annex II Exhibits 6 A to 6 K.

3. IMPACT ON U.S. ECONOMY

Bidding on the construction contract (s) will be open to U. S. as well as Panamanian firms. In the event that a U.S. firm is successful bidder, it may be estimated that \$325,000 of the value of the contracts will represent dollar expenditures additional to the estimated dollar expenditures.

Over and above the foregoing, there will also be procurement of dollar items off the shelf in Panama, as well as depreciation of construction equipment of U. S. origin. While it is not possible to quantify such dollar costs, they, nevertheless, can be substantial.

Perhaps more important in the long run are the intangible effects which this loan will have to improve United States-Panamanian economic relations. The University of Santa Maria, will produce graduates in the social and physical sciences, many of whom are expected to go into the business world. They will have high professional competence and their economic-philosophical orientation will be akin to that prevailing in the United States. The University of Santa Maria may therefore be expected to have a very favorable effect on the climate of United States-Panamanian private business relations.

4. CONSISTENCY WITH CIAP REVIEW (CIAP/170) - December 1967)

On Page 6, paragraph 3, the Committee praised the efforts of Panama in the planning and programming of education and the development of human resources and recommended that such essential efforts be continued and intensified.

In its final report, in page 13, paragraph 20(e) CIAP stated that it supported specifically the needs for technical assistance submitted by the Panamanian Delegation in the fields of education, stressing, the Sciences, Administration and Teacher Training.

SECTION II - PROJECT ANALYSIS

A. BORROWER

1. Name and Description

On July 11, 1963 the National Assembly of Panama passed Decree No. 11, which authorized the establishment of private universities in Panama and Decree No. 16 whereby the founding of a Catholic University as a body corporate was approved.

Subsequently the name of Santa Maria la Antigua was chosen for the University to commemorate the first Catholic settlement established on the mainland which later was transferred to Panama.

The Charter and by-Laws of the University were approved by Executive Resolution No. 33 dated April 27, 1965. One month later, on May 28, 1965 it inaugurated its academic life with a freshman class of 230 students - 130 full time day students and 100 night time students, under the able management of its first Rector Father Benjamin Ayeche.

The temporary quarters are located in a four story building in one of the busiest sections of Panama City.

At present the University is divided into three faculties or colleges, each headed by a titular Dean:

- a - The College of Natural Sciences and Engineering which offers courses in the Basic Sciences and Applied Psychology. It has, at present, an enrollment of 115 students, served by 32 professors. It expects to graduate 56 students in 1969.
- b - The College of Humanities and Education which also offers courses in Linguistics, Foreign Languages and Anthropology. It has, at present, an enrollment of 105 students served by 14 professors. It expects to graduate 40 students in 1969.
- c - The College of Social Sciences and Administration which offers courses in Law, Public Administration, Business Administration, Economics, Accounting and Political Sciences. It has, at present, an enrollment of 140 students served by 16 professors. It expects to graduate 44 students in 1969.

The undergraduate program of the University of Santa Maria is a five-year or ten semester program.

The University operates a regular school year of two (2) sixteen week semesters beginning in April and ending in December.

An eight-week summer session is operated during January-February and March. It is scheduled to offer courses primarily for the benefit of the public school teachers.

2. Statutory Requirements

Decree No. 16 of July 11, 1963 which authorized the operation of private universities in Panama established the general requirements concerning:

- a) Curricula
- b) Staff qualifications
- c) Graduation
- d) Grading system

In general the requirements follow the pattern of the existing National University of Panama (For details concerning these requirements see Annex II Exhibits 1 and 2)

3. Ownership, Control and Management

- a) Ownership: All property is held in the name of the University which is a legal entity, organized under the laws of Panama.
- b) Control: Control of the University by intent is shared by several groups: The Charter designates the Archbishop of Panama as the High Chancellor of the University with the responsibility for presiding at the meetings of the following main governing bodies of the University:
  - (I) The Board of Directors - consisting of the Rector, one of the deans, and at least 4 private citizens of well known cultural background. This Board is chiefly concerned with program development, academic policies and standards. (For details of the composition of this Board see Annex II Exhibit 7 ).
  - (II) The Board of Trustees - consisting of the Rector and seven (7) private citizens of outstanding stature in business. This Board is responsible for economic resources and financial matters. (For details of the composition of this Board, see Annex II, Exhibit 7 ).

- (III) The Supreme Board -which consists of both the Board of Directors and the Board of Trustees meeting together as a single body.

It has the responsibility for:

1. Major construction and remodeling.
2. Sale of property valued at \$1,000.00 or more.
3. Acknowledgement of donations.
4. Appointments to fill vacancies on the Board of Directors or Board of Trustees.
5. Any amendment to the University Charter and By Laws

The boards of control of USMA include some of Panama's best-known citizens among them; are lawyers, merchants, financiers, and professional men. On its roll of membership in 1968 are the following: the Archbishop of Panama, two former Presidents of the Republic, the Vice-President of the Republic, a former justice of the International Court of Justice (The Hague), the representative of the Pan American Union in Panama, a legal assistant to the Organization of American States, two former Presidents of the National Assembly of Panama. Reflecting its diverse make-up is the fact that two influential members of the Jewish community serve on the policy making body.

- c) Administration: The Chancellor appoints the Rector who in turn appoints the Deans. Upon recommendation of the respective deans the Rector nominates the professors for appointment by the Board of Directors.

The Secretary-General of the University is also appointed by the Board of Directors.

The Treasurer of the University is appointed by the Board of Trustees. (For details and qualifications of the Rector, the deans, professors, Secretary General and Treasurer see Annex II Exhibits 7 and 8).

4. Faculty Representation

The Faculty has direct representation on the Governing Body of USMA through the selected representative of the Faculty Senate, the University Treasurer and the Director of Admission and Registrar who serves as Secretary to the Administrative Council, the Faculty Senate and the Governing Body.

5. Student Representation

The USMA students have direct representation on the Intra-university policy making body i.e. the Administrative Council. Through that channel the President of the Student Senate participates in the discussions and his comments and suggestions on student affairs are invited and made part of the minutes but he does not vote.

This follows the recommendations of Dr. Joe Wilson of the SALA group who stated in his report: "Faculty and student participation in the operation and administration of a university are desirable under such circumstances (assuming full time students and full time faculty) but not to the point where the administration is undermined."

The USMA has requested the SALA group to provide the services of a consultant on student affairs to study in depth the situation and make specific recommendations concerning the office of the Dean of Students and the extent of student participation in the USMA Government. Professor Martin Dean of Student at South West Texas College, is scheduled to arrive in Panama in January for this assignment.

**B. ENGINEERING ANALYSIS**

**I. General Description of Project**

The University of Santa Maria La Antigua, presently located near the Presidential Palace in the heart of the older section of Panama City, is planning a phased expansion to accommodate increasing numbers of students and new curricula. As the present location is cramped and has serious transportation problems, the University plans to develop a new campus on the northeast edge of the city, in a presently undeveloped area adjacent to the Canal Zone boundary (Refer to map at Annex II Exhibit 10A).

Present enrollment is 440 students with a faculty of 52. Preliminary planning for the new campus projects a ten-year development pattern which includes the construction of 29,600 square meters of floor area in 19 buildings for an enrollment of 2,500 students in a campus of 78.5 acres. (Refer to map at Annex II Exhibit 10B).

The University owns 64.7 acre of the site and is presently negotiating the acquisition of an additional 13.8 acre plot in order to close its property line with the alignment of a proposed new arterial access road.

The initial stage of development for which funds are being requested at this time will provide floor area on the order of 10,700 square meters in 4 buildings to serve a maximum attendance of 1,000 students. (Refer to map at Annex II Exhibit 10C).

14.8 acres of the Campus area will be devoted to first stage facilities. Facilities to be developed by the requested loan are as follows:

	Estimated Cost of Construction Material and Labor	Distributed Total Cost (including urbanized land and equipment furnishings, etc.)
Administration Building (1,600 square meters)	\$ 149,200	\$ 345,000
General classroom building (3,500 square meters)	337,480	730,000

Science Classroom Building (2,600 square meters)	299,400	710,000
Student Center (1,700 square meters)	<u>162,880</u>	<u>365,000</u>
	949,000	2,150,000
Educational Consultant Cost		<u>90,000</u>
Total Cost		2,240,000

Of this amount, the USMA plans to invest \$940,000 from its reserves and from private donations. A loan of \$1,300,000 is requested from A.I.D. to complete financing of these first stage facilities.

Analysis has been made of the probable composition of direct dollar costs and balboa costs. Of the total estimate of \$2,240,000 it is indicated that \$1,015,000 will be in dollars and \$1,225,000 in balboas. Part of the private donations will be in cash and the remainder will be in building materials from major suppliers and manufacturers in the Panama City area.

Title to the additional land (approximately 13.8 acres-estimated value \$110,000) and confirmation of the contribution proposed by the USMA will be conditions precedent to the disbursement of loan funds.

## 2. Engineering Plan

### (a) Technical Feasibility

The technical feasibility of the project was studied by the firm Rader-Andreve Associates, Miami, Florida, under contract with the University. Their report was submitted to the University on April 29, 1968 and a supplement was filed on July 19, 1968.

The report has been reviewed by Dr. Richard Kuhlman of Oklahoma University, SALA Campus Planning Consultant, Dr. Kuhlman's findings recommend the project as presented in the Rader-Andreve report. The design concept is consistent with modern school standards and climatic conditions of Panama.

The new campus site is well drained and is located to suit both present needs and growth of the city.

(b) Status of Project Works

As noted in the feasibility report, location and topographical maps have been prepared with notation of proposed buildings, existing and proposed utilities, existing and proposed roads. Subsurface investigations of the site have been made by a local firm. Based on these most of the earth moving for site preparation has now been accomplished through work donated by private contractors.

A layout plan has been prepared for overall development of the campus, noting purpose and location of all buildings contemplated for an integrated campus. For the four buildings proposed at this time, preliminary architectural drawings have been prepared showing dimensions, internal layout, and type of structure proposed (Annex II Exhibit 10E). Structural design of the General Classroom Building has been essentially completed, sufficient to permit quantity survey of the structural requirements for this building.

The USMA continues to hold discussions with special consultants from the SALA group on the internal space arrangements and use of space within the four buildings proposed, using the preliminary sketches for this purpose.

Lists of built-in equipment and movable furniture and equipment have been prepared for each of the four buildings. A portion of the necessary furnishings will be relocated from the existing facilities.

(c) Estimate

A list of estimated costs for major construction items has been prepared, noting costs of both U.S. and local procurement. A cost breakdown has been made for each building (See Annex II Exhibit 10F).

Land costs are known and site development costs are developed from preliminary quantity estimates and costs on similar work underway in other parts of the city.

Water supply will be furnished by the prime water utility company Instituto de Acueductos y Alcantarillados Nacionales (IDAAN). The volume, pressure and quality are adequate for University needs. The estimate for water supply is based on actual costs being experienced in nearby work.

Electric power will be furnished from an adjacent existing substation of Fuerza y Luz. Costs of the USMA system were estimated in collaboration with Fuerza y Luz S. A. and based on actual costs of similar work in this area.

Waste disposal initially will be through a septic tank and tile drain field into the upper reaches of the Río Abajo. The estimate is developed from preliminary quantity estimates and actual costs of similar work in the area. As the area develops and the Panama system is extended, waste disposal eventually will be through the city system.

Roads and walks to be built are minimal, providing internal access and service for the four buildings. External access will be obtained in this phase from an existing gravel road which is maintained by the power utility, Fuerza y Luz S. A. In the external arterial road system, for which plans are now being developed by the GOP, a traffic interchange to feed into the campus road plan is contemplated. The estimate is developed from preliminary quantity estimates and actual costs of similar works in the area.

As noted previously, the General Classroom building design is sufficiently advanced to permit a quantity survey of structural items. The structural cost of this building has been estimated on the basis of these detailed quantities and actual local current cost experience on such items. The other three buildings will be similar in basic design with modifications in interior finish. The estimated structural cost of these three buildings has been developed by judicious comparison of their floor area with the area of the General Classroom building. These costs run from \$93 to \$96 per square meter of floor space, (not applicable to the unfinished area in the Science Building) somewhat less than a number of modern business buildings just constructed in Panama City. This difference is attributable to austerity of initial finish in the University buildings.

An assessment has been made in considerable detail of the furnishings and equipment required. This has been compared with those existing to determine probable procurement needs.

A value of \$80,000 has been assigned to existing furnishings and equipment. The estimate for items to be procured

has been based on experience of the SALA consultant on recent university work in the Southern United States with allowance made for freight and handling to Panama.

Cost of architectural and engineering services for final design, supervision of constructions and refinement of the campus master plan are estimated at \$150,000 approximately 12% of the estimated construction project cost.

To provide the University with the opportunity to maintain the new facilities, \$25,000 have been added for the procurement of equipment and materials for preventive and remedial maintenance.

To provide for escalation and unforeseen costs that may arise during design or during construction a contingency cost of 10% has been added to the basic estimate.

\$90,000 have been included for the continued services, during the development and transition period, of educational consultant services of the nature presently being furnished by the SALA group.

Competent services have been engaged by the University to determine their requirements for the new campus. Given the limitations inherent in the initial stages of a young school, the facilities and site recommended are commensurate with the needs of the University and with modern professional concepts. Facilities in this first phase are necessarily minimal and austere. When additional funds are available as they will be in the course of time, they can be dedicated to the further finish and furnishing of these buildings.

The Mission believes that the facilities are well conceived and that the works can reasonably be expected to be carried out within the amount of the estimate.

(d) Engineering Plan for Implementation of Project

The Board of Directors for the University of Santa Maria will have the responsibility for overall direction of the project. The estimate includes funds for continued technical assistance in university planning, administration and curriculum development. It is expected that this service will be obtained by the USMA to continue the services previously rendered under AID grant funds. These specialists will serve as general advisors to the University Board and faculty during this transition period. The educational consultant will also work with the Board of Directors on detailed design and layout requirements in the new buildings.

The Board must engage the services of a competent architectural engineering firm for refinement of the preliminary campus master plan; for detailed design, assistance in qualification of bidders and in procurement, and for inspection of construction of the first stage buildings on the new campus. Performance will be monitored by the engineering staff of the AID Mission. The firm selected should have had prior satisfactory and responsible experience in campus planning and development and be able to assign to the project an associate with pertinent qualifications and experience.

Production of final detailed designs and bid documents for all structures, grounds and utilities should be accomplished within eight months after the engineering firm receives notice to proceed.

The construction project will be advertised locally and through the Commerce Business Daily. Qualified contractors and workmen are available locally. Furnishings and teaching equipment will be purchased separately from the construction contract and will be publicized through Small Business Notification for delivery toward the end of the construction period. Construction will require approximately fifteen months to complete, after notice to proceed is given to the successful bidder. Two to three months will then be necessary to transfer furniture and equipment and to install the new items. The educational consultant will assist USMA in the logistics and timing of the move to the new campus.

The elevator and certain of the laboratory items require a fairly long lead time for procurement. However, these should not be critical as classes can be held in the buildings before their arrival.

#### Operation and Maintenance Plan

##### (a) Maintenance

The USMA has three years of experience in continuing maintenance and repair of its present temporary headquarters located in an old building in the center of Panama City. While present maintenance staff is minimal, the University is very conscious of the value and cost of maintenance. It has requested that a specific sum of \$25,000 be provided in the loan for the purchase of maintenance equipment of U. S. origin. Technical assistance in the selection of the basic equipment needed for the Maintenance Department and the tooling of a good maintenance shop is being provided by members of the SALA team.

(b) Maintenance Plan

As a condition precedent to disbursement for other than engineering services, the USMA will have to submit a maintenance plan and evidence of sufficient budgetary provision for adequate maintenance expenditures.

(c) Capability for Maintenance and Utilizing the Project

Taking into account the short but valuable experience of the USMA in the creation and operation of an institution of higher learning and its willingness to accept and implement effectively the technical assistance of experienced U. S. educators, it is considered that the Borrower has the resources capability to maintain and utilize effectively the Capital Assistance Project. The financial capability of the Borrower to effectively utilize and maintain the new facilities will be enhanced by the A.I.D. loan which will in turn help the USMA in its fund-raising campaign.

(d) Maintenance and Repair Equipment

With the assistance of the SALA consultant the USMA has prepared a list of U. S. equipment and materials to be used in the Maintenance and Repair Department (See Annex II Exhibit 10G).

C. ECONOMIC JUSTIFICATION OF THE PROJECT

Manpower Demand

As one of the newest nations in Latin America, Panama offers a unique combination of significant factors which hold great promise to lift the country from its present status of a developing country into a firm standing among the more advanced nations. Situated on an isthmus between two large continents, with a relatively small population, it has attracted the attention of many major industries for its potential as a world-wide distribution center. From the Free Zone, located on the Atlantic side in the city of Colon many industries are already serving their Latin American customers. Private investment activity is expanding rapidly and the banking, industrial and commercial interests are looking increasingly to the Universities of Panama City to provide the skilled personnel they need.

The training facilities as well as the institutions of higher learning cannot, at present, meet the growing demand. The cost of training abroad is out of the reach of most Panamanian families. Only the wealthy families can afford it. Moreover,

it could result in the draining of critical manpower resources to more advanced countries offering greater opportunities than Panama and to a certain extent have a negative effect on Panama's balance of payments. Even if all the Panamanians trained abroad were to return to their country they would fill only a fraction of the skilled manpower deficit of Panama.

In his report on the manpower training situation in Panama, completed in 1965, Mr. Norman Pauling, A.I.D. Manpower Consultant stated: "If Panama is to achieve a rate of economic and social development sufficient to accommodate the rapid growth of the population and labor force, it must produce candidates for professional, scientific, political and entrepreneurial leadership, at a faster rate than at present."

It becomes more and more obvious that dynamic action is required to meet the demand for trained administrative, supervisory, technical and professional personnel to staff the private and public enterprises of Panama.

In 1967 IFARHU\* published its statistical projections of Manpower Requirements by Occupation and Educational Level in Panama for 1970. The following table is a summary of the main findings:

<u>Occupation</u>	MIDDLE AND HIGH LEVEL MANPOWER DEMAND AND SUPPLY PROJECTIONS 1965-1970 **					<u>Percentage Deficit Demand</u>
	<u>Demand</u>	<u>National Universities</u>	<u>Foreign Universities</u>	<u>Total</u>	<u>Deficit</u>	
Professional Degrees Categories	3342	1855	724	2579	763	22.8%
Sub-Profess. and Technical Level Trng.	<u>913</u>	<u>552</u>	<u>11</u>	<u>563</u>	<u>350</u>	<u>38.3%</u>
Totals	4255	2407	735	3142	1113	26.2%

\* The GOP's Human Resources Development Agency.

\*\* For details (see Annex 11, Exhibit 11).

(b) Evaluation of the demand for higher education

Estimates indicate that there will be well over 10,000 students (full-time equivalent) in Panama enrolled in University studies as early as 1970. The 1967 enrollment figures at the National University (not including branches in the Interior) were 8,946 (including part-time students).

On the basis of available statistics (1957 to 1967) about 30 per cent of the students enrolled in secondary schools reach graduation. Conservative projection based on the same percentage indicate that by 1980 the total number of high school graduates will be approximately 11,000. It is expected that at least 60% of these will come from the private schools which have been the main source (75%) of students enrolling at the USMA.

The number of secondary students who reach graduation is growing steadily while the percentage seems to vary very little. The statistics for the years 1961 to 1967 are as follows:

1961 - 4,114	1964 - 5,766
1962 - 4,509	1965 - 5,999
1963 - 4,957	1966 - 5,868
1967 - 6,295	

With the implementation of the National Plan based on the specific recommendations of the technical Consultants from Pennsylvania State University for improvement of secondary education it is expected that a larger percentage of students from the public schools will complete high school with more thorough preparation. In a growing economy it is logical to assume that a higher percentage of Panama's population will be seeking entrance into college.

Figures for the years 1961 through 1965 point out that secondary school graduates who entered college represented 40 percent of the number of those who graduated from high school. As explained above this percentage is expected to increase gradually. But even if the upward trend is disregarded, it may be expected that by 1980 some 4,400 qualified students, or twice as many in 1965, will be looking for admission to the university level. However, it appears clear that by the 1970's existing facilities will not sufficiently provide for anticipated enrollment demand.

(c) Brief Survey of Higher Education Opportunities for Panamanians

Among the basic necessities of life education ranks very high with the Panamanian. Some 85% of the children between the mandatory school attendance ages of 7 and 15 are in attendance at public and private schools. It is estimated that 70% of the population is functionally literate. Increased earning power attributable to higher education is recognized by the Panamanian family who will often sacrifice food, shelter and clothing to send their children to college. The Panamanian secondary high school graduate has now three options for further studies and preparation.

- (i) to attend a foreign University.
- (ii) to enter the National University of Panama.
- (iii) to enter the new University of Santa Maria La Antigua.

His ultimate selection will most likely depend on his financial ability to pay, the type of specialized training he desires, the availability of part-time or full-time work which would permit him to make a living while he is studying.

(1) Foreign Universities

Attendance at a U.S. or European University has always meant not only a superior education and training but also a status symbol for the upper-middle-class. It is expected that the children of those who can afford to send them overseas will continue to seek their higher education abroad. It is a matter of prestige, practically a tradition. However, this may taper off because the cost of University training abroad has increased considerably and the burden is becoming heavier each year. Another reason is that the same upper middle-class families have become more interested in the recently founded private university which offers a reasonable alternative. They have supported it from the beginning and take just pride in the institution they helped create. Now there is an alternative to sending their children abroad for their post-secondary education.

- (II) The National University of Panama  
(See (unattached) Annex IA.)
- (III) The University of Santa Maria La Antigua

The USMA has gained, in its three years of existence, a reputation as a serious institution of learning where the standards for entering and remaining are kept high. It is led by men of vision and integrity who will not lose their drive and enthusiasm. They are bent on developing a collegiate structure patterned after U. S. Universities but solidly geared to meet the needs of Panama. It has sought and received technical assistance from A.I.D. Four consultants from the SALA group, sponsored by A.I.D. and two from the National Science Foundation, in March and April of this year, analyzed the needs of the USMA and have made concrete recommendations for coordination and improvement. (See Annex II, Exhibit 9).

The SALA consultant on curriculum, who was here for two weeks in March and April 1968, analyzed the curriculum and suggested program adjustments. The curriculum was found to be overly formal, technical in some areas, theoretical and inadequate in opportunities for elective courses. Dr. Crim made suggestions for broad-based degree programs with stronger courses at the same time that the total number of credit hours were to be reduced. The proposed revision is intended to alleviate the problems of over-specialization at the undergraduate level. Hopefully, these changes will mean that the graduates will have a sound but broad education in the major field, and at the same time will have a wider opportunity for careers in their areas of chosen specialties.

What areas of need in Panama's higher education does USMA anticipate filling?

IFARHU, in collaboration with the National Planning Department, pointed up areas of needed manpower training. (See Annex II, Exhibit 11). USMA cannot expect of itself to meet the increased demand for well-trained entrepreneurs, professionals, technicians,

teachers, and scientists. It has, however, selected certain areas for emphasis. The founders of the University set up as principal academic goals, the training of businessmen, administrators, industrial technologists, scientists in some areas, and the preparation of teachers in these fields. By the concept of full campus influence (full-time students as well as full-time faculty and administrators) USMA leaders believe that a superior institution can be developed and maintained. A basic general studies program for the first year is being designed to provide the student with a broad base for his later concentrated study in one of the following fields: business administration; industrial and technological leadership; industrial and civil engineering; in areas of natural science such as chemistry, biology, physics and mathematics; and in the fields of psychology and teacher training. This is being done along the lines suggested by the SALA consultant namely, flexibility outside the major fields and a sound but broad base of studies for the various discipline specialties.

The April 1968 enrollment figures at USMA indicate that the institution is moving in the direction of its curriculum goals. There are 265 students in the fields of business administration and the natural sciences, 51 in the School of Humanities and the other 124 are enrolled in other disciplines, the principal ones being that of accounting; Public Administration and Secretarial training.

The USMA has developed a practical plan for a student placement program. While it would be premature to evaluate such program now, it is expected that the results will be more than satisfactory because of the active interest and participation of private enterprise in the preparation of the plan.

(d) Benefits to the Nation

Panama will benefit from many other developments generated by the proposed project. Improved higher education facilities should cut down the outflow of students going abroad and thus reduce the potential brain drain and the adverse effect on the balance of payments.

The capital absorptive capacity of the economy, the ability to recognize and utilize new knowledge and opportunities will increase. This will take place as the size of the university-trained segment of the labor force expands and graduates in non-traditional subjects of a middle class will be supported by the availability of new opportunities to use the new skills.

Over a period of time, the gap between the demand and the supply of trained technicians should be filled and the need for foreign technical assistance should diminish. The development process will then take a more "indigenous" cast. Panamanian technicians will increasingly carry the responsibility of shaping and executing all elements of the development program. Moreover this project, with its generous scholarship program based on scholastic achievements of needy students will encourage the participation and interest of the lower income groups in the education process. The development progress will effectively reflect more and more the needs and aspirations of a substantial share of the population. By giving a fair opportunity to the articulate, capable and highly motivated elements of the rising middle class, personal frustrations which breed social unrest may be reduced, creating a better climate for understanding between the potential leaders. From the social point of view, the University of Santa Maria is a melting pot. Full time students from the wealthy families work and study in groups with those from the middle income groups. Such contacts build strong friendship ties which will tend to break down class lines.

Among the many direct benefits to be derived from this project is the prospective sharp increase of the productivity and the income earning potential of the university graduates. While these economic benefits cannot be readily quantified they nevertheless must be recognized.

The contemplated impact of the proposed loan on the public sector is substantial. The USMA trained personnel entering public service will help bring greater confidence in the government on the part of the private sector, whose members have shared the same training, at the same institution. Moreover the efficiency and responsiveness of the public sector to changing needs will grow with the improvement in the quality of the public sector's human resources.

It is expected that more direct benefits will be gained by the private sector as the USMA increases the number of available technicians capable of understanding and adopting more sophisticated methods, processes and procedures which business demands. The supply of qualified personnel must expand in order to strengthen the private sector's efforts to increase the vitality of its role in the economy. The private sector has from the beginning given substantial support to the USMA through pledges of materials and services; generous scholarships and direct participation in its various boards. Without questioning the altruistic and civic features of such a support, it must be recognized that the success of the USMA will reflect credit on the private sector through its founders, a group of enlightened professionals, businessmen and industrialists. These men are concerned with the creation of an institution which will encourage the development of higher education for the training and formation of the technical manpower resources which the economic growth of Panama requires.

D. FINANCIAL ANALYSIS

1. Funding Requirements

The following table presents a breakdown of the total cost of the project, broken down into the main foreign and local currency cost components:

<u>Item</u>	<u>Total Cost</u> (equivalent U.S. dollar)	<u>Balboa Cost</u>	<u>Dollar Cost</u>
Urbanized Site	365,000	365,000	--
A & E Firm	170,000	50,000	120,000
Educational Consultant	90,000	10,000	80,000
Prime Contractor	125,000	110,000	15,000
Construction Materials and Labor	950,000	580,000	370,000
Furnishings & Equipment	290,000	30,000	260,000
Maintenance Equipment	25,000	--	25,000
Signs & Posters	1,000	1,000	--
Utilities a) Power	30,000	10,000	20,000
b) Communication	14,000	4,000	10,000
c) Water	10,000	5,000	5,000
d) Sewerage	15,000	10,000	5,000
e) Ext. Lighting	5,000	--	5,000
Contingencies	<u>150,000</u>	<u>50,000</u>	<u>100,000</u>
<b>Total</b>	<b>2,240,000</b>	<b>1,225,000</b>	<b>1,015,000</b>

The estimated cost breakdown per unit is as follows:

	<u>Total Cost</u> (equivalent U.S. dollars)	<u>Balboas</u>	<u>U.S. Dollars</u>
a) General Classroom Bldg.	730,000	410,000	320,000
b) Science Bldg.	710,000	310,000	400,000
c) Student Center/ Library	365,000	265,000	100,000
d) Administration Bldg.	<u>345,000</u>	<u>230,000</u>	<u>115,000</u>
Sub-Total	2,150,000	1,215,000	935,000
Cost of Educational Consultant	<u>90,000</u>	<u>10,000</u>	<u>80,000</u>
<b>Total</b>	<b>2,240,000</b>	<b>1,225,000</b>	<b>1,015,000</b>

(For details of cost estimates on principal components of each building, See Annex II, Exhibit 10F).

2. Financial Plan

The total value of the project is estimated at \$2,240,000. AID will provide a loan not to exceed \$1,300,000 and the USMA will contribute the equivalent of \$940,000. All the funds are expected to be disbursed within 3 years from the date of execution of the loan agreement.

The proposed financial plan is as follows:

	<u>Dollar Cost</u>	<u>Local Cost</u>	<u>Total Cost</u>	<u>%</u>
A.I.D.	1,015,000	285,000	1,300,000	58
USMA	<u>-</u>	<u>940,000</u>	<u>940,000</u>	<u>42</u>
Total	1,015,000	1,225,000	2,240,000	100

(a) Use of AID loan funds

In all the discussions with the Borrower, USAID/Panama has sought to keep the financing of local cost items to a minimum. In this case not more than \$285,000 will be used to finance about 23% of the local costs. The balance of \$1,015,000 will be used exclusively to finance U.S. procured goods and services.

(b) Borrower's contribution

The breakdown of USMA's contribution amounting to the equivalent of \$940,000 is as follows:

(i)	Value of the urbanized land presently owned by USMA	\$ 230,000
(ii)	Value of the additional 13.8 acres plot which USMA must acquire	110,000
(iii)	Additional grading to be paid by USMA	25,000
(iv)	Contribution in cash and materials for construction of first 4 bldgs.	<u>575,000</u>
		\$ 940,000

With respect to the construction materials the USMA has submitted a list of pledges amounting to the equivalent of \$420,000 (See Annex II, Exhibit 12). The balance of \$155,000 in cash or construction materials will come from additional donations earmarked for the construction of the new campus.

In light of its past experience, it is estimated that the Borrower has more than a reasonable chance of obtaining donations in cash and materials for much more than the balance of \$155,000. In 1965 the Borrower collected donations amounting to \$45,192. In 1966, it received \$71,225. In 1967, it collected \$114,213. Pledges of cash and construction materials in 1968 have exceeded the equivalent of \$480,000. (See Annex 11, Exhibits 12 and 13)

The USMA owns and is using now furnishings and equipment, appraised at about \$140,000. Some of them, like the air conditioning units, typewriters, desks, laboratory equipment may be usable in the new building. Due to the high rate of depreciation in the tropics it is estimated that the value of the capital assets which the Borrower would be able to transfer to the new campus would not exceed \$80,000. However, since the transfer of those assets will be contingent upon the continuing use of its present quarters, their estimated value is not included as part of the Borrower's contribution.

(c) Time schedule for funding requirements

As mentioned above a three year disbursement period is expected to suffice to complete the construction of the four buildings. From August 1969 on the cost of the Educational Consultant services will be financed with loan funds.

The time schedule for projected use of project funds is as follows:

	<u>1st year</u>	<u>2nd. year</u>	<u>3rd year</u>
A. I. D.	500,000	500,000	300,000
USMA*	220,000	220,000	135,000

\* The contribution of the USMA will be in the form of cash or construction materials.

3. Alternative Sources of Financing

The various steps taken by the Borrower to secure alternative financing are treated in PART TWO - SECTION I, B, paragraph 4. (See page 11)

The conclusion of the Country Team is that suitable financing for this project is not available from other lending agencies. In the cases of the Eximbank, IDB and IBRD they have expressed no interest. The Social Security Fund of Panama advised the USMA that, due to limitation of funds, it could not participate in this project.

4. Local Cost Financing

There is no local currency owned or controlled by the United States available to cover the local currency costs component of the loan.

The USMA is contributing 48% of the total estimated cost which represent about 78% of the local cost.

(The Local Cost Financing and the U. S. Balance of Payments Aspects are fully treated in Annex 11, Exhibit 6B)

5. Financial Position

The Cash flow submitted by the USMA is based on realistic assumptions (See Annex 11, Exhibit 14 A)

The Balance Sheet for 1967 and Statement of Operations for 1965, 1966 and 1967 reflect operating deficits which are considered normal for that type of institution which must count on donations to balance its budget.

Nevertheless the USAID insisted that the USMA obtain from the Archbishop of Panama, a commitment that the Catholic Church of Panama would make up any operating deficit of USMA. (See ANNEX 11 Exhibit 15)

It must be noted that with the intensive program of fund raising started by the USMA during the last quarter of 1968, the flow of donations is expected to grow considerably. In addition the establishment of a Teacher Training program, at the request of the GOP is expected to bring a subsidy from the Government which will alleviate the financial burden of the USMA.

6. Prospects of Loan Repayment

The USMA has a good credit standing and has the backing of the private enterprise sector of Panama which has sponsored its creation.

Its main sources of revenues are the tuition from the students and the donations from all sources. Both are expected to increase considerably when the new campus is occupied.

The cash flow demonstrates that the USMA will have sufficient funds to service the loan (See Annex II, Exhibit 14A). In the unlikely event that the USMA would be unable to repay the loan, the GOP as guarantor would be responsible for servicing the obligation. This is further insured by the desire of the GOP to maintain its external credit standing.

An additional incentive will be given to the GOP by the offer of the two step procedure.

In order to reduce the financial risk the Loan Agreement will provide that the USMA will not dispose of any of its assets nor undertake any additional borrowing for a period extending beyond one (1) year without AID approval in writing. (See Covenant g, Page 40).

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SECTION III - LOAN ADMINISTRATION

A. PROJECT EXECUTION

1. Execution Plan

- (a) Production of Master Plan and final designs should take a maximum of 12 months from the date of execution of the Loan Agreement, estimated as follows:  
Contracting the engineering firm = 4 months;  
Production of final designs and bid documents = 8 months.
- (b) Contracting construction firm = 15 months after Loan Agreement signed.
- (c) Mobilization period = 1 month.
- (d) Work starts = 16 months after Loan Agreement is signed.

- (e) Construction completion = 31 to 34 months after Loan Agreement is signed depending on the season.
- (f) Furnishings and teaching equipment will be purchased for delivery toward the end of the construction period - i.e. about 30 months after Loan Agreement is signed.
- (g) Installation of furnishing and equipment will be completed 30 months after Loan Agreement is signed.
- (h) Landscaping will be completed 30 months after the Loan Agreement is signed.
- (i) Acquisition of maintenance materials and equipment will be completed within 30 months after the Loan Agreement is signed.

The USMA will have a maximum of 18 months after the execution of the Loan Agreement to submit satisfactory evidence of availability of funds and/or construction materials to complete the project. Within that same period it will have acquired title to the 13.8 acres required to complete the campus site.

USAID/Panama judges that the USMA has the capability to overcome, within the time allowed, any financial, technical or administrative problems related to this project.

2. Primary Responsibility for Action

The USMA will have primary responsibility for the completion of the project according to the plan agreed upon, and will covenant to provide any additional resources which may be required.

Any delegation of responsibility by the USMA to the engineering or any other consultant will be subject to approval of USAID/Panama. Fiscal control of loan funds will be the responsibility of the Borrower.

The Borrower shall submit periodic reports on the progress of the project to USAID/Panama.

3. USAID Monitoring Responsibility

USAID/Panama shall undertake full monitoring responsibility for the project.

The Project Coordinator will be the Chief of the Human Resources Division or his designee; he will have the responsibility of monitoring the general operation of the Project with the assistance of the SALA Consultant in educational matters and the close cooperation of the Office of the Chief Engineer of USAID/Panama in matters relating to designs, construction installation and maintenance of the new campus.

The Office of the USAID/Controller will review the fiscal control of the project.

4. Technical Assistance

The technical assistance being provided by the SALA group under a grant from AID will continue on that basis until July 1969. The following technical assistance which will carry to completion the organization of the USMA and the implementation of the new curriculum will be loan funded.

The SALA group provides also technical assistance in the designs and specifications of the four buildings and the establishment of the maintenance plan.

B. IMPLEMENTATION PROCEDURES

1. Target Dates

- (a) The Loan Agreement is expected to be signed within 90 days from the date of the letter of advice of authorization of the Loan.
- (b) Initial conditions precedent will be fulfilled within 120 days after execution of the Loan Agreement.
- (c) All conditions precedent will be met within 12 months after execution of the Loan Agreement.
- (d) A disbursement period of 3 years will give ample time to Borrower to complete the project.
- (e) The first letter of commitment request will be submitted within 120 days after the Loan Agreement is signed.

- (f) The final date for request for issuance of commitment documents will be fixed at 30 months after the date of execution of the Loan Agreement and the final date for disbursement should fall 36 months after the date of execution of the Loan Agreement.

2. Disbursement Procedures

- (a) Loan funds disbursements will be made under Letters of Commitment for the dollar cost (\$1,015,000) and through the Special Letter of Credit procedure for the local cost component (\$285,000).
- (b) In order to assure that the Borrower's contribution is timely brought in the project USAID/Panama will explore the possibility of establishing a pari passu arrangement for the local currency component of the AID loan.
- (c) The time schedule for the projected use of the project funds is as follows:

	<u>1st. year</u>	<u>2nd. year</u>	<u>3rd. year</u>
AID	500,000	500,000	300,000
USMA*	220,000	220,000	135,000

The ratio of the pari passu arrangement will be established at the time the USMA submits to AID, as a condition precedent to the first disbursement, evidence of deposit of funds in a separate Construction Fund account in a commercial bank.

3. Procurement Procedures

All AID procurement procedures will be complied with.

The procurement of the engineering consultant service will take place within 120 days after the date of execution of the Loan Agreement. Procurement of construction materials from the United States is expected to start within 15 months after the date of execution of the Loan Agreement and be completed within 30 months after the same date. Procurement of furnishings, equipment is expected to start within 18 months after the date of execution of the Loan Agreement and be completed with 30 months after the same date.

- \* The contribution of the USMA will be in the form of cash or construction materials.

C. CONDITIONS AND COVENANTS

1. Conditions Precedent to first disbursement

In addition to the applicable standard conditions precedent to the first disbursement the Loan Agreement shall provide that the Borrower submit the following:

- (a) evidence of contracting an architectural engineering firm acceptable to A.I.D. for the finalization of a Campus Master Plan and the preparation of plans, specifications, bid documents, cost estimates and time schedules for the various units of the project. The selected A & E firm shall undertake the supervision of the project construction.
- (b) evidence of contracting educational consultants acceptable to A.I.D. to advise on organizational and curriculum reforms and assist in their implementation.
- (c) evidence in form and substance satisfactory to A.I.D. that the USMA has acquired title to the additional 13.8 acres required to complete the site.

2. Conditions Precedent to any Disbursement other than for Consultant Services.

Prior to any disbursement or issuance of any Letter of Commitment, except for the architectural engineering firm or for the educational consultants, the Borrower shall submit, in form and substance satisfactory to A.I.D.:

- (a) evidence that the Borrowers contribution of 575,000 balboas or its equivalent in construction materials is available. In the case of currency, evidence of deposit in a separate account for a Construction Fund established in a commercial bank. in the case of materials, written evidence of specific firm pledges signed by the pledgors.
- (b) plans and specifications, bid documents, cost estimates and time schedules for the execution of each one of the four units contained in the project and the construction contracts.
- (c) a maintenance plan and pertinent budget provisions for adequate maintenance of the USMA.

3. Other terms and Conditions

The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

4. Covenants

The Borrower shall covenant, except as A.I.D. may otherwise agree in writing:

- (a) to faithfully carry out all terms and conditions of the Loan Agreement;
- (b) that the funds of the loan will be used exclusively to finance the cost of construction, material and equipment, and the services of the consultants on higher education mentioned in paragraph b. above;
- (c) that it will complete the Project and provide any additional resources which may be required;
- (d) that admission or continued enrollment to the University will not be predicated on race, color, religion or nationality;
- (e) that the faculty will be selected on the basis of competence and teaching experience rather than race, color, religion or nationality;
- (f) that it will not dispose of any of its assets or borrow any additional funds for a period extending beyond one (1) year without A.I.D. approval.

SECTION IV - ISSUES1. Financial Capacity of Borrower

In this case, we must look at the multiple financial needs of the Borrower which may be divided into two categories:

- (a) The financial needs directly related to the construction and maintenance of the first four units of the new campus and the capacity of the USMA to repay the A.I.D. loan.

With respect to the cost of construction of the first four units and the capacity to repay the AID loan the Project Committee has analyzed carefully the burden undertaken by the USMA and has reached the following conclusions:

- (i) With the pledges for construction materials donations the USMA will be relieved of a burden of \$420,000.
- (ii) With the intensified fund raising campaign, the University will receive cash donation earmarked for construction in an amount sufficient to meet not only its cash obligation on a timely manner but also its interest payment obligation during the grace period and thereafter.
- (iii) The cash flow indicates that the USMA will be able to meet its debt repayment obligation to A.I.D. In case of the remote possibility that the USMA would default in the repayment of the loan, A.I.D. could always revert to the guarantee of the Government of Panama.

For additional protection a covenant in the Loan Agreement will require that the USMA will not dispose of any of its assets or undertake any other obligation extending beyond one (1) year without AID approval in writing.

- (b) The financial needs related to the carrying out of its projected activities on a new campus without lowering its teaching standards.

With respect to the USMA's capacity to meet the burden of including the budgetary burden of a progressive expansion of the campus and of the curriculum, the Project Committee has reached the following conclusions:

- (i) Though the intensive fund raising program, which will be carried out by a separate Promotion Department devoted exclusively to the implementation of a systematic Fund Raising Plan, the USMA will collect enough donations to meet its administrative expenses, including the budgeted funds for its maintenance program.
- (ii) Other measures such as an increase in tuition and the development of a general University Fee will bring additional revenues.
- (iii) The addition of a Teacher Training College, subsidized by the GOP will be a substantial help.
- (iv) All indications are that the USMA will be able to meet the burden of its operating expenses. If, however, for circumstances beyond its control the USMA would run into difficulty in meeting such expenses, the Archbishop of Panama has agreed to provide sufficient financial support to "help the USMA meet its operating financial obligations". (See Annex II, Exhibit 15)

In the light of the above conclusions the Project Committee finds that the issue of financial capacity of the USMA is fully met.

## 2. The 'obligatory' courses in 'Theology'

### (a) For Catholic Students

Two courses related to religion are required for the catholic students of the USMA: one entitled "Theology" and the other "History of Religions and the Sacred Books". Each course has a two credit value.

### (b) For Non-catholic Students

In the non-catholic students are permitted to substitute either a course on "Philosophy of Religion" or "Comparative Literature" course for the course in Theology. They are required to take the course in History of Religions and their Sacred Books" which treats the sources of the major religions of the world such as the Bible, the Torah, the Koran, the writings of Buddha, etc.

Since the courses in "Philosophy of Religion" and "History of Religions" are taught on a non-sectarian basis and by qualified professors of any faith, the Project Committee feels that there is no policy conflict which could have raised the religion issue.

3. Participation by members of the Boards of USMA as contractors, whether or not financed with loan funds.

The USAID position is that no member of the USMA Board will be eligible to participate as a contractor for this project whether or not his participation is to be financed with loan funds.

# TELEGRAM

INCOMING

UNCLASSIFIED  
AID-DLC/P-805  
ANNEX I, Page 1 of 17  
EXHIBIT 1, Page 1 of 1

UNCLASSIFIED  
Classification

Control: 206266

Recd: JUNE 2, 1967

FROM: DEPARTMENT, 206266, JUNE 2, 1967.

RMSX  
BX

AIDAC

AIDTO 651

SUBJECT SANTA MARIA UNIVERSITY IRR

CAEC APPROVES INTENSIVE REVIEW OF SUBJECT IRR.

RUSK

ACTION:  
AID

INFO:  
AME  
DCM  
CHRON

~~ACTION~~ file  
Due 6-8-67  
Action Taken NKIV  
6/2/67

RECEIVED (2)  
JUN 2 1967  
HUMAN RESOURCES DIVISION

UNCLASSIFIED  
RECEIVED  
JUN 2 1967  
Classification

TRF	ACT	OFFICE	RE
<input checked="" type="checkbox"/>		DIR	
<input checked="" type="checkbox"/>		D/DIR	
<input checked="" type="checkbox"/>		AD/OP	
		ODP	
		EXEC	
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	1	TRD	
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		EMB	
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# TELEGRAM

OUTGOING AMERICAN EMBASSY 1

UNCLASSIFIED  
ANNEX I, Page 2 of 17  
EXHIBIT 2, Page 1 of 4

UNCLASSIFIED

Classification

Charge: USAID

Control:

3774

ACTION: SECSTATE WASHDC

Date:

May 24, 1967

PANAMA 3774

AIDAC

TOAID 850

SUBJECT: Santa Maria University IRR

REF: DEPT 192680 (ADITO 617) — "C"

Following are responses to questions raised in the order presented in CAEC Minutes:

A.1. Univ Sta Maria is private corporation with own legal personality actually founded and established by National Federation Catholic high school PTAs. Church has influence but not control over univ operations. Nine member Trustees Board consisting seven laymen, rector and Archbishop exerts full control supervision over univ financial affairs. Seven-man Board Directors consisting 5 laymen, rector and Archbishop exerts control supervision over curriculum instructional student matters. Boards have Jewish and Protestant members. Experience so far suggests

AMB  
DCM  
AID  
CHRON

Drafted by: HRD: P. Sanchez: tdev 5/22/67

Approving Officer: AD/OP: W. N. Ketner

Concurrence: CD/J. Banville

Page 1 of 4 pages

UNCLASSIFIED

Classification

# TELEGRAM

OUTGOING

UNCLASSIFIED  
ANNEX I, Page 3 of 17  
EXHIBIT 2, Page 2 of 4

FORM 850

UNCLASSIFIED

Charge:

PAGE -2-

Classification

Control:

Date:

that Church has not exerted any influence in curriculum design nor in univ operation. Mission believes this will continue.

2. Religion courses are not required. No religion major offered. There are very few religion courses in curriculum one of which is organized for public school teachers who are required to teach religion in schools.

3. Religion not requirement in faculty selection. Univ has protestant faculty members and considering a Rabbi as instructor in comparative philosophy and religion.

4. Univ expects to receive annually about \$5,000 from one Sunday collection a year from all RC churches; \$10,000 from rental of properties assigned by church for Univ use; and \$30,000 to \$35,000 from Church funds.

5. According to most current AID/W' guidelines available in Mission, project conforms to AID's policy on assistance to religions

Drafted by:

Approving Officers:

Concurrence:

Page 2 of 4 pages

UNCLASSIFIED  
Classification

# TELEGRAM

OUTGOING

UNCLASSIFIED  
ANNEX I, Page 4 of 17  
EXHIBIT 2, Page 3 of 4

TO: 850

UNCLASSIFIED

Charge: PAGE -3-

Classification

Control:

Date:

institutions, with AID's objective in Panama, and with the educational assistance goal.

B.1. Tuition charges are now \$350 a year and not expected to increase to \$400 until 1960. Univ desirous maintain low tuition to permit easy access to institution.

2. With generous scholarship program, USAID believes tuition fee within reach most students.

3. Answered above.

4. Twenty five percent of students on scholarship. Univ will continue pursue policy providing scholarships to needy students and expects to maintain present percentage of students on scholarships.

5. Answered above.

C.1. Univ has contracted a U.S. Fund-raising consulting Firm to assist in securing funds from external sources. Maximum efforts will be made to obtain external financing from U.S. and

Drafted by:

Approving Officers:

Concurrence:

Page 3 of 4 pages.

UNCLASSIFIED  
Classification

# TELEGRAM

OUTGOING

F  
Unit

TOTAL 850

Charge: PAGE -4-

UNCLASSIFIED  
Classification

Control:

Date:

European sources. Ford Foundation approached but no longer interested in building projects and prefer regional programs. Зухауахх Rockefeller not interested. Seven other foundations have been approached and fifteen more will be contacted by end of year including New York based association fund raisers. U.S. based firms doing business Panama will be approached. Mission believes Univ authorities and consulting firm are exerting maximum effort to obtain contribution from external sources.

ADAIR

DISTRIBUTION

- Subject
- Chrono
- Reading
- HRD ✓
- Embassy

Drafted by:

Approving Officer:

Concurrence:

Page 4 of 4 pages

UNCLASSIFIED  
Classification



Distribution

CHRONO ✓  
SUBJECT ✓  
READING  
CDO ✓  
HRD ✓

TO - AID/W

UNCLASSIFIED

CLASSIFICATION

For each address check one ACTION

TOAID A 607

K

ATT: LA/CD

UNCLASSIFIED

ANNEX I, Page 7 of 17  
EXHIBIT 4, Page 1 of 1

INFO

DATE SENT

March 21, 1967

DISTRIBUTION

ACTION

INFO.

FROM - Panama City

SUBJECT - IRR - New Campus, University of Santa Maria  
la Antigua

REFERENCE -

1. Enclosed is an IRR for a proposed \$1.5 million dollar loan to the Government of Panama.
2. The USAID recommends prompt and favorable action on this loan proposal.

ADAIR

OTHER AGENCY

Attachments

PAGE 1 OF 1 PAGES

DRAFTED BY

CDO/JWood

OFFICE

Capt. Dev.

PHONE NO.

70

DATE

3/15/67

APPROVED BY:

DIR/JMegellas

AID AND OTHER CLEARANCES

CDO/JBanville

HRD/PSanchez (draft)

ENG/WGardner (draft)

ADP/GStander (draft)

ADO/WKetner (draft)

DD/VXimenes

UNCLASSIFIED

CLASSIFICATION

MINUTES

Export-Import Bank - AID Liaison Group.

811 Vermont Avenue, N. W. - Room 1267

June 1, 1967

Present: Export-Import Bank  
Seymour Pollack

AID  
H. Parr Johnson

The Bank representative stated that the applications listed below had been reviewed by the Board and it was decided that the Bank would express no interest in considering them for the reasons indicated:

✓ Panama - Government of Panama \$1.5 million ✓  
(University campus)

This is a social overhead project and the proposed dollar loan includes a large local cost component.

✓ Panama - Government of Panama \$24 million  
(Panama City water supply)

This project requires concessionary financing.

Chile - Government of Chile \$3 million  
(Feasibility studies)

A large part of the proposed dollar loan would be used to finance local currency expenditures and concessionary repayment terms are required.

Argentina - Government of Argentina \$1 million  
(Feasibility studies)

This is the reactivation of a loan previously authorized by AID and can be best administered by that agency.



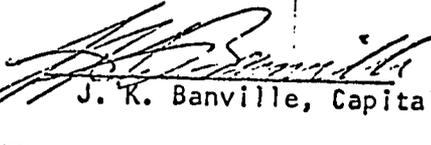
UNCLASSIFIED  
ANNEX I, Page 9 of 17  
EXHIBIT 6, Page 1 of 9

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
U. S. AID MISSION TO PANAMA

P. O. Box "J"  
BALBOA, CANAL ZONE

February 5, 1969.

MEMORANDUM TO: Mr. Frank Kimball, Acting Associate U.S. Coordinator  
Development Resources

FROM:   
J. K. Banville, Capital Development Officer

SUBJECT: Answers to the questions raised during the LA/DR review  
on the Santa Maria University Loan Paper - as reported by  
Mr. G. F. Flood on January 30, 1969 in a conference with  
the USAID Capital Development Office. (See attached memo).

1. (a) - Is not the sum of \$290,000 for "furniture and equipment" high?

Most of the amount is to be used to procure specialized furniture and equipment from the United States. The preliminary list has been carefully checked and the estimated unit costs were found to be reasonable. This applies to both the imported laboratory equipment and furnishings and the locally produced furniture.

(b) - Is it necessary to import \$260,000 worth of "furnishings and equipment" from the U.S.?

Yes, because Panama does not produce the type of furnishings and equipment (i.e. laboratory equipment) needed by the University. A very limited amount of imported off-the-shelf items of U.S. origin, could be procured locally but at exorbitant prices. In this case the USMA will effect savings by importing directly from the United States the necessary furnishings and equipment.

2. - How will the USAID assure that preliminary plans for the campus as a whole should be accomplished before final designs?

The contract with the A&E firm will be subject to USAID approval. USAID will insist on the inclusion of a specific clause to cover this point before approving any contract between the USMA and the A&E firm.

3. Should not the statement on possible conflict of interest be broadened to exclude from participation as contractor on the project anyone who at any time during the project development was a member of the Board of the University or served in any other official capacity of the University?

Yes - the text proposed for page 44 should read:

The USAID position is that no one who at any time during the development of the project was a member of the USMA Board or held an official position at the University will be eligible to participate as a contractor for this project whether or not his participation is to be financed with loan funds.

4. Implementation schedule is it overly optimistic?

No - The target dates appearing on pages 36, 38 and 39 have been rechecked and found reasonable.

5. What is SALA doing now? How long will technical assistance last? What is the proposed use for the \$90,000?

The SALA technical assistance grant contract runs until August 31, 1969. It has provided assistance on a wide front of activities such as the following: University organization and Administration; Campus planning (over-all educational program, school plant and facilities); and Curriculum development and instructional methods. Eleven different consultants have presented twelve separate reports with recommendations along two lines, (1) the organization and operation of the university wherever it may be, and (2) the policy statements for the university of the future which is to be centered around the first four buildings on the new site.

Policy statements, ranging from courses and curricula in the natural sciences to budgeting procedure, have been presented by the SALA consultants. The Administrative Council of the University has accepted the recommendations and started the implementation of such. Since these recommendations have been built into the graphic program, the University can move this program into the final master planning and construction document phase. The refinement of the information for this phase of the work will take place under a contract for planning, architectural, and engineering services when the University obtains financing for the project. An estimate of \$23,000 was made for the Master Plan as outlined by the Planning Consultant on March 27, 1968, and this amount was included in the A&E cost. A similar estimate appears shown in the Engineering Feasibility Report submitted by the University as a supporting document to the loan application.

There will be need for continued technical assistance for approximately three years starting September 1, 1969. Such assistance should be made available during the disbursement period. There will be need for interpretation of the administrative and academic programs to the firm which is contracted to draw up the Master Plan document. Much of this will amount to monitoring the inclusion into the document of the policy statements made by the SALA consultants prior to August 31, 1969. Two consultants in particular, of those not yet reporting with specific data for the physical plant, will be those making recommendations on the Office of Physical Plant and Maintenance, and a Landscape and Traffic Engineer-Architect. A later stage of activity of technical assistance under the loan will be the application and implementation of the completed Master Plan and of the SALA recommendations for the USMA academic programs.

After August of 1969 there will continue to exist requirements for aid in general administration and administrative reorganization. Short-time consultants will be necessary in helping move to the new campus, making administrative adjustments to fit the new campus, in establishing the offices to deal with the recently created auxiliary services and new facets of student life in a "campus atmosphere". Consultants are envisaged for the following areas: aid at the top echelons of administration (including Deans, Directors, and Department Chairmen); the Promotion of Fund Raising office; Business Office; Admissions and Registration; Counseling and Guidance; and various aspects of auxiliary services. In the academic realm there appears to be a need for consultants in curriculum development; instructional techniques; and teacher-training programs. The preparation of a healthy atmosphere of student life "on campus" will call for considerable guidance.

The USAID believes the sum of \$90,000 is sufficient for these required short-term consultants.

6. What is the USMA doing to improve its administration?

Some changes in the administrative organization have taken place in the last two months (December, 1968 and January, 1969) which make for greater efficiency. The Rector is responsible to the Supreme Board of the University. Representatives of the Supreme Board (Regents) constitute four of the eight members of a Permanent Executive Committee made up as follows: the four members from the Regents are Dr. Rodrigo Arosemena, Dr. Victor Florencio Goytia, Architect Guillermo Andreve, and Mr. Roberto Motta; the three members from USMA are Rector Jose Ma. Escamez, Vice Rector Carlos Ma. Ariz, and Director of Planning and Development Dr. Menalco Solis. Mons. Marcos Gregorio McGrath is an honorary member. This Executive Committee, meeting weekly, establishes guide-lines for operation, interprets policy statements, and acts on questions which require immediate answers.

Within the University a consultative Administrative Council advises the Rector. Its membership is as follows: Rector; Vice Rector; Secretary General; Treasurer; the three academic Deans; three representatives of the faculty; and one representative of the students. The members have equal representation.

The USMA budget is prepared through the following units: Office of the Rector and Vice Rector; Secretary General; Treasurer; Director of the Office of Planning and Development; Office of Director of Public Relations; Office of Director of Promotion of Funds; Office of Director of Student Activities; and the three academic Deans.

The budgeting procedure is established on a well organized basis with the Treasurer preparing an estimate of income prior to September 1 of each year. By the middle of September the budgetary units are to present their requests on the official forms. The Treasurer submits an organized budget and summary to the Rector by October 1. The Rector and Treasurer then hold separate hearings with each head of a budgetary units prior to October 21. The Rector is to have a final recommendation ready by the end of October, such to be printed prior to the close of November. By December 1st, the budget is to be presented to the Regents for approval. By December 7th the Treasurer is to have the approved budget and use it for authority to open entries in accounts for the ensuing year. The fiscal year coincides with the calendar year. Young and Young, a highly respected accounting firm of Panama audits the accounts.

Arrangements for administering the project will rest primarily in the office of the Director of Planning and Development which is headed by Dr. Menalco Solís. On January 30, 1969, the USMA Rector, Dr. José Ma. Escamez, informed the SALA Chief of Party that Dr. Solís would have this responsibility. Having been former Treasurer of USMA and being very familiar with AID development programs in which he has worked for many years, Dr. Solís will be in an ideal position to bring USMA into close coordination with USAID policies.

7. What are the plans of USMA to train its faculty and what are the incentives offered?

At the moment there are two principal procedures being followed so that USMA will be assured of having a better trained faculty. (In the majority of cases it already has well qualified professors). At the moment there are twenty (20) LASPAU students (The Latin American Scholarship Program of American Universities) studying toward the completion of the M.A. or M.S. degree in U.S. universities or colleges.

These persons are committed to return to teach at USMA. The first one is scheduled to return to Panama in May of 1970. Administrators at the University have provided for them by an expanded salary item in the budget. Another form of strengthening some of the key faculty positions is the participant training program which is under way. USMA pays the salaries for six professors who are scheduled to study (five in U.S. and one in Mexico) for a period of approximately two months each. Two are already in the U.S. (one at the University of Colorado and another at Oklahoma University) a third is scheduled to leave on February 15, 1969, and a fourth on June 9. The other two will soon be scheduled for departure. Following the recommendation of SALA, USMA has adopted a plan for the ranking of faculty from Full Professor to Instructor with an appropriate standard for evaluation and remuneration. The budget for 1969 included more than three times the number of full-time professors than had existed in the 1968 budget. The design here is to eliminate as many short-time faculty as possible and build around a nucleus of well-qualified professors. In order to achieve the advance that has been made it was necessary to greatly increase the budgeted figure for salaries.

8. What are the Library plans focussed on? What are the sources of funds for the Library?

With the exception of its Reference Books the USMA Library has been well along in most phases of development. SALA Library Consultant, Dr. Paul Kruse of North Texas State University, noted that the Library contained approximately 18,000 volumes. The Library follows the Dewey Decimal Classification scheme. Approximately 9,000 of the volumes were received through donations. The 1968 budget totalled \$13,520 which barely met the minimal student per capita support recommended as a standard for libraries of academic institutions. Although the fine USIS Library is available to students, the USMA book acquisition fund needs to be increased. Dr. Robert Howard of the University of Oklahoma, consultant in the area of natural sciences, was favorably impressed with the holdings and the arrangement in the area of science.

The plans call for an interim library of 2,500 square feet or more. The long-range plan as outlined by Dr. Kruse calls for a separate library building with a capacity for at least 100,000 books (as well as room for future expansion) with adequate reading space, and all the facilities which are being recommended currently for libraries in the United States.

A textbook rental or sale "Book Bank" or "Book Store", apart from the library, is being readied for opening in April of 1969. Seed money in the amount of \$7,500 is being provided for this enterprise which will become self-supporting. A University committee has worked out the program for formal adoption of textbooks for the majority of the classes offered. The program is designed to provide each student (by low-price rental or sale) with the textbooks which have been adopted by the professors. This should lessen the demand upon library services at the same time that it increases the effectiveness of teaching. The books for the semester starting in April of 1969 have been ordered and the University has remodeled a section of the second floor so that it now has secured and ready a 17' x 21' foot space available for textbook storage and handling.

Several large donations have already been received for the purpose of building up the book collection. The Rector states that along with other prime needs, the Office of Promotion of Funds will make special requests to seek funds for development of the Library, recognizing that the Reference Section deserves priority. Future acquisitions will follow generally along present lines, i.e. library expansion in areas of academic strength (natural sciences, business administration, psychology). Before areas such as biology, teacher training, and social sciences are expanded in the curriculum, greater collections of both books and periodicals must be secured.

9. Where does USMA fit within the National Plan for Educational Development?

A "National Plan for Educational Development" being prepared by a contract team from Pennsylvania State University is nearing completion but has not been submitted for Ministry of Education acceptance and adoption. In a utilization survey of Panamanian educational institutions conducted by the Ministry Coordinator and PSU team members, discussions were held in a series of meetings with Santa Maria officials on a variety of possible ways in which Santa Maria University could furnish cooperating services within the Plan. Among the topics was a proposal that Santa Maria University create a School of Education to serve as a center for the professional preparation of secondary school teachers and educational administrators and supervisors. Santa Maria agreed to study the proposal but stated it cannot give its answer until financing for its new campus facilities is assured. The PSU team has taken the position that such a school should not be created at the University of Panama under its present organizational structure.

10. What is the approach taken by USMA<sup>1</sup> on the matter of student representation? Is the USAID satisfied with such approach?

USAID has accepted the early SALA recommendations as provisional guidelines while recognizing the fluidity of conditions in this phase of university life. Panama university students, from the beginning

- 7 -

of the National University, has been accustomed to a greater participation in university affairs (even administration) than have students in most U.S. colleges and universities.

It is recognized by both USMA officials and USAID that a flexible approach is necessary. The SALA consultant on Student Life report of January 24, 1969 points this up. He recommends the employment of the University Center (Student Union) and the office of Dean of Students as the main vehicles for creating a spirit of community at USMA so that student interest in USMA, pride in USMA, and student participation in building a better USMA will ensue. To further such a cause, an annual planning session of USMA officials and similar number of student leaders is suggested. This should be held away from the campus and preferably before classes start at the beginning of the academic year. Other regularly scheduled student-faculty, and student-administration discussions should be held to provide for free and full interchanges of views. A Student Life assembly has also been proposed for student entertainment, for the recognition of student achievements, and for the encouragement of student identification with the development of the greater university.

In the light of the experience of student participation at the National University, the USMA considers that a progressive policy for gradually increasing student participation in University administration is the best approach. The steps described above lead to the implementation of such policy. The USAID agrees that hard and fast rules are difficult to establish and that the solution may be to stimulate simultaneously a growing sense of responsibility in the students and a better understanding of the students needs by the Administration and the Faculty.

The unrest which has convulsed many Universities in the United States, in Europe, and in Latin America during the past three years must have led AID/W to establish broad policy guidelines in this matter. If the above approach is inconsistent with such guidelines, the USAID will encourage the future consultants, as provided for by the loan, to revise the USMA practices accordingly.

11. Should paragraph three (3) of the Section on "Impact on U.S. Economy" page 13 of the CAP) be retained?

The USAID has no objection to the deletion of the paragraph in question if LA/DR deems that such action will enhance prompt approval of the CAP by the CAEC.

cc: Dr. Briggs/HRD



UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
U. S. AID MISSION TO PANAMA

UNCLASSIFIED  
ANNEX I, Page 16 of 17  
Exhibit 6, Page 8 of 9

P. O. Box "J"  
BALBOA, CANAL ZONE

January 30, 1969.

MEMORANDUM TO: Mr. J. K. Banville, Capital Development Officer,  
USAID/Panama  
FROM: G. F. Flood Jr., LA/DR  
SUBJECT: Loan Paper for Santa Maria University.

During the LA/DR review of the subject loan paper on January 24, 1969, a number of questions were raised. As we discussed, I will list these questions below and you will set out the answers to them in a memorandum directed to Frank Kimball, LA/DR.

1. The \$290,000 for "equipment and furniture" appears high. Is it necessary to import \$260,000 worth from the U.S. or could a substantial portion of it be procured locally, thus reducing the cost?
2. The loan paper says that an architectural-engineering firm will be contracted among other things to finalize a "Campus Master Plan". It was felt that this Plan (including preliminary architectural plans) should be completed (in a manner satisfactory to AID) before final design for project construction begins. How will the USAID assure that this statement and preliminary plans are obtained prior to final design?
3. The loan paper (p.44) says that no member of the USMA Board will be eligible to participate as a contractor on the project. Shouldn't this be broadened to exclude from participation anyone who at any time during project development was a member of the board (or other official of the University)?
4. Some dates on the implementation schedule appear overly optimistic. Schedule should be rechecked.
5. The technical assistance component of the project should be explained and related to the work being done by SALA under the grant contract. The total, types, magnitude and duration of the grant contract with SALA and the proposed loan contract should be stated.

6. The administrative organization (planning, budget and finance, etc) of the University should be described. If administrative organization is not complete, its current status should be described as well as what USAID will do to assure organization is completed and implemented satisfactorily. This discussion should give special emphasis to its arrangements for administering this project.
7. What training is planned for faculty development, by magnitude and type and what would be the source of financing? What plans are there for establishing incentives to keep good faculty members (salaries, opportunities for teaching and research, etc.)
8. What is being done about library development? What are the needs and how will they be met (in terms of physical facilities, book acquisition and the like)?
9. We understand a national education plan is nearing completion. What are its recommendations for higher education - so far as we know them, and how will the project fit in with them? (The LA Education Division would like a copy of the plan when available.)
10. The participation described in the first paragraph of "Student Representation" on p. 17 of the loan paper appears based on the SALA recommendations. Has the USAID accepted these recommendations? If so, what is the rationale for their acceptance? If not, or if only until the further study indicated in the last paragraph on p.17 is completed, the paper should so indicate.
11. It was questioned whether paragraph three of the section on "Impact on U.S. Economy" should be retained.

AID-DLC/P-805

ANNEX II

SEE OFFICIAL FILES - LA/DR FOR ANNEX II

(Exhibits 6B, 6G, and 6J presented herein)

LOCAL COST JUSTIFICATIONInstitutional and Self Help Aspects

The FY 1968 CASP as submitted by the Country Team contains the political aspects of local cost financing and is herein incorporated by reference.

The developmental benefits that Panama would derive from this project are discussed in greater detail above. These benefits relate primarily to (1) the partial fulfillment of the economy's need for university-trained manpower; (2) the need for a second institution of higher learning in the country which would offer strength in selected areas of study important to Panama's development of an overall standard of academic excellence, thereby providing as well, an alternative to study abroad; and (3) the contribution toward the country's social development resulting from the close association of students from varying social backgrounds (all too rare in Panama) which is now being achieved at Santa Maria University and which can generate incalculable benefits as the institution develops and its enrollment increases. It is these objectives and benefits which are not being sufficiently addressed and engendered by the present state of higher level education in Panama.

The proposed loan would contribute to the development of this institution of higher learning. Indeed, it may be said that in the absence of the loan, the University's development would, at the least, be delayed for a number of years. (It has been clearly established that alternative financing on concessional term is not available. The physical facilities and technical assistance to be provided by the project are essential to the growth and development of the University. If it were to continue at its present inadequate site in downtown Panama City the USMA would only have a minimal impact on the country's development.

Santa Maria University, a private institution, has received substantial support from the Catholic Church and from Panama's private community which has allowed it to reach the point where the proposed expansion has been made possible. Donations for scholarships and for the building program (described in detail elsewhere in this paper) have been very impressive. Nor has Public Sector Support been lacking as illustrated by the willingness of the GOP to donate land and to guarantee repayment of the proposed loan. Notwithstanding its success thus far, the University is continuing an aggressive promotion program in an attempt to expand its base of financial support within the private community.

The University willingness and ability to adapt to changing conditions and its philosophy of providing a service to the country are well illustrated by the recent reorientation of its curriculum in accordance with the country's projected manpower requirements.

#### U. S. Balance of Payments Aspects

As a corollary to the above-mentioned considerations, the following points concerning the impact of the proposed project's dollar financing of local costs on the U. S. balance of payments are offered (for a more complete discussion of these aspects, see Annex 11, exhibits 6J and 6K).

The local costs to be financed by the proposed loan amount to \$285,000. Loan-related dollar procurement will amount to \$1,015,000. Given an estimated foreign exchange multiplier of two, an average propensity to import of .33 and a U.S. share of 44 percent of Panama's imports to be indirectly generated solely by dollar financing of local costs would amount to an estimated \$83 thousand. On the same basis, given that a 72 percent share of Panama's imports is allocated among Western Hemisphere countries (principal amount which are the primary markets for U.S. products in the Western Hemisphere), only some \$53,000 of imports generated by dollar financing of local costs would be allocated to suppliers outside the Western Hemisphere.

As pointed out above, the proposed project would likely not go forward in the absence of the loan and if it were to, would be carried out on a much smaller scale. There would, even then, be little guarantee that the required foreign procurement would find its source in the U. S. Thus, of the \$1,300,000 loan, the estimated \$1,098,000 in the U.S. exports to Panama directly or indirectly generated by the loan can safely be said to contain a rather high percentage of additionality.

PANAMA  
BALANCE OF PAYMENTS  
1960 - 1967  
(IN MILLION OF DOLLARS - CURRENT MARKET PRICES)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u> <sup>a/</sup>	<u>1967</u> <sup>b/</sup>
<u>CURRENT TRANSACTIONS</u>	- 33.7	- 27.6	- 22.7	- 25.0	- 15.0	- 22.0	- 26.4	- 30.4
A. <u>GOODS &amp; SERVICES</u>	- 34.4	- 31.6	- 22.6	- 25.2	- 15.2	- 25.9	- 28.3	- 32.9
1. Exports	123.3	140.2	175.6	195.7	210.3	228.7	253.5	268.7
2. Imports	157.7	171.8	198.2	220.9	225.5	254.6	281.8	301.6
B. <u>TRANSFER PAYMENTS (Net)</u>	2.7	4.0	- 0.1	0.2	0.2	3.9	1.9	2.5
<u>CAPITAL ACCOUNT</u>	29.4	38.8	34.6	30.5	33.0	22.7	31.5	34.7
A. <u>PRIVATE SECTOR (Net)</u>	14.6	32.2	29.8	11.2	6.1	10.1	12.9	19.1
1. Long-term (Net)	15.6	32.6	25.6	13.1	2.9	13.2	15.4	21.6
2. Short-term (Net)	- 1.0	- 0.4	4.2	- 1.9	3.2	- 3.1	- 2.5	- 2.5
B. <u>PUBLIC SECTOR</u>	8.3	- 2.5	4.1	24.8	3.7	7.2	10.9	14.5
1. Loan Disbursements	7.8	3.2	8.0	22.6	8.4	10.6	14.5	17.0
2. Loan Repayments	- 0.7	- 0.8	- 2.7	- 1.2	- 2.2	- 3.0	- 3.1	- 1.9
3. Other	1.2	- 4.9	- 1.2	3.4	- 2.5	- 0.4	- 0.5	- 0.6
C. <u>CHANGE IN MONETARY RESERVES</u>	6.5	9.1	0.7	- 5.5	23.2	5.4	7.7	1.1
I <u>NET ERRORS &amp; OMISSIONS</u>	4.3	- 11.2	- 11.9	- 5.5	- 18.0	- 0.7	- 5.1	- 4.3

Revised Estimates

USAID/Panama Estimates

Source: Dirección de Estadística y Censo; USAID/Panama

### U.S. Balance of Payments Aspects

The following analysis sets forth the prospective first-round effects on the U.S. balance of payments of the proposed project's dollar financing of local costs. In dealing with these effects, two aspects are considered: on the one hand, the resultant direct stimulus to U.S. exports and on the other hand, the provision of dollar foreign exchange with which products from third countries may be purchased.

The approach used in attempting to quantify these effects is to determine (1) the domestic income generated by the dollar-financed local cost input (which in Panama may be considered a direct addition to the money supply in the first instance since the basis of the country's currency is the dollar) and (2) Panama's average propensity to import as well as the varying shares allocated to its suppliers. Such quantification is, at best, crude. However, it is felt that this analysis does lead to the construction of a relevant statistical model describing the probable effects of dollar financing of local costs in Panama.

In the case of Panama, aggregate foreign exchange availability is of crucial importance in generating increases in GDP. A foreign exchange multiplier with respect to effects on residentiary income has been approximated at two (Stanford Research Institute). It would on this basis, appear valid in the case of dollar financing of local costs to claim twice the amount to be so financed as a contribution to GDP (defined as residentiary income plus foreign sector value-added). Therefore the local cost-related dollar input of this project, \$250 thousand, would generate a contribution to GDP of \$500 thousand.

Panama's average propensity to import <sup>1/</sup> is high (imports - c.i.f. as a percent of current price GDP-31 percent 1964, 32 percent 1965 <sup>2/</sup>, 33 percent 1966). It may be expected that any changes which might occur in the importance of imports relative to GDP during the disbursement period of the project will be slight. Of the additional income generated by the project, therefore, 33 percent, or \$165 thousand would be allocated to imports.

Concerning the percentage allocations to various suppliers of Panama's imports, 1966 data show that the U.S. provides 41 percent (fob) of the country's imports directly. Taking into account Canal Zone exports to Panama and estimated exports of U.S. goods entering Panama through the Colon Free Zone, the U.S. share was closer to 45 percent.

1/ Average, rather than marginal propensity to import is used since the income generated is considered contributory rather than additional.

2/ Imports c.i.f. estimated

On the same basis, the U.S. share has declined slightly over the past few years (46.1 percent in 1964, 44.8 percent in 1965, and 44.6 percent in 1966). During the disbursement period of the project the U.S. share given the above-described trend, will probably decline further though not significantly, assuming that prices of U.S. products will retain their levels relative to those of competitors. On the basis of historical data, therefore, it would appear safe to assume statistically that 44 percent, or some \$73 thousand of imports generated by the dollar-financed local cost input of this project will be supplied by the U.S.

While in 1966, 45 percent of Panama's imports was supplied by the U.S., an additional 27 percent was supplied by other countries within the Western Hemisphere. Venezuela, Mexico, and Canada supplied 23 percent. Thus 72 percent of Panama's imports was supplied by countries within the Western Hemisphere and principally by the U.S. or by countries which are among the primary markets for U.S. products in the Western Hemisphere.

The remaining 28 percent of Panama's imports in 1966 (those not supplied by the U.S. or other countries within the Western Hemisphere) was allocated as follows: Western Europe-17.3 percent; Japan-7.8 percent, and others-3.2 percent. This percentage allocation has remained rather steady over several years. On the same statistical basis then, exports of countries outside the Western Hemisphere in the amount of some \$46 thousand would be generated by the proposed project.

The second and subsequent round effects of exports generated by local cost financing in Panama are beyond the scope of this analysis. However, it would appear quite safe to assume that the second round effects of income generated within the Western Hemisphere (beyond that generated in the U.S.) would have salutary effects on U.S. relative to non-Western Hemisphere exports.

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AID 1240-2 (1-69)

ANNEX III, Page 1 of 19

PANAMA - UNIVERSITY OF SANTA MARIA LA ANTIGUACHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item write answer, or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1968.

App. Foreign Assistance and Related Agencies Appropriations Act, 1969.

COUNTRY PERFORMANCEProgress Towards Country Goals1. FAA §.208; §.251(b).

A. Describe extent to which country is:

- |  |  |
|--|--|
| <p>(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.</p> | <p>(1) The growth in agricultural production in Panama is among the highest in Latin America. Improvement in food storage and distribution has been satisfactory and efforts to improve this are continually being made.</p> |
| <p>(2) Creating a favorable climate for foreign and domestic private enterprise and investment.</p>                    | <p>(2) The climate for foreign and domestic private enterprise and investment has been most satisfactory as evidenced by the very high rate of increase in this area over the past several years.</p>                        |

UNCLASSIFIED

AID 1240-2 (1-69)

(3) *Increasing the public's role in the developmental process.*

(3) The public's role in the developmental process is being encouraged through many of the A.I.D. and GOP programs.

(4) (a) *Allocating available budgetary resources to development.*

(4)  
(a) Panama's efforts have been directed to internal economic development, rather than for military purposes or external intervention.

(b) *Diverting such resources for unnecessary military expenditure (See also Item No. 18.) and intervention in affairs of other free and independent nations. (See also Item No. 17.)*

(b) Panama does not appear to be diverting budgetary resources for unnecessary military expenditures or for intervention in affairs of other free and independent nations.

(5) *Willing to contribute funds to the project or program.*

(5) The GOP, in recognition of this project's importance, has given land to the borrower and has also guaranteed the loan.

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(6) *Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

(6) Many improvements have been made in Panama during recent years. Best evidence is seen from country's growth in all sectors of the economy.

(7) *Adhering to the principles of the Act of Bogota and Charter of Punta del Este.*

(7) Panama is adhering to the principles of the Act of Bogota and Charter of Punta del Este.

(8) *Attempting to repatriate capital invested in other countries by its own citizens.*

(8) Repatriation of capital invested abroad is not a problem in Panama.

(9) *Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.*

(9) As illustrated above, the GOP is responding to the economic, political and social concerns of its people and encouraging the effective self-help aspect of the private sector's efforts in creating a new institutio of higher education.

B. *Are above factors taken into account in the furnishing of the subject assistance?*

Treatment of U.S. Citizens

2. FAA §.620(c). *If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?*
2. Panama is not known to be so indebted to a U.S. citizen.
3. FAA §.620(e)(1). *If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing-ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?*
3. Panama has not taken such actions.
4. App. §.106. *If count attempts to create distinction because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, what steps (will be) (have been) taken during loan negotiations to influence elimination of such distinctions?*
4. Panama does not attempt to create distinction among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally because of their race or religion.

5. FAA §.620(o); Fishermen's Protective Act. §.5. *If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,*

5. Panama has not taken any such action.

*a. has any deduction required by Fishermen's Protective Act been made?*

*b. has complete denial of assistance been considered by A.I.D. Administrator?*

Relations with U.S. Government and Other Nations

6. FAA §.620(d). *If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?*

6.. Not applicable.

7. FAA §.620(j). *Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U.S. property?*

7. Adequate measures by Panama have been and are being taken.

8. FAA §.620(l). *If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?*
8. Panama has signed and instituted such an agreement.
9. FAA §.620(q). *Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?*
9. At the time this paper was prepared, there was no default on interest or principal of any A.I.D. loan to Panama.
10. FAA §.620(t). *Has the country severed diplomatic relations with U.S.? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?*
10. Panama has not taken any such action.
11. FAA §.620(w). *What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget?*
11. To the best of our knowledge, Panama is not delinquent on any U.N. obligations.
12. FAA §.620(a); App. §.107(a) and (b). *Does recipient country furnish assistance to Cuba, sell strategic material to Cuba, or permit ships or aircraft under its flag to carry cargoes to or from Cuba.*
12. No assistance will be furnished under this loan to the present Government of Cuba, nor does Panama furnish assistance to such government. Panama has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.

13. FAA §.620(b). *If assistance is to a government, has Secretary of State determined that it is not controlled by the international Communist movement.* 13: The Secretary of State has determined that Panama is not controlled by the international Communist movement.
14. FAA §.620(f), App. §.107. *Does recipient country have a communist government* 14. Panama is not controlled by the international Communist movement.
15. FAA §.620(i). *Is recipient country in any way involved in (a) subversion of, or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression.* 15. No determination has been made that Panama is in any way involved in (a) or (b).
16. FAA §.620(n); App. 107(b) and 116. *Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?* 16. No determination has been made that Panama furnishes goods to North Viet-Nam or permits ships or aircraft under its flag to carry cargoes to or from North Viet-Nam.

Military Expenditures

17. FAA §.620(s). *What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? Is U.S. P.L. 480 or development assistance used for military purposes? Are country's resources devoted to unnecessary military expenditures to a degree which materially interferes with* 17. In 1968 0.6% of the budget was for military expenditures. \$200,000 in 1968, or 0.0% of total imports of goods and services, were spent on military equipment.  
No.  
No.

*its development? (Consideration of these points to be coordinated with PPC/MAS.)*

18. FAA §.620(v). App. §.119. *How much spent by country during current U.S. fiscal year for sophisticated military equipment purchased since January 1, 1968? Has corresponding amount been deducted from current OYB, or is the weapons purchase determined by the President to be important to U.S. national security? (Responses to these questions to be coordinated with PPC/MAS.)*
18. Panama has spent no funds during the current U.S. fiscal year for sophisticated military equipment.

CONDITIONS OF THE LOAN

General Soundness

19. FAA §.201(d). *Information and conclusion on reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.*
19. A.I.D. development loans at terms similar to this loan have been made in Panama. The terms are both legal and reasonable.
20. FAA §.251(b)(2); §.251(e). *Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner.*
20. For information on project's technical and economic soundness see Sections II B and II C. An application has been made by the USMA. The program is being developed under supervision of a team of U.S. education experts and campus planners. This gives assurances that the funds will be used in an economically and technically sound manner.

21. FAA §.251(b). *Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.* 21. There are reasonable prospects of repayment of this loan.
22. FAA §.611(a)(1). *Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?* 22. There are sufficient plans necessary to carry out this project and a reasonably firm estimate of cost.
23. FAA §.611(a)(2). *If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?* 23. The Loan Agreement will provide that the repayment schedule may be increased from 30 years to 40 years at the option of the GOP (See Summary and Recommendations).
24. FAA §.611(e). *If loan is for capital assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?* 24. See Section III on Maintenance and Maintenance Plan.
25. FAA §.251(b). *Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.* 25. Financing from other free-world sources, including private U.S. sources, is not available.

Loan's Relationship to Achievement  
of Country and Regional Goals

26. FAA §.207; §.251(a). Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary agencies; transportation and communication; planning and public administration; urban development; and modernization of existing laws.
26. (a) This project will encourage development of democratic, economic, political and social institutions; (b) the growth in Panama's agricultural sector is among the highest in Latin America; (c) effort is continually being made by the GOP and A.I.D. to improve local trained manpower. This project will help Panama meet its future professional manpower demand. (d) not applicable.
27. FAA §.209. Is project susceptible of execution as part of regional project? If so why is project not so executed?
27. The project is not susceptible of execution as part of a regional project.
28. FAA §.251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.
28. The loan is consistent with other development activities and contributes to long range objectives.

29. FAA §.251(b)(7). *Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.*
29. This project is an essential ingredient for the achievement of self-sustaining growth of Panama.
30. FAA §.281(a). *Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.*
30. The loan will encourage maximum participation of community and local government institutions.
31. FAA §.281(b). *Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.*
31. The answer given to item #30 above is equally applicable to this item.

32. FAA §.601(a). *Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.*
32. The loan will eventually increase the flow of international trade, foster private initiative, and develop community action. It will certainly improve the technical efficiency of industry, agriculture and commerce.
33. FAA §.619. *If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?*
33. Not applicable.
34. FAA §.251(h). *Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*
34. This activity is consistent with the findings and recommendations of CIAP.
35. FAA §.251(a). *Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*
35. Not applicable.

36. FAA §.209; §.251(b)(8).  
*Information and conclusion.  
whether assistance will  
encourage regional development  
programs, and contribute to the  
economic and political  
integration of Latin America.*

Loan's Effect on U.S. and A.I.D  
Program

37. FAA §.251(b)(6); §.102.  
*Information and conclusion on  
possible effects of loan on  
U.S. economy, with special  
reference to areas of sub-  
stantial labor surplus, and  
extent to which U.S. commodities  
and assistance are furnished in  
a manner consistent with improv-  
ing the U.S. balance of payments  
position.*

38. FAA §.601(b). *Information and  
conclusion on how the loan will  
encourage U.S. private trade,  
and investment abroad and how  
it will encourage private U.S.  
participation in foreign  
assistance programs (including  
use of private trade channels  
and the services of U.S. private  
enterprise).*

36. The USMA, with its new campus,  
will be able to serve students  
from all Latin American countries.  
This will contribute to a better  
understanding which will foster  
the economic and political integra-  
tion of Latin America.

37. Approximately 80% of the loan  
funds will be used for U.S.  
procurement.

38. It is expected that the  
technical skills stressed in the  
curriculum which is designed after the  
models recommended by the Southwest  
Alliance for Latin America (SALA) a  
consortium of U.S. colleges and  
universities will have a beneficial  
effect on U.S. private trade.

39. FAA §.601(d). *If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?*
39. This requirement will be met. The consultants on higher education are from a consortium of U.S. universities. The engineering concern will be a joint venture of United States and local firms. Panamanian and U.S. construction companies will be invited to bid.
40. FAA §.602. *Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services finance by the loan.*
40. Most of the loan funds will be used for U.S. procurement. U.S. small business will be invited to participate equitably in the project.
41. FAA §.620(h). *Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?*
41. This project will not promote or assist foreign aid projects or activities of the Communist-Bloc countries.
42. FAA §.621. *If technical assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.*
42. This is a private university sponsored mainly by the private sector of Panama. The loan funds will be used to the fullest extent practicable to finance goods and professional services from private enterprise on a contract basis.

43. FAA §.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.
43. All of the A.I.D. loan funds will be used to procure goods and services from private sources. Most of the A.I.D. loan monies will finance imports from private sources.

Loan's Compliance with Specific Requirements

44. FAA §.201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?
44. Yes.
45. FAA §.608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
45. Procurement of commodities will be by the private contractor. The availability of excess property will be made known to the procuring parties.
46. FAA §.604(a); App. §.108. Will all commodity procurement financed under the loan be from U.S. except as otherwise determined by the President?
46. 80% of the procurement under this loan will be from the United States.

47. FAA §.604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? 47. Procurement under the loan will be by competitive bidding.
48. FAA §.604(d). If the host country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the U.S. on commodities financed by the loan? 48. Marine insurance will be procured in the United States, where applicable.
49. FAA §.604(e). If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? 49. Funds will not be used for procurement of any agricultural commodity or product.
50. FAA §.611(b); App. §.101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? 50. Not applicable.
51. FAA §.611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? 51. This requirement will be met.

52. FAA §.620(g). *What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?*
52. This loan will not be used to compensate owners for expropriated or nationalized property.
53. FAA §.612(b); §.636(h). *Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.*
53. Appropriate steps have been so taken. The U.S. owns no local currencies that could be used for this project.
54. App. §.104. *Will any loan funds be used to pay pensions, etc., for military personnel?*
54. No loan funds will be used to pay pensions, etc. for military personnel.
55. App. §.111. *Compliance with requirements for security clearance of U.S. citizen contract personnel.*
55. All such personnel will be cleared.

56. *App. §.112. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?*
56. This requirement will be met.
57. *App. §.114. Will any loan funds be used to pay U.N. assessments?*
57. Funds will not be used to pay U.N. assessments.
58. *App. §.115. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).*
58. Regulation 7 will be complied with.
59. *FAA §.636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?*
59. Loan funds will not be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction.
60. *App. §.401. Will any loan funds be used for publicity or propaganda purposes within U.S. not authorized by the Congress?*
60. Loan funds will not be used for publicity or propaganda purposes within U. S.

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61. FAA §.620(k). *If construction of productive enterprise, will aggregate value of assistance to be furnished by U.S. exceed \$100 million?*

61. Not applicable.

## DRAFT

## LOAN AUTHORIZATION

Provided from: Alliance for Progress

PANAMA: UNIVERSITY OF SANTA MARIA LA ANTIGUA

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act, to the University of Santa Maria La Antigua (Borrower) of not to exceed one million three hundred thousand dollars (\$1,300,000) for United States dollar and local cost of goods and services to assist in financing the cost of construction, equipment and technical services for the first four (4) buildings of the new campus of the University and the cost of consultant services on higher education and campus planning, this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

- (a) Borrower shall repay the loan to the Agency for International Development (A.I.D.) in United States Dollars within thirty (30) years from the first disbursement under the loan including a grace period not to exceed five (5) years. They shall pay to A.I.D., in United States dollars, on the disbursed balance of the loan an interest of two percent (2%) during the grace period and three percent (3%) thereafter.
- (b) If prior to the date for the first interest payment by the Borrower the Government of Panama (Government) so elects, Borrower shall fulfill its dollar obligation under the Loan by paying the Government in currency of Panama the equivalent, determined as of a time and manner satisfactory to A.I.D. of the United States dollar amounts payable to A.I.D. under (a) above, and in such event the Government shall pay to A.I.D.:
  - (1) The equivalent in United States dollars, determined as of a time and in a manner calculated to obtain repayment of all dollars disbursed plus interest of all amounts paid to the Government as follows:

- (a) All interest immediately upon receipt subject to Government's right to pay only two percent (2%) interest during the first ten (10) years from the first disbursement under the loan (Government grace period of 10 years) and three percent (3%) per annum thereafter.
- (b) Principal within forty (40) years from the first disbursement under the loan.

(ii) Interest in the United States dollars of two percent (2%) per annum during the Government Grace Period and three percent (3%) per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.

2. Conditions Precedent to First Disbursement

In addition to the applicable standard conditions precedent to the first disbursement the Loan Agreement shall provide that the Borrower submit the following:

- a - evidence of contracting an architectural engineering firm acceptable to A. I. D. for the finalization of a Campus Master Plan and the preparation of plans, specifications, bid documents, cost estimates and time schedules for the various units of the project. The selected A & E firm shall undertake the supervision of the project construction.
- b - evidence of contracting educational consultants acceptable to A.I.D. to advise on organizational and curriculum reforms and assist in their implementation.
- c - evidence in form and substance satisfactory to A.I.D. that the USMA has acquired title to the additional 13.8 acres required to complete the site.

3. Conditions Precedent to any Disbursement other than for Consultant Services

Prior to any disbursement or issuance of any Letter of Commitment, except for the architectural engineering firm or for the educational consultants, the Borrower shall submit, in form and substance satisfactory to A.I.D.:

- a - evidence that the Borrowers contribution of 575,000 balboas or its equivalent in construction materials is available. In the case of currency, evidence of deposit in a separate account for a Construction Fund established in a commercial bank. In the

case of materials, written evidence of specific firm pledges signed by the pledgors.

- b - plans and specifications, bid documents, cost estimates and time schedules for the execution of each one of the four units contained in the project and the construction contracts.
- c - a maintenance plan and pertinent budget provisions for adequate maintenance of the USMA.

### 3. Covenants

The Borrower shall covenant, except as A.I.D. may otherwise agree in writing:

- a - to faithfully carry out all terms and conditions of the Loan Agreement;
- b - that the funds of the loan will be used exclusively to finance the cost of construction, material and equipment, and the services of the consultants on higher education mentioned in paragraph b. above;
- c - that it will complete the project and provide any additional resources which may be required;
- d - that admission or continued enrollment to the University will not be predicated on race, color, religion or nationality;
- e - that the faculty will be selected on the basis of competence and teaching experience rather than race, color, religion or nationality;
- f - that it will not dispose of any of its assets or borrow any additional funds for a period extending beyond one (1) year without A.I.D. approval.

### 4. Other Terms and Conditions

- a - Equipment, materials and services (except shipping and marine insurance) financed under the loan shall have their origin in and be procured from the United States or Panama. Shipping financed under the loan shall be procured from the United States, and marine insurance financed hereunder shall be placed in the United States with a company authorized to do marine insurance business in any State of the United States.
- b - United States dollars utilized under the loan to finance local currency costs shall be made available to Borrower or its designee through Special Letter of Credit procedures and shall be used for procurement in the United States.