

**AIRGRAM**

**DEPARTMENT OF STATE.**

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TO - PANAMA CITY AIDTO A 61

PD-AAB-164-B1

FROM - WASHINGTON, D.C.

SUBJECT - Approval of Project No. 525-15-460-118 Manpower Training and Utilization

REFERENCE - TOAID A-32

DATE SENT  
5-21-70

The subject PROP has been reviewed and approved by AID/W.

The following comments raised during the review are forwarded as guidance to the Mission in preparing PAR's for this project and may also be useful as guidelines in preparation of future PROP's.

1. The project, as described in the PROP, is based on the premise that either a \$7 million Manpower Development loan will be signed or a 1% payroll tax will be enacted, eliminating the need for a loan. It was not clear which parts of the project will be under the loan if it is approved. The review group felt that the PROP should deal with alternative strategies in case the loan project does not materialize.
2. The need for statistics and projections of long-term manpower needs was mentioned several times as vital to development of a long-range manpower program. There are hints that assistance will be given in developing this capacity but neither the type of assistance nor the methods, goals and timing were clear. The review group feels that long-term manpower studies should be an integral part of the project.
3. The relationship between formal and nonformal vocational skills training is not discussed in the PROP. Maximum utilization of the various facilities available is listed as a planned target.

PAGE 1 OF 2 PAGES

DATE	OFFICE	PHONE NO.	DATE	APPROVED BY:
JUN 1 1970	LA/PAN	23030	5/18/70	LA/DR:JHeller

IA/DIV/USD:GCoomb  
IA/OPS:AMurphy

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O/LAB:RWilson  
LA/PAN:LHorwitz

"Subtle resistance" to more efficient use of present facilities is listed as an obstacle to achieving project objectives. The PRDP does not address the problem further or propose methods to overcome the obstacle. We assume that this relationship and any problems of coordination, particularly regarding the IDB-supported vocational education project, will be more fully discussed in the PAR for this project and in the proposed loan paper.

4. As a general comment, it was felt that project targets might have been further quantified. Nearly all of the indicators mentioned in the "Analysis of Progress" section are numerical. Could these numbers be specified and stated as goals?

ROGERS

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FROM - PANAMA CITY

DATE SENT  
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SUBJECT - NONCAPITAL PROJECT PAPER (PROP)

REFERENCE -

Country PANAMA Project No. 525-15-450-118

Project Title MANPOWER TRAINING AND UTILIZATION PROJECT

Submission Date December 2, 1969 Original  Revision No. \_\_\_\_\_

U.S. Obligation Span--FY 1967 thru FY 1973 \*

Physical Implementation Span --FY 1967 thru FY 1973

Gross Life-of-Project Financial Requirements (thousands of U.S. dollars)--

AID Contributions U.S. Dollars--

Grant 1,100,000

Loan 2,000,000

Other U.S. Contributions U.S. Dollars--

Excess Property 94,000

Cooperating Country Contributions (Cash value excluding existing physical facilities & existing equipment) 3,214,000

Other Contributions  
U.S. 400,000

Total Contributions \$6,308,000

\* After FY 1971 technical assistance to IFARIU will be continued under the Manpower Development and Utilization Loan proposed for FY 1971.

PAGE 1 OF 13 PAGES

DRAFTED BY: HGarcia:mhv	OFFICE HRD	PHONE NO. 64-4311	DATE 1/24/70	APPROVED BY: DIR:DLazar
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AID AND OTHER CLEARANCES  
AD/OP: JPhilpott  
OFF. DIRECTOR

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## I Summary Description of the Project

### A. Summary of Conditions Which Necessitated a Project

Among the major problems in Panama, from the point of view of social, economic and political implications, are unemployment and underemployment, especially in the densely populated areas such as the metropolitan area which includes Panama City, Colon and their surrounding area.

Three major factors aggravate the critical unemployment and underemployment in Panama--forces which hinder a solution to the problem. The first two, an increasing population and heavy migration from the rural to the urban areas, are forces for which this project cannot attempt to do more than contribute to their relief. A third factor causing unemployment and underemployment is the lack of skilled labor to meet the needs of the growing economy for qualified manpower. In large part, this is the result of the lack of adequate policies and programs for manpower development.

This project has addressed itself to helping to overcome this third major obstacle by improving the GOP's capability to perform, on a continuing basis, its manpower development functions as an integral part of the overall social and economic program of the country.

### B. Summary of the Status of the Project

The problem of unemployment and underemployment and the lack of adequately trained workers has long been recognized by Government officials and private enterprise leaders.

In 1965, the GOP established a semi-autonomous agency, the Institute for the Formation and Utilization of Human Resources (IFARHU), for the purpose of managing the country's ~~manpower development~~ scholarship program and making manpower studies and plans. IFARHU appears to be handling the scholarship program well and is slowly developing its capabilities to utilize the analysis of manpower data for the purpose of estimating requirements in accordance with national development plans.

In 1968 IFARHU opened a large skill training center, located near the Tocumen Airport. ~~It~~ has sufficient shops and classrooms to train up to 1,000 trainees a year. Under the proposed loan program a bakery-cafeteria-restaurant will be added, both as a service for staff and students, and as a facility to

- 1/ The ranks of the underemployed include persons working less than 20 days a month and willing to work more and looking for another job; those employed below their training and/or educational level; those working less than full time and earning less than \$25 a week; or combinations thereof.
- 2/ The Metropolitan Area extends along both sides of the Panama Canal Zone with the cities of Panama and Colon as its principal centers.

teach the bakery and restaurant trades. A dormitory is planned, to lodge those students from the interior who cannot be trained near their homes.

Another important step in the evolution of this project was the development of a "Job Vacancy and Training Needs Survey". The survey was for the purpose of determining the actual skilled labor needs of industry in the City of Panama. The survey was carried out between October 1965 and February of 1966 and disclosed 245 job openings and a potential of 884 job opportunities. Subsequent surveys have shown that this number has been gradually increasing.

During June 1966, the civil disturbances in the cities of Colon and Panama resulted in an accelerated and expanded U.S. assisted GOP effort to deal with the problems of the urban areas. One of the most basic problems was unemployment, and one of the projects given high priority was the Accelerated Manpower Training and Utilization Project. The project goals included the training of from 700-800 unemployed heads of families to qualify them for employment as skilled and semi-skilled workers to fill the job openings developed by the National Employment Service (see next paragraph). The training courses are from two to six month duration. The ultimate goal of the project is to develop the capability within the GOP to carry on this and similar manpower development and training programs.

To implement the manpower utilization aspects of the project, after the Project Agreement was signed in May of 1967, the nucleus of a National Employment Service (SENE) was created with emphasis on placement activities, i.e., job development, recruitment, testing, counseling, and selection of workers, and placement. Simultaneously, the training institution, IFARIU, developed procedures for the operation of the training courses, including the payment of subsistence allowances to the trainees. IFARIU was designated as the responsible agency for the operation of the overall project; the Ministry of Labor and Social Welfare was designated the implementation agency for the employment service activities through the newly established National Employment Service (SENE); and private enterprises represented by the National Council of Private Enterprise (CONEP) was brought into the project as a signatory and partner of the project to emphasize the responsibilities of private enterprise in manpower development activities and to encourage and facilitate close coordination of the activities between the GOP and private enterprise.

It is a regular daily procedure for the personnel from the National Employment Service of the Ministry of Labor to contact potential employers to determine their existing needs for skilled manpower in various categories. When sufficient job "vacancies" that cannot be filled by currently unemployed workers are ascertained, a training program is then developed with the employers supplying assistance in the form of advice on curriculum and training content, by allowing experienced journeymen to have time off in order to serve as teachers and, finally, by the employers agreeing to hire the graduates of the training courses. The National Employment Service identifies the job vacancies, assists in the formation of training classes, recruits, tests and monitors the training of the students, and follows-up on their placement once the training is complete. AID supplies technical and financial assistance to IFARIU to assist them in carrying out the

program and furnishes the funds for the payment of subsistence stipends to the students while they are attending classes and making satisfactory progress.

Most teachers, or instructors, have been recruited from private industry; some have come from the ranks of vocational educators. IFARIU has arranged brief preparatory courses in classroom and shop teaching techniques with guidance in handling the classes after they begin to conduct courses for these experienced technicians who lack experience in teaching techniques.

The use of facilities and classrooms are arranged by IFARIU in coordination with the Vocational Education Department of the Ministry of Education, utilizing existing classroom and laboratory space wherever possible. Private industry facilities have also been used. While the Vocational Education Department continues providing vocational education to school age children, IFARIU concentrates on the training of the unemployed adults and some training of employed workers to upgrade their skills as a second priority. IFARIU fills a void in the National manpower development function and supplements the work of the Vocational Education Department by providing unemployable adults with an opportunity to develop skills in demand by private industry.

### C. Summary of Prolest Future

The new Ministry of Labor will continue building its organizational and planning functions. AID assistance has included the provision of an expert in labor law to assist the GO2 in rewriting its labor code, and a manpower generalist to advise in the administration and planning of the manpower development program.

USAID will continue to provide technical assistance and advice in the further development of the Labor Ministry to enable the Ministry to better participate in the social and economic development of Panama.

A distinct feature of the Ministry's role in the national economic and social program is SENE, the employment service, which is a branch of the Ministry of Labor. SENE works between the barriadas, the public and private schools, IFARIU, trade associations, labor unions, private employers and community organizations, as well as other branches of the government and the Canal Zone government. It does so as the public organization serving all job seekers as a placement service and all employers as a recruitment and selection service.

SENE was created under this project in June of 1967 with seven employees who were provided on-the-job training by an AID specialist. SENE has since increased its staff and has developed a capability for contacting employers to develop job opportunities for both training and placement; interviewing, testing, and selecting unemployed heads of families as training applicants; making job analyses; keeping operating records; developing basic statistics; doing institutional advertising and publicity; coordinating with IFARIU and cooperating with the Ministry of Education's vocational schools, the employers and the community. As SENE continues to develop its capabilities, it will pay increasing attention to the coordination of the flow of information between the national Human Resources development institutions such as the

Ministry of Education, IFARHU, private schools, universities and the labor market.

The SENE staff is now being increased by fourteen new positions. When these people are trained by the end of FY 1970, the Employment Service will have made an effective start in taking care of the labor market needs of the metropolitan area for the foreseeable future. With the assistance to be provided under an AID development loan proposed for FY 1970, SENE will open employment offices in the interior cities of Chitré, David and Santiago, thus expanding their ability to render a national service.

IFARHU is presently operating the Tocumen Training Center at near capacity. It is developing the managerial competence to improve its capabilities there and to branch out into the same interior cities in the three new centers to be developed through the proposed Loan Project.

Numbers? Should the GOP continue the program under the Loan Project, by 1973 both SENE and IFARHU should be adequately servicing the labor market needs of both the public and private sectors, both in the metropolitan area and in the interior. Expansion of the activities of these institutions to the interior regions of Panama will support the GOP's planned programs of regional development for these areas. Not only will the activities under this project provide qualified workers for new industries in the interior but they will also assist the GOP in achieving its major objective of slowing the immigration to the Panama City Metropolitan Area by providing both jobs and training for inhabitants of the interior areas.

The Loan Project will consist of the following main components:

- (a) Improvements and new equipment for the IFARHU Tocumen Center, including facilities for a bakery/cafeteria/restaurant and a dormitory for certain trainees from the interior; the addition of three centers in the interior; support and transportation equipment and training materials;
- (b) the direct costs of training instruction;
- (c) a revolving loan fund to provide subsistence loans to trainees for family support during training;
- (d) technical assistance;
- (e) participant training;
- (f) job and training needs surveys;
- (g) three regional employment service centers - construction, equipment and cost of operation for three years.

**D. Tabulation of Planned Contributions to the Project**

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**NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)**

PROP DATE: 12/3/69

Table 1

Original X

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Rev. No. \_\_\_\_\_

COUNTRY: Republic of Panama Project Title: Manpower Training & Utilization Project No. 525-15-450-113

Fiscal Years	Ap	L/R	Total	1/ Cont	2/ Personnel Services		Participants Dir. & CONT U.S. Ag	Commodities		Other Costs	
					AID	PASA		COIT	Dir & CONT U.S. Ag	Dir & CONT U.S. Ag	
Prior through Act. FY 1969	TA/CF		630		52	102	15		17		452
Oper. FY ___ 1970	AL TA		<u>2,000</u> 142			<u>200</u> 103	<u>100</u> 21		<u>1,700</u> 1		<u>17</u>
Budg. FY ___ 1971	TA		160			109	31		1		19
B + 1 FY ___ 1972	TA		80			55	15				10
B + 2 FY ___ 1973	TA		30			55	15				10
B + 3 FY ___											
Total All Yrs.	AL TA/CF		<u>2,000</u> 1,100		52	<u>200</u> 424	<u>100</u> 97		<u>1,700</u> 19		<u>503</u>

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1/ Memorandum (nonadd) column

2/ Includes Local & TCN Personnel Costs

Fiscal Years	AID-Controlled		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	Local U.S. - owned	Currency Country- owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
Prior Through Act. FY <u>1969</u>			169	94 <sup>1/</sup> 50 <sup>2/</sup>			
Oper. FY _____ 1970			45	175			
Budg. FY _____ 1971			350	175			
B + 1 FY _____ 1972			1,400				
B + 2 FY _____ 1973			750				
B + 3 FY _____ 1974							
All Sub. Years							
Total All Yrs.			<u>3,214</u>	<u>494</u>			

1/ U.S. Excess Property

2/ UN ILO TA

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## ii Setting or Environment for the Project

### A. Conditions Which Necessitated a Project

The population of Panama has been growing at an ever increasing rate during the last twenty years. It doubled between 1940 and 1965 from 622,576 to 1,246,000. During 1950 to 1960 the rate of growth averaged 2.9 percent annually. Currently, the population is reported growing at an average annual rate of 3.3 percent.

Even though the Panamanian economy has been growing at the high rate of 3 percent annually between 1960 and 1969, one of the highest growth rates in the world, it has been unable to create enough jobs for the growing population. The problem of unemployment promises to deteriorate even more if adequate action is not taken. The Panamanian population is young. The median age in 1967 was 13 years. As this young population becomes of age and joins the labor force increasing pressure for jobs can be expected.

The problems created by this rapidly expanding population are compounded by the concentration of approximately half of the country's population in the metropolitan area. By 1967 the percentage had risen to 45 percent. In Panama City alone, the population grew from 127,374 persons or 15.9 percent of the total population in 1950 to 329,000 or 26.5 percent of the total population in 1965; it more than doubled in the span of 15 years.

In 1966 the Bureau of the Census reported a total of 41,000 or 21 percent of the members of the labor force in need of full time employment in the metropolitan area. Of these workers, 16,000 or 3.3 percent were unemployed, and 25,000 or 12.9 percent were underemployed workers in need of full time employment. As reported, 21 percent of the economically active population, in the metropolitan area, those able and willing to work, were not adequately employed and were in need of full time employment, at a fair income, as a realistic support for themselves and their families.

This rapid increase of the metropolitan area population reflects, among other things, the immigration from the interior of Panama of mostly uneducated, untrained and unskilled persons seeking jobs and too many of them remaining unemployed in the already crowded urban slums. This immigration to the city is caused, at least in part, by the failure of both rural agriculture and the industries in the cities of the interior to provide enough jobs at appropriate incomes for the workers.

The proportion of employed workers in agricultural and nonagricultural activities in Panama has been changing rather rapidly. Of the employed workers in 1950, 54.7 percent were engaged in agriculture, hunting, and fishing. By 1960 this percentage had been reduced to 51.1% and by 1964 to 47.6%. The most recent statistical information (Panama en Cifras, November 3, 1969) indicates that the percentage of workers engaged in these activities had been reduced to 39.9 percent of the total employed workers during 1965.

Fiscal Years	AID-Controlled Local Currency		Other Cash Contribution Cooperating Country	Other Donor Funds (\$ Equiv.)	Food for Freedom Commodities		
	U.S. - owned	Country-owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
Prior Through Act. FY <u>1969</u>			169	94 <sup>1/</sup> 50 <sup>2/</sup>			
Oper. FY _____ 1970			45	175			
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B + 2 FY _____ 1973			750				
B + 3 FY _____ 1974							
All Sub. Years							
Total All Yrs.			<u>3,214</u>	<u>494</u>			

1/ U.S. Excess Property

2/ UN ILO TA

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Another major factor causing or complicating the problem of unemployment and underemployment in Panama is the inadequacy of Government manpower policies and programs specifically aimed at the identification of professional and skill requirements, in coordination with the national economic development plan, and the establishment of well-coordinated manpower development programs. The GOP must establish priorities for education and training conducted in and out of the formal school system and universities. The establishment of these priorities requires careful long and short term manpower demand projections from six months to 20 years so that human resources development institutions can plan accordingly. Unless manpower development policies are established and manpower programs carefully developed, Panama will continue to be faced with the socially and politically dangerous unemployment problem and a critical shortage of trained manpower in most fields of employment.

The growth of non-agricultural economic activities over the last seven years has not provided a solution to the unemployment problem. Because of Panama's accelerated rate of economic growth, critical manpower needs have been created at the management, professional and technical level, as well as for skilled and semi-skilled workers. This lack of qualified workers is inhibiting non-agricultural expansion and limiting the rise of industrial productivity.

At the same time that there exists an urgent need for adequate employment by a large sector of the economically active population; employers complain because of the lack of qualified workers. While job vacancies go unfilled or positions are occupied by personnel lacking the necessary qualifications, approximately 40,000 persons search for jobs. Most of these unemployed individuals possess no salable skills and have no satisfactory income to support their families adequately. The problem is compounded by the birth and growth of children who can not receive the proper nutrition, education and health care because their parents can not obtain adequate employment.

Now that the first priority, pre-job training, is underway, IFARHU is undertaking upgrading training, which has had second priority. The first two courses for this purpose were recently inaugurated at the Artes y Oficios School in Panama City under an AID-IFARHU agreement with the school. The trainees are workers selected by their employers, one group from auto repair shops, the other from air conditioning repair shops.

On-the-job training will be the next or third priority to be undertaken in an expanded nationwide manpower training program.

As this PROP is being written IFARHU is undergoing a re-structuring of the organization and the laws that govern its operations which can very well alter manpower planning and development in Panama. One of the features proposed is the establishment of a 1% payroll tax on all industries for the purpose of financing manpower training. Available information also indicates that the emphasis may change from that of institutional accelerated training of the unemployed heads of families to that of training within industry. Should the 1% tax be established,

the proposed loan may not be necessary.

**B. Changes Which the Project Has Effected and those it will bring about**

The broad objectives of the project are to alleviate social-political pressures resulting from unemployment, particularly in densely populated urban areas, by developing job opportunities and training workers while simultaneously building the long-term institutional base necessary to provide, on a permanent basis, a continuous linkage of job opportunities and job training.

These changes, for the most part, are in the first stages of development and require additional inputs to achieve permanency:

1. A National Manpower Training and Utilization Program has been started and is in operation;
2. A National Public Employment Service has been created and is being developed effectively;
3. A new Ministry of Labor and Social Welfare has been established (January, 1969);
4. An effective program to train individuals of low employability is in progress;
5. Modern employment practices have been introduced and are in use;
6. A program of counseling, testing, and orderly selection of workers is now in effect;
7. Private industry is now included in manpower development and utilization;
8. The new Tocumen Training Center designed to train <sup>1,000</sup>~~500~~ new workers a year was created; and
9. The project has already exceeded the target of developing 800 new jobs. More than 500 "heads" of families (both men and women) have been trained and employed. In addition, IFARHU has trained and placed over 500 other workers using new accelerated methods introduced in the country by this project.

The following steps are ready for initiation:

1. Expansion by the Ministry of Labor's National Employment Service (SENE) of its central office in Panama City and opening of new field offices in Chitre, David and Santiago; and
2. Establishment of flexible training centers by IFARHU in the same cities; i.e., centers which are flexible to the varying occupational needs of local area employers.
3. Increase training capability to a minimum of 1,000 yearly. ?
- C. Obstacles to Achieving Objectives

The project was favored at the outset with an awakening awareness by the GOP that serious steps should be taken to combat unemployment and underemployment. However, manpower planning is still in its very early stages of development.

Until the creation of the GOP Human Resources Agency (IFARHU) in 1965, no comprehensive manpower planning by the GOP had been undertaken despite the availability of a general development plan for the period 1963-1970.

Just two years ago, the project started with an in-country situation in which there were (1) a serious lack of facilities to combat unemployment, (2) no provision for employment services, industrial training, and employment counseling and testing, (3) no facilities to train people of low employability, and (4) a serious lack of participation of private industry in the development of effective manpower programs.

Finding a solution to the nagging problem of unemployment and underemployment, and creating an effective long-term manpower development program, are unfortunately retarded by a lack of adequate labor statistics to assist in identifying future manpower needs and developing programs, and to assign the necessary priorities in meeting the requirements of a developing country. Available manpower statistics are not yet reliable enough to serve as a basis for the development of a comprehensive manpower implementation program. An AID manpower development loan project proposed for FY 1970 would include assistance to both IFARHU and SERE in the development and publication of meaningful manpower statistics.

In addition to the lack of adequate information there are numerous other obstacles which make the critical development of trained workers difficult. Some of these obstacles are: (1) the deficiencies of the educational system (both academic and vocational) at all levels from primary through university; (2) the lack of educational counseling in school, and job counseling in and out-of-school; (3) the subtle resistance to more efficient use of present industrial technical training facilities, to train and/or retrain adult workers; (4) the lack of an organized formal apprenticeship program in industry; (5) the lack of training facilities for the semi-professional workers; (6) the lack of qualified managers and supervisors in industry; (7) the lack of appropriate incentives such as meritorious salary increases for quality performance, and a salary structure commensurate with training; (8) the lack of advancement and promotion opportunities; (9) the problem of nepotism, favoritism and other such practices which militate against merit appointments and advancements; (10) lack of an appropriate and effective national employment policy and of institutions strong enough to implement such a policy were it promulgated.

Both the Ministry of Labor and IFARHU are new, yet both have already undergone major administrative changes with consequent disruption of functioning personnel. More such changes may be anticipated as a natural outgrowth of two institutions maturing organizationally and, in the process, more firmly establishing their respective roles.

#### D. Necessity for U.S. Assistance

Prior to the 1960's there had been but little public awareness of any responsibility for alleviation of such social maladjustments as unemployment, underemployment and lack of industrial training opportunities for the poorer classes. In fact, the prevailing attitude in the public sector was one of unconcern.

However, the evolution of the national development plan for 1963-1970 gave evidence of the need for manpower planning and development. Civic unrest, highlighted by the events of 1964 and 1965, prodded the government to attend more to human resource needs. Therefore, the GOP expressed its interest in this direction, but revenues were not adequate for new budgetary items, especially not for new concepts which had not yet received wide enough acceptance. Consequently, investment from outside sources was needed and, in addition to financial need, there prevailed a lack of administrative and technical expertise.

The GOP, therefore, invited technical assistance from the UN's ILO and both technical and material assistance from USAID, to initiate a major effort to alleviate the unemployment situation by developing the kinds of institutions needed to relate job opportunities to qualified but unemployed workers and, when necessary, to provide the required training to meet the needs of both the public and private sectors.

Shortly after IFANIU's inception, the UN's ILO granted \$50,000 for technical experts in statistics and in the organization of training courses. To assist in the continuing development of IFANIU, the ILO recently initiated a new two-year grant project for technical assistance in the development of an apprenticeship within industry training program and the donation of two mobile tractor-trailer units for training in the interior.

The Inter-American Development Bank has also assisted IFANIU during the early stages of its development by providing a \$700,000 loan which was matched by \$300,000 of GOP funds to establish a \$1,000,000 rotating scholarship fund primarily aimed at assisting university scholarship students. An additional similar loan is being negotiated currently. This rotating fund has specifically been designed for scholarship students and is not related to the training of workers. 103 representatives were contacted in reference to their possible participation in the proposed Manpower Training and Utilization Loan but expressed their inability to participate at this time.

Every effort has been made to coordinate AID technical and financial assistance with that provided by other international organizations to avoid duplication of activities and USAID efforts have been directed into needed resources not available locally or through any other sources such as International assistance organizations.

On-going technical and administrative assistance to develop the combined efforts of IFAMHU, SENE and CONEP, as emphasized elsewhere, is essential through the extension of the present Grant Project until the Loan Project is initiated.

To date, the utilization of USAID assistance is already bearing fruit. The GOP has demonstrated willingness to support the two institutions which are already operating with USAID/UN assistance by providing funds through the national budget and discussions between Government and Private Enterprise Officials are taking place which may lead to the establishment of a special payroll tax, the proceeds of which will be dedicated exclusively to the skills up-grading of the labor forces. 1/

The progress to date is evidence of the commendable determination of the GOP to undertake the difficult steps necessary to deal directly with the unemployment situation and the need for developing human resources. Continuing USAID assistance is essential to Panama's continued success in these efforts.

### III Strategy

The USAID Mission to Panama will support the GOP in improving living conditions through the promotion of economic and social development by, among other activities, effective planning and development of the nation's manpower in coordination with the national development plans and programs.

This project began as part of an overall program of urban improvement aimed at alleviating acute social tensions in selected economically deprived and densely populated areas in urban centers. It is being coordinated closely with other AID supported activities under such projects as community development, urban and regional development, labor development, and private enterprise development.

As previously indicated, a planned step in the Loan Project is the opening of IFAMHU flexible training centers and SENE employment offices in Chitre, David and Santiago. This is consonant with GOP initiatives to "move-out" to the

1/ In 1963, a law was enacted establishing a 1% duty on certain imports for the specific purpose of supporting vocational training. The receipts found their way into the national treasury and the funds have been used for other than the intended purpose. The private sector is proposing that the proceeds from the import duty be earmarked for IFAMHU to be used for the specific purpose of industrial training. As an alternative they would be agreeable to the idea of the establishment of a payroll tax for the purpose.

interior. To the extent that new jobs in the interior are identified or created and filled by local workers, the project will contribute to a more equitable distribution of income and, as a result of such improved income opportunities, to a diminution of the steady immigration from the campo to the urban metropolitan areas. In this regard, the manpower project is complementary to other USAID efforts in rural development, regional development and the proposed FY 1971 loan for interior cities development.

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This project was designed to alleviate, in part, social, economic, and political pressures resulting from unemployment and underemployment. It would do this by developing job opportunities in non-agricultural occupations and training unemployed workers for these occupations while simultaneously building the long-term institutional base necessary to provide, on a permanent basis, continuous and effective coordination between manpower requirements and manpower development, training and utilization.

As a vehicle for introducing modern techniques of manpower development and training, the project has already developed sufficient job opportunities and trained more than 800 employed heads of families to fill them. It is now gearing up to train annually some 1,000 workers in the metropolitan area and 500 in the interior. It provides for the conduct of intensive job development activities, selection, testing and counseling of the long-term unemployed heads of families from the densely populated low income areas and the training and/or retraining of these workers through the use of modern methods which accelerate the process of training to fill the vacancies.

The project is also being closely coordinated with the labor development project which is under contract with AIFLD. Both projects direct their efforts to the improvement of the workers living conditions. The improvement of the workers' skills definitely improves his bargaining power and facilitates his increasing participation in national social and economic affairs and income distribution. Efforts are being made to provide trainees with training in labor affairs in addition to the skill training. ?

A most important phase of this project has been the establishment and development of the National Employment Service (SENE) to improve the employment practices in the country; the strengthening of manpower development institutions such as the Institute for the Formation and Utilization of Human Resources (IFARHU); and the implementation of the coordination of those institutions with the private sector through CONEP.

It now appears possible that the major portion of USAID technical assistance can be shifted to loan financing under the Manpower Training and Utilization Loan proposed for implementation late in FY 1970; and the grant project reduced by the end of FY 1971.

#### IV Planned Targets, Results, and Outputs

The immediate target of this project is to assist in alleviating economic and social problems resulting from unemployment while at the same time providing urgently needed skilled and semi-skilled workers for the non-agricultural sector of the economy.

Important as this immediate target is, the proximate results are secondary to the long-term permanent effect the project will have on the national manpower development activities, because its ultimate aim is to introduce drastically different concepts of manpower development and utilization in the country by introducing new methods and techniques of modern industrial training and new concepts in the management of its manpower development program as an essential element of economic development.

The cooperative implementation of this project is a constructive departure from traditions and customs related to the training and development of workers. It will contribute substantially to changing the attitude of the government toward the role of the labor force in the nation's economic life. The broadest target is to promote the establishment of sound manpower policies and programs as an integral part of the nation's economic development program.

To meet this overall target several concepts and principles in modern manpower development are being introduced. These ideas become intermediate targets in themselves:

1. The project stresses the importance and need for developing manpower to meet the requirements of economic development; that is, training and retraining to meet Panama's demand for qualified non-agricultural workers; not training for the sake of training.
2. Individuals are to be selected for training in occupations in which they have the potential to succeed; that is, according to their tested aptitudes.
3. Recruitment, interviewing, testing and selecting of unemployed out-of-school adults will be for direct placement or for training and/or retraining.
4. The active participation of employers in all non-agricultural training activities is essential to the success of any manpower training program. Therefore, such participation is to be structured into the combined work of the Ministry of Labor and IFARNU. Adequate and continuing GOP financing, supported by maximum participation by employers is necessary.
5. IFARNU and CONEP are responsible for the thorough mobilization of available talent by obtaining the services of experienced journeymen as instructors.

6. Maximum Utilization will be made of existing shops and teaching facilities by using available training space wherever it may be, in schools, private industry or community facilities; thereby minimizing the cost of training and making more diversified training immediately available.

The following quantitative objectives supplement the more qualitative aims described above:

1. To upgrade the capability of IFARHU to fully utilize the present physical capacity of the Tocumen Training Center to train 1,000 workers a year, and open three new training centers in the interior cities of Chitré, David, and Santiago, thereby increasing IFARHU capacity by an additional 500 graduates annually;

2. Provide technical assistance to the Ministry of Labor in its conduct of an administrative reorganization and, depending upon the outcome, plan further technical assistance in specialized fields to strengthen the Ministry capabilities.

3. Develop within SEIE the capacity to satisfy the potential demand for its services in both the Panama City metropolitan area and the same three cities of the interior noted in Item 1, above.

#### V. Course of Action

##### In FY 1970

1. Provide technical assistance to the Manpower Department and Employment Service of the Ministry of Labor and Social Welfare to strengthen employment service activities.

2. Continue developing necessary plans for a major long-term manpower development and utilization program, the cost of which is currently estimated at \$5.0 million. Assist IFARHU in the completion of an application for a \$2.0 million AID loan which would be part of the \$5.0 million project, and advise on implementation of the program after its approval. In order to insure a smooth phase-in of the current grant financed program with the proposed long-term loan financed program, the loan should be authorized for implementation in CY 70.

3. Provide participant training to selected GOP officials directly involved in manpower and labor affairs.

4. Strengthen the coordination between IFARHU, SEIE and the Community Development Program.

##### In FY 1971

1. Continue to advise on, and monitor implementation of, the Manpower Development Loan. This will involve (1) advising IFARHU in training workers at the Tocumen Center and the three centers planned for the interior; and (2) advising SEIE in improving the employment processes.

2. Terminate that portion of the grant-funded Manpower Training and Utilization Project devoted to assisting IFARHU. Such assistance would be financed thereafter under the proposed Manpower Development Loan. Technical assistance would continue to be provided to the new Ministry of Labor.

In FY 1972

Continue to advise on implementation of the Manpower Development and Utilization Loan Project with IFARHU and continue to provide ~~xx~~ technical assistance to the Ministry of Labor and the National Employment Service (SENE).

In FY 1973

Complete the implementation of the Manpower Development and Utilization Loan Project with IFARHU and technical assistance to the Ministry of Labor.

VI Analysis of Progress

The efforts of the three participants, the Ministry of Labor, IFARHU and CONEP, should be analyzed on both their coordinated and individual efforts. The analysis should determine whether they have coordinated successfully, and to what degree each has carried out its own obligations.

Within the Ministry of Labor, the Employment Service will be accountable for fulfilling its purpose, which may be measured, in part, in the following respects.

1. The number of job applicants using the service.
2. The number of contacts with employers both personal visits and telephone calls.
3. Number of job opportunities developed.
4. Number of job placements.
5. Number of individuals recruited for training.
6. Number of graduates placed.
7. Satisfaction of employers with the performance of trainees selected.

The fulfillment of the purpose of the Training Department of IFARHU will be partially measured in the following respects:

1. Number of courses given.
2. Number of trainees enrolled.
3. Number of trainees satisfactorily completing training.
4. Percentage of drop-outs from courses.
5. Number of graduates satisfactorily placed in related occupations.
6. Number of upgrading courses conducted.
7. Number of workers satisfactorily completing up-grading training.

The progress of both the Ministry of Labor and IFARHU will be qualitatively measured by such factors as the steadily progressive development of their institutions; the calibre of their staff, by observing regular work performance; the stability of their trained staff members as evidenced by length of service and low turnover rate; community acceptance, as evidenced by use of their services by the general public and by private employers; and procedures adopted for regular self-evaluation of programs.

The fulfillment of the private sector's (CONEP) obligations will be measured by the extent of the cooperation given to the recruitment and training functions of the Employment Service and IFARHU, in such matters as the following:

1. The number of employers who cooperate with the Employment Service in determining job ~~openings~~ openings and training needs through field surveys;
2. The number of industries and private employers who cooperate with IFARHU in forming and functioning as trade advisory committees; to determine job elements and course contents for each occupation requiring training;

For the guidance of the Loan Project, an interim review of performance under the grant project should be conducted in the second-half of FY 1970. Progress under the Loan Project should be analyzed no sooner than the second half of CY 1973.

The overall project should be reviewed by a Manpower Generalist who will be responsible, also, for the individual evaluation of the Private Sector's performance. (CONEP).

The progress of the Employment Service should be analyzed by a specialist who has had thorough domestic experience, up through the top administrative levels of a state agency, and who has served in building an employment service in one or more developing countries.

The Training Department of IFARHU should be analyzed by a specialist who has assisted in building training institutions in developing countries.

In conducting analysis each specialist will not only review the records of each organization and interview the staff, but, more importantly, he will give major emphasis to interviewing a substantial number of (a) employees placed in jobs, especially those qualified for their jobs through training; and (b) employers, trade associations and governmental agencies who have used the services of both IFARHU and the Ministry of Labor.