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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

PANAMA

PROJECT PAPER

INVESTMENT COUNCIL OF PANAMA

AID/LAC/P-148

Loan Number:525-W-054
Project Number:525-0239

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: PANAMA

3. PROJECT NUMBER: 525-0239

4. BUREAU/OFFICE: Latin America/Caribbean(LAC) 05

5. PROJECT TITLE (maximum 40 characters): Investment Council of Panama

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 31 YY 87

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)

A. Initial FY 83 B. Quarter 4 C. Final FY 84

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 83 B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total	1,324	476	1,800	2,632	1,341	3,973
(Grant)	(124)	(76)	(200)	(124)	(76)	(200)
(Loan)	(1,200)	(400)	(1,600)	(2,508)	(1,265)	(3,773)
Other U.S. 1.						
Other U.S. 2.						
Host Country	379	521	900	2,096	6,014	8,100
Other Donor(s)						
TOTALS	1,703	997	2,700	4,728	7,355	12,083

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) SDA	700	840	840	0	0	200	3,773	200	3,773
(2)									
(3)									
(4)									
TOTALS				0	0	200	3,773	200	3,773

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To develop the operational capacity of the Investment Council of Panama (ICP) to promote and service new foreign and domestic export oriented investment.

14. SCHEDULED EVALUATIONS

Interim MM 09 YY 84 MM 09 YY 85 Final MM 09 YY 87

15. SOURCE/ORIGIN OF GOODS AND SERVICES

[X] 000 [X] 941 [X] Local [ ] Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment)

17. APPROVED BY

Signature

Title: Acting Director, USAID/Panama

Date Signed: MM 07 DD 13 YY 83

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

AID 1330-4 (8-79)

PROJECT AUTHORIZATION

Name of Country: Panama

Name of Project: Investment Council of Panama

Number of Project: 525-0239

Number of Loan: 525-W-054

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Investment Council of Panama project for Panama involving planned obligations of not to exceed Three Million Seven Hundred Seventy Three Thousand United States Dollars ($3,773,000) in loan funds ("Loan") and Two Hundred Thousand United States Dollars ($200,000) in grant funds ("Grant") over a four year period from date of authorization, subject to the availability of funds in accordance with AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of support to the Investment Council of Panama (ICP) in the areas of (i) institutional development (ii) policy and strategy, (iii) investment promotion, and (iv) investor services to strengthen the ICP's capacity to promote and service new export-oriented and domestic investment in Panama.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and major conditions together with such other terms and conditions as AID may deem appropriate.

a. Interest Rate and Terms of Repayment

The GOP shall repay the Loan to AID in U.S. Dollars within twenty (20) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The GOP shall pay to AID in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by AID under the Loan shall have their source and origin in Panama or in countries included in AID Geographic Code 941, except as AID may otherwise agree in writing. Except for ocean shipping,

the suppliers of commodities or services financed by AID under the Loan shall have Panama or countries included in AID Geographic Code 941 as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Loan shall be financed only on flag vessels of Panama or countries included in AID Geographic Code 941, except as AID may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by AID under the Grant shall have their source and origin in Panama or in the United States, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed by AID under the Grant shall have Panama or the United States as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Grant shall be financed only on flag vessels of the United States, except as AID may otherwise agree in writing.

d. Conditions Precedent to First Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of commitment documents under the Project Agreement to finance any Project activitiy, the GOP shall, except as AID may otherwse agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) Evidence that at least 22 professional staff members including the heads of the ICP offices and the Deputy Director are on board;

(2) Evidence that a Project Coordinator has been appointed for the ICP;

(3) An agreement between the Ministry of Commerce and Industry ("MICI") and the Investment Council of Panama (ICP) which details MICI's responsibilities and the resources to be committed under the Project and how activities will be coordinated between MICI and the ICP;

(4) A legal opinion from the Procurador General to the effect that the ICP has been legally created and constituted under Panamanian law.

e. Conditions Precedent to Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any Project activity except for the procurement of computer equipment and software and the contracting of a project officer by USAID, the GOP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) A financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over the first year of the Project;

(2) A quarterly work plan, to be submitted each quarter during the first year of the Project, which details each Project activity to be carried out during such quarter and a budget which details the proposed AID funds for each such activity.

f. Recurring Conditions Precedent to Disbursement (Loan)

Prior to any disbursement, or the issuance of any commitment document under the Project Agreement to finance any new Project activity, each Project year after the first Project year, the ICP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) A financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over such Project year;

(2) A quarterly work plan, to be submitted each quarter during such year, which details each Project activity to be carried out in such quarter and a budget which details the proposed AID funds needed for each such activity.

g. Covenants

The GOP shall covenant that, unless AID otherwise agrees in writing, it will:

(1) Provide budgetary support to the ICP over the life of the Project of not less than the equivalent of US $8,110,000 for Project activities and to provide adequate budgetary support to the ICP for on-going activities after the life of the Project;

(2) Make reasonable efforts to retain personnel trained under the Project in positions related to investment promotion and/or employment generation.

John Lovaas
Acting Director

7/18/83
Date

INVESTMENT COUNCIL OF PANAMA PROJECT

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Abbreviations/Acronyms

AID	-	Agency for International Development
APEDE	-	Panamanian Association of Business Executives
BNP	-	National Bank of Panama
CACM	-	Central American Common Market
CBI	-	Caribbean Basin Initiative
CDSS	-	Country Development Strategy Statement
CONEP	-	Private Enterprise Advisory Council
CSS	-	Country Strategy Statement
DICOIN	-	Internal Commerce Directorate
DICOMEX	-	Foreign Commerce Directorate
DNE	-	National Employment Directorate
EEC	-	European Economic Community, or Common Market
EPG	-	Employment Planning and Generation
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
GOP	-	Government of Panama
ICP	-	Investment Council of Panama
IDA	-	Irish Development Agency
IFARHU	-	Human Resources Development Institute
IPO	-	Investment Promotion Office
ISO	-	Investor Services Office
LDC	-	Less Developed Country
MICI	-	Ministry of Commerce and Industry
OPG	-	Operational Program Grant
PARS	-	Policy and Research System
PID	-	Project Identification Document
PP	-	Project Paper
R&DO	-	Research and Development Office
SENAFORP	-	National Skills Training Institute
SIP	-	Syndicate of Panamanian Industrialists
UNIDO	-	United Nations Industrial Development Organization

PART I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

The USAID/Panama recommends authorization of a loan/grant of 3.973 million dollars to the Government of Panama (GOP) to strengthen the operational capacity of the Investment Council of Panama to promote and service new export-oriented investment. The Loan will be fully funded in FY 1983. Loan terms include a 10-year grace period, 10-year repayment schedule, and an interest rate of 2% during the grace period and 3% thereafter on the outstanding disbursed balance. The project is to be fully disbursed within 48 months from the date the conditions precedent to first disbursement have been satisfied.

The Borrower will be the Government of Panama. Project implementation will be coordinated and carried out by the Investment Council of Panama (ICP) with support from the Policy Research Unit (PARS) and the Directorate of Foreign Trade (DICOMEX) of the Ministry of Commerce and Industry (MICI). Signatory for the GOP will be the Minister of Planning and Economic Policy.

B. Project Summary

The sector goal is to marshall public and private investment resources to increase employment opportunities. The project purpose is to develop the operational capacity of the Investment Council of Panama (ICP) to promote and service new export-oriented investment. The Project will finance training, technical assistance, equipment and materials, and travel/per diem expenses with AID loan/grant funds and GOP counterpart funds, where appropriate, in four activity areas: (1) Policy and Strategies; (2) Investment Promotion; (3) Investor Services; and (4) Institutional Development.

Total project funding is $12.083 million, which includes $3.773 million in AID loan and $0.2 million in AID grant funds, and $8.110 million in GOP counterpart funds.

C. Financial Summary

Project funds will be allocated as follows:

Summary Financial Plan
(US $000)

COMPONENTS	AID/G	AID/DL	GOP	TOTAL
1.Policy and Strategies		1,635 1/	604	2,239
2.Investment Promotion		1,080	4,137 2/	5,217
3.Investor Services		55	250	305
4.Institutional Development	200 3/	1,003 4/	3,119	4,322
Total	200	3,773	8,110	12,083

1/ The difference of $449,000 between this figure and the figures in Table 2 and 3 in Annex II, Section C is accounted for by the fact that this figure has been charged to Institutional Development.
2/ Includes; salary, publicity, travel, per diem, and representation.
3/ Evaluation $95,000; AID Project Officer $ 105,000.
4/ Includes purchase of a computer $420,000.

The following is a summary of estimated input costs for implementing the planned activities based upon a four-year project:

Summary Project Costs by Inputs
(US $000)

ELEMENTS	AID/G	AID DL	GOP	TOTAL
1.Technical Assistance	200 1/	2,220		2,420
2.Training 2/		1,106		1,106
3.Equipment & Material		447 3/	235	682
4.Travel/Per Diem of ICP Staff		(400) 4/	491	491
5.Operational Expenses			7,384 5/	7,384
Total	200	3,773	8,110	12,083

1/ Evaluation $95,000; Project Officer $105,000.
2/ The majority of cost for this element represents on the job training.
3/ Computer $420,000; Cars $27,000.
4/ Travel $154,000; Per Diem $246,000 already included in item 2 training.
5/ Salaries, rent, publicity, utilities, representation, etc.

D. Summary Problem Statement

The project addresses four major areas which impede foreign and domestic investment in Panama: (1) the need to improve the investment climate of Panama through addressing policy and administrative issues; (2) the need to identify and disseminate information on those elements which make investment in Panama attractive; (3) the need to actively search for foreign and domestic investors; and (4) the need to improve and expedite services provided to investors, particularly the processing of documentation and the provision of industrial infrastructure, e.g. water, electricity, roads, port facilities, communications.

E. Project Rationale

The ICP is the central instrument chosen by the GOP and supported by the private sector for increasing export-oriented private investment, for serving as the "motor" for an orderly economic development process, and for helping alleviate unacceptably high levels of unemployment. It is managed by a Board of 13 Directors, 9 of whom are representatives of the private sector. As the linch-pin of the burgeoning cooperation between government and private enterprise, the Council will play the following roles:

(1) Promoter of targeted, foreign export-oriented investment;
(2) Coordinator of investor support services;
(3) Initiator of policy studies and presentation of results and recommendations to its board; and
(4) Source of investment/investor information.

The needs addressed by this project are consistent with recommendations made by all major multi-lateral development agencies, with the assessment and recommendations of the U.S. Country Team, and most important, with emergent perceptions of the private and public sectors of Panama.

The GOP decision to proceed with the formation and operation of the ICP has been applauded by all but the extreme left and a small core of special interest groups still wedded to parochial protectionism. Even its supporters, however, will need reassurance from early and substantial success of ICP operations to ensure their continued support. Moreover, they will require evidence that the fruits of ICP success will be reasonably distributed over the economic spectrum.

Except for the possibilities which may be offered by the CBI, the institution will inaugurate its activities at an inauspicious moment. World-wide recession, political instability in Central America, uncertainties regarding the 1984 national elections and growing pressures for protectionism in major market areas are not propitious circumstances. The management of ICP, while expecting only moderate success during its first year, anticipates that Panama will be positioned to achieve major gains as the world enters an economic recovery period.

Given the importance and magnitude of the ICP task, AID/Panama will provide financial support for training, technical assistance, equipment and materials. Cognizant of earlier attempts by the Government of Panama to initiate investment promotion without devoting sufficient resources to those efforts, the Mission deems it essential that this new organization be professionally staffed, trained and administered during its critical formative years. By the end of the project, it is expected that ICP successes will justify continued GOP budgetary support.

F. Project Issues

Eleven major issues were identified during the design process of the project. These are described below (not in rank order) along with the design and negotiation efforts to ameliorate or mitigate their negative effects on the project. Further details appear in the Detailed Project Description and Project Implementation Arrangements sections.

1. Institutional:

a. ICP Autonomy

One of the major thrusts behind the creation of the Investment Council concerned the need to have an entity with sufficient budgetary stability and operational flexibility so as to be capable of coordinating and focusing investment activities and brokering between the various public and private sector actors. An analysis of the enabling decree showed that the ICP was not legally autonomous as had been announced, but was an appendage of the Ministry of the Presidency.

Although there was initial concern that the ICP was an arm of the Presidency, subsequent events, have shown that the present arrangment gives more de facto flexibility than would be the case if the ICP were de jure "autonomous". The Mission will be monitoring the progress and implementation results of ICP carefully. During the first two years of operation, the outlook for long term stability of the ICP, in its present administrative configuration, will be periodically reviewed. Recommendations will be made to strengthen and maintain its institutional identity and capacities either within the Ministry of the Presidency or by transforming it, through legislative process, to an autonomous agency.

b. Enabling Decree

The original ICP enabling degree contains a significant number of structural and administrative weaknesses (e.g., no terms of office were set for board members, the actual powers of the board were not enumerated fully.) The Mission has received conflicting legal opinions regarding the legality of the decree. Therefore, a resolution of the issue will be sought through the definitive opinion of the Attorney General of Panama. Given the well established precedent for expansion of ministries by decree, e.g. DICOMEX in the Ministry of Commerce, satisfactory resolution is expected.

2. Technical:

a. Overseas Offices

During the development of the PID, concern was expressed that the ICP was going to become involved prematurely in overseas promotion offices. As currently envisaged, the ICP plans to postpone overseas offices for the first 1-1/2 years of implementation. Evaluation of Panama-based promotion efforts and cost analysis will be utilized at that time to decide if overseas offices are warranted This will be one of the primary roles to be played by the External Advisory Committee which will include representatives from the Irish Development Agency and Florida Department of Commerce.

b. Turn-Key-Promotion

The use of contractors to perform various discrete tasks is clearly desirable at the outset of this project. It is not clear at this time that the use of contractors should be continued or discontinued as the ICP matures. The ICP management will, with the aid of External Advisory Group, review its options after 18 months of project implementation.

c. One-Stop Investor Services

The ICP has two basic functions: one to interest investors in Panama and the second to unify the bureaucratic requirements into a "one-stop" process whereby the investor need only come to the ICP to process all GOP required documentation. This second function requires good relations with a host of other government entities with emphasis on the Ministries of Commerce and Industry (MICI) and Labor and Social Welfare (MITRAB). Relations between the ICP and MICI have not been particularly smooth, albeit there seem to be recent attempts at accomodation from both sides.

The design team considers a properly defined working relationship between the ICP and MICI to be of paramount importance for the implementation of the project. Thus, the team has included an initial Condition Precedent requiring a Memo of Understanding to be signed by the Minister of Commerce and the Managing Director of the ICP which will outline the duties and responsibilities (including time limits for document processing) of both parties. The functioning of this relationship will be included as a topic under yearly evaluations.

d. Absorbtive Capacity/Coordination with Other Donors

The ICP has negotiated for assistance with other international donors, including the United Nations Industrial Development Organization and the European Economic Community (technical assistance provided by the IDA). The design issue is, then, the ICP's capacity to absorb and coordinate a significant amount of technical assistance and training from different sources during a relatively short time period. These problems have been discussed at length with the various parties and it was agreed to eliminate any activities which would overlap with one another and to coordinate activities over the life of the project. Questions of absorbtive capacity and donor coordination will be included as topics in annual project evaluations.

3. Economic/Financial:

a. Investor Selection Criteria/Social Costs of New Investment

One design issue involved the choice between labor-intensive and capital intensive investment to assure that sufficient value added would remain in Panama as a result of each investment. A related area concerned the social costs of the new investment. Often a new plant or series of plants will have serious social costs which do not appear on the corporate balance sheet, yet can have severe external impacts on a host country investment budget, the environment, and overall quality of life. These issues have been resolved by the contracting of an outside consulting firm, which will identify, based on empirical cost data from other countries and Panama, target industries which (1) have high value added possibilities for Panama, and (2) will minimize social cost outlays or maximize the return on social investment. In addition, evaluation criteria will be developed for use by ICP staff which will explicitly take into account potential value added benefits and external social costs and will help target ICP efforts on industries most beneficial to Panama's long term development needs.

b. User Charges for ICP Services

The concept of user charges for investor services and possible charge schedules was analyzed during the intensive design process. Although initial thoughts were in favor of such charges, the reality of the investment promotion game is that no one charges clients for these services. Thus, for Panama to remain competetive, the ICP will follow the prevailing practice of not charging clients for basic information, document processing and backstopping services. One exception might be in the area of preparation of a detailed feasibility study for a client, for which some countries (e.g. Singapore) do charge.

c. Effects of GOP Austerity Measures

The GOP is currently in the throes of a serious belt-tightening exercise orchestrated by the IMF. So far the ICP has fared well in the internal budgetary in-fighting, showing an initial reduction from $2.1 to $1.8 million for FY 1983. This figure is sufficient for its first year of operations.

Previous experience under periods of austerity, however, has shown that operational budgets can vary widely from year to year to the detriment of project implementation. In the case of the ICP the design team has made estimates of minimum counterpart funding required for each year of the project. These figures have been made conditions precedent for each year of project implementation.

4. Political:

a. Labor Participation

As currently formulated, the ICP Board has 9 members representing the private sector and 4 members representing the Government. However, the government representatives are from private sector-oriented institutions only. The 1982 Panama Country Team Plan for Implementing the Caribbean Inititative suggests that the ICP "could be a most important forum for resolution of public/business, community/labor differences in the attainment of an improved (investment) climate." In its current form, it is clear that the ICP will not be able to serve as a business-labor forum as contemplated by the Country Team. However, the ICP is considering the addition of the Minister of Labor to its Board of Directors and becoming a participatory member of the Employment Generation Council of Panama, a Council in which CONATO, the major labor organization of Panama is represented.

The ICP also interacts with labor through its participation on commissions, e.g. the newly formed commission to adjust the labor code, and in formal seminars where labor and management exchange policy and program views.

b. Retention of Personnel

A combination of budgetary austerity and pre-election uncertainties may place pressures on governmental agencies, which could result in staff reduction, reassignment and transfers. It is essential that the ICP maintain competent staff within a stable working environment. While routine personnel turn-over may be expected, the design team has suggested that a covenant be included in the project agreement whereby the GOP agrees to maintain the integrity of ICP and its professional staff, especially those trained under this project.

G. Summary Findings

The Project Review Committee has reviewed all aspects of the proposed Investment Council of Panama project and finds that it is financially, economically, and technically sound, and consistent with the development objectives of the GOP and those objectives set forth in USAID/Panama's CDSS. It has further found that the ICP is institutionally capable of administering the project in the coordinated fashion discussed in the Project Paper.

H. Participants in Project Development

USAID/Panama Project Team

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Stephen Ryner, ERG
Frank Pope, ERG
Donald R. Mackenzie, ODR
Frank Miller, ODR
Benjamin Severn, ODP
Gerald Gold, RCO

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Robert Williamson, Florida Division of Economic Development
Stephanie Angel, Training

Local Consultants

Guillermo Chapman, Economist
Gerald Cooklin, Data Processing

USAID/Peru

Annette Adams, RLA

PART II. BACKGROUND

A. Overview

Panama, a nation of 2 million inhabitants with a 1981 GDP slightly in excess of $4 billion and a workforce of approximately 500,000, is experiencing economic stagnation. National unemployment exceeds 15%, with the metropolitan Canal corridor over 17% and some areas in Colon greater than 20%.

The Panamanian economy experienced a severe recession during the 1974-76 period, reaching a negative growth rate of -0.3% in 1976. Increased consumer spending revived the economy in 1977 while a combination of large government expenditures, some pro-business policy changes and the signing of the Canal Treaties led to 6% and 7% growth rates through 1978 and 1979 and to a false sense, for many, that the economy would continue to grow at the 6-8% rate of the 1960s and early 1970s. The declining, though positive, growth rates of 1980-82 and the forecasted negative growth rate for 1983, however, are unmistakable evidence that the government must develop new growth vehicles in order to regain the higher economic growth rates of past years.

B. History

Over the past two decades, Panama, along with the rest of Central America, encouraged import substitution by providing protective tariffs to industries which undertook such substitution. The firms so engaged, served the Panamanian domestic market and made some exports (through bi-lateral arrangements) to the countries of the Central American Commmon Market (CACM). Only in a few cases were the markets served of sufficient size to permit economies of scale and resultant low cost production. The result was inefficient industries, whose high costs were passed on to the consumer.

In the early 1970s, to counter precipitous increases in consumer costs, the GOP imposed stricter price controls and passed worker protection laws, sections of which had the effect of precluding productivity incentives. The situation further deteriorated as a result of major unsuccessful state intervention in productive activities, including government ownership of agricultural and industrial enterprises, which contributed to untenable levels of total public debt. Unable therefore to provide the investment stimulus to the economy, the GOP looked to the private sector. Unfortunately, the existing firms, given their inefficiencies, could not compete in world export markets; nor, with the disappearance of import substitution possibilities and the increasing cost squeeze on industry, was new investment forthcoming. As a consequence, the industrial sector continues to stagnate.

With agriculture in similar straits, it was clear by the end of 1981 that new initiatives would be necessary to restructure the productive sectors and to create conditions which would facilitate industrial and agricultural growth before unemployment and social discontent grew to unacceptable dimensions.

In 1981-1982 the GOP recognized that its accomplishments in securing a more equitable distribution of economic benefits were not being accompanied by an expansion of the "benefit-pool". As a consequence, the Government began a dialogue with the private sector to seek a mutually acceptable accomodation in which the GOP would facilitate industrial and agricultural enterprise without compromising those social objectives pursued by the 1968 "Revolution." With the end of creating a better business climate, the GOP seems prepared to (1) consider modification of the labor code; (2) examine its price policies and import quota regulations; (3) modify and simplify governmental procedures affecting industry; and (4) begin divestiture of state owned industry.

C. Current GOP/Private Sector Priorities

As a central focus of its new private sector emphasis, the GOP looks upon export-oriented industry as the most likely growth area of the economy. To this end, it created the ICP as an instrument for inducing foreign investment in export producing enterprises and as a means of facilitating domestic investment for similar purposes. At the same time, it negotiated the first bi-lateral investment treaty (currently awaiting ratification) with the U.S.; and is preparing similar treaties with countries in Europe and Asia. These gave rise to and supported renewed interest in resuscitating the promotion activities (within Panama) of the Foreign Commerce Directorate (DICOMEX) of the Ministry of Commerce and Industry (MICI). Concern for small industry has led the GOP to seek ways to include such firms as beneficiaries of a successful export drive and to ensure that the benefits of economic revival affect all levels of industry and commerce.

The private sector response was initially cautious, the formation of the ICP being a kind of watershed itself. In recent years the private sector mistrusted the GOP and did not actively pursue expansion because of the government's apparent pro-labor bias and a history of negative actions toward the private sector. The fact that business leaders of the highest caliber have accepted appointment to the ICP Board of Directors is a significant change in the government-private sector relationship. Perhaps of even more importance was the realization, increasingly apparent in the business community, that the survival of free enterprise in Panama will depend in large part, on the ability of the private sector to successfuly fulfill its "social contract" with society by producing the jobs and incomes required for maintenance of domestic harmony.

In a recent AID-sponsored seminar, government and business leaders were surprisingly unanimous in their assessment of social, economic and political adjustments needed to produce growth within an acceptable social framework.

The announcement of the CBI gave impetus to the guarded enthusiasm of private sector individuals and associations. The private sector has since responded with a revived interest in productivity and has made suggestions for achieving productivity gains. The Chamber of Commerce responded by initiating a program of business scholarships, improved services to its members and programatic involvement with American counterparts. Individual companies have begun looking outward by testing markets in the Caribbean and are considering the formation of trading companies. In addition, the ICP is in receipt of requests by Panamanian businessmen to find foreign partners for new ventures and interest of the business community in foreign markets continues to grow.

The interaction and responses of the GOP and the Private sector are for the moment tenuous and groping. Some early success of the ICP program now underway will be necessary to accelerate the level and nature of the cooperation required for full renewal of investor-governmental confidence.

PART III. DETAILED PROJECT DESCRIPTION

A. Sector Goal:

The Sector Goal is to marshall public and private investment resources to increase employment opportunities.

B. Project Purpose:

The Project Purpose is to develop the operational capacity of the the Investment Council of Panama (ICP) to promote and service new export-oriented foreign and domestic investment.

C. Beneficiaries:

The ultimate and major beneficiaries of this project will be Panamanian workers and their families, whose employment will have been generated as the result of ICP initiatives. Over the life of the project between 6000 and 9000 direct jobs will be created. Women are expected to occupy a substantial number of the posts.

The penultimate beneficiaries will be the foreign and domestic investors whose funds will be at risk. In fact the expectation of benefits provides the "motivation" by which the private sector generates the desired employment effects.

While investors will be given various fiscal incentives for locating in Panama, the GOP and the Panamanian people should benefit through the broadening of the country's tax base and increases in tax revenues.

In addition, the staff of the Investment Council will also be direct beneficiaries through the training and technical assistance provided under the Project. Approximately 58 persons will be receiving intensive on-the-job training in a wide array of topics pertaining to investment promotion, while other support staff members (secretaries and assistants) will receive more focused training in the use of the computer information system and various operational manuals.

Apart from prime investors opening new plants, the project is designed to produce secondary investments, primarily from domestic sources, responding to markets identified as a "fall out" of the investor search activities of the ICP. Such export-oriented activities may be expected to generate an increase in the size of operations of existing plants, the development of new small industries, and a redirection and expansion of cottage industries. Thus the beneficiaries would include the full range of domestic entrepreneurs and their employees.

Indirect beneficiaries will include small business entrepreneurs who by virtue of increased demand will be able to expand their activities, with resultant income augmentation. Similarly such businesses are expected to increase their employee requirements. Panamanian economists calculate that one and a half secondary jobs will be created in industry, commerce or agriculture for each direct job generated by new industry. Thus, total employment generation should be in the range of 15,000 to 22,000 new jobs.

The Panamanian economy, the GOP and society as a whole will also derive substantial direct and indirect benefit. The economy will be more balanced; GDP should rise, especially in the industrial sector; government tax receipts are likely to increase, foreign exchange earnings should rise substantially; and resources, now idle, may be channeled into productive activities. These idle resources, consisting in large part of the unemployed, should, when utilized contribute to an increase in domestic stability. During the previous 10 to 15 years, legislation provided for a more equitable sharing of the "economic pie". This project will help make that pie larger.

D. End of Project Status:

1. An operational mechanism in place capable of promoting not less than $24.0 million in direct new investment in export-oriented industry in Panama, and generating not less than 3,000 new direct jobs each year;

2. The institutional capacity to establish short and long term organizational goals, to set programmatic responses to such goals, to set program and management evaluation guidelines, to develop routine administrative systems for the effective functioning of the organization, and to coordinate and serve as a liaison with other governmental agencies and private sector organizations in the area of investment promotion;

3. The capacity to identify areas for policy research and make recommendations to GOP policy makers for maintenance/modification of legal and administrative elements which contribute positively to Panama's investment climate, to develop priorities and targets in investor search activities, to develop and evaluate yearly operational plans for ICP line and staff offices, and to disseminate relevant investor, market and industrial information to governmental agencies and private sector entities;

4. The investor search capacity to systematically contact upwards of 2000 targeted foreign investors per year, to provide them with appropriate information regarding investment opportunities in Panama, to evaluate and prioritize potential investors, and to arrange for 100 "high interest" investors to visit to Panama, per year;

5. The reception capacity to schedule, receive, guide and arrange business contacts and facilities for a minimum 100 interested foreign investors per year, to identify 50 local investors yearly as joint venture partners and provide reception services to 50 local investors;

6. The investor service capacity to make arrangements with other GOP agencies to process all documentation required for compliance with Panamanian law and application for incentive benefits for not less than 50 foreign and 20 domestic investors yearly, each case to be processed in less than 60 days and to provide follow-up services for 50 foreign and 20 domestic investors yearly.

E. Project Strategy:

1. Narrowly-focused Role:
Central to the philosophy of this project is the concept of the ICP as a promoter and facilitator of export-oriented foreign investment.

2. Intentionally Small Size:
ICP will be kept purposely small and whenever possible activities will be channeled through other entities. For example, while the ICP will be a sounding board for policy reform and recommendations through its Board of Directors, it will not carry out the policy studies, but rather commission other agencies, firms or individuals to carry out the analyses. Similarly, the ICP will not maintain a large legal staff, but rather will maintain a list of local lawyers capable of meeting investor legal needs.

3. Building Upon Previous Efforts:
During the first 9-15 month period of operations, the ICP will draw upon the experience of the "Maquila" staff and utilize the "Maquila" investor files which contain approximately 400 inquiries from firms which have expressed some interest in investment in Panama over the last several years. "Maquila" is the former light industry assembly promotion program absorbed by ICP.

4. Operational Phase-in:
By the time opportunities/leads developed by the Maquila program have been used up, all ICP units will be staffed and trained at a level sufficient to carry out promotion activities in all program areas, albeit not at full capacity.

5. Targeted Investor Search:
The design of a process for selection of "high potential" investor targets, so that investor search activities will be well targeted and cost effective. This should permit the organization to produce results early and to increase credibility with the GOP and the private sector.

6. Institutional Relationships:
Development of mutally supportive relationships with government entities and private sector groups. This is designed to secure participation of all appropriate government agencies as co-sponsors of forthcoming policy recommendations and avoid the necessity of maintaining a large technical staff.

F. Project Methodology

1. Background:

The success of any investment promotion effort is based on the number of firms that ultimately decide to locate in a country along with the amount of the investment and the number of jobs created. A subsidiary concern is to minimize the social costs in support of such investments.

2. Basic Elements:

The operational methodology of the ICP combines many of the characteristics of other successful investment promotion entities from around the globe, borrowing heavily from the experience of Ireland and State of Florida. The classical model provides for establishment of overseas offices, targeting of potential clients, designation of priority development sectors and geographic areas, mass media and individual contact communication methods and provision of pre-investment and post investment resources and services.

The ICP has tailored its operations to reflect world, Panamanian and its own realities. Each of the standard elements of investment promotion has been incorporated into the ICP organizational and operational framework. Specialized functional units are devoted to each category of required activity, making for professionalism and for orderly procedures. Recognizing that its staff is inexperienced, its management controls still untested, its geographic markets not yet fully evaluated; the ICP is contracting for technical assistance, marketing services, and training while it builds competence. Not until that competence is well established, not earlier than the end of 1984, will it consider opening overseas offices. In the meantime separate teams operating with the assistance and advice of investment promotion specialists will serve overseas markets while based in Panama.

3. Targets in Geographic Areas

The ICP will choose its targets with considerable precision utilizing established analytic processes. However, the targeting process and its level of intensity will vary as the ICP steps up its operations and as markets in different geographic areas offer greater or fewer opportunities.

Initial focus will be on the U.S. market. Its size, diversity and cost structure make it especially attractive. Under arrangements with the Florida Department of Commerce all promotion personnel will initially train in the U.S. market. Market activities will not necessarily be limited to establishment of new U.S. owned facilities to Panama, but will also seek to induce U.S. firms who have facilities in other areas of the world, which are declining in competitiveness, to shift those facilities to Panama. Latin American targets will be pursued on a selective basis, with attention focused on special situations, and transport advantages of Panama for servicing of multi-national Latin American markets.

European efforts are expected to concentrate primarily on Germany and France. Firms from these countries appear to be actively seeking external production facilities. However, the recent high level of interest in Panama shown by Spanish companies may lead to greater concentration on Spain.

The targeting of industries in Asia will focus on those countries which are experiencing cost pressures, e.g. Japan, Singapore, Korea and Taiwan. The political outlook for Hong Kong with its attendant uncertainties makes that Colony of considerable interest to the ICP.

4. Description of Target Industries:

The industries sought will be primarily characterized by a high degree of labor intensity. However, the ICP recognizes that the labor/capital mix is selected by the investor and the selection is made on the basis of the mix necessary to compete in international markets. Priority will be given to firms which utilize local materials e.g., agricultural, forestry or marine, including those which develop mineral and agricultural resources. Value added in Panama will be the basis for giving priority to assembly type industries. Further, priority will also be given to those industries which can readily and profitably be established in the Interior.

The choice of Panama as a production site will be made by the management of each company as a result of its assessment of its own unique requirements. The ICP cannot and will not pre-judge which companies are best served by producing in Panama. The ICP will however, avoid "gypsy" companies, weak or failing companies and those who seek entry into Panama solely for access to credit denied them elsewhere.

G. Project Components-Activities

The project will develop the operational capacity of the ICP to promote and service new export-oriented investment. Training, technical assistance, equipment and materials, and travel/per diem expenses will be financed with AID loan/grant funds and GOP counterpart funds, where appropriate, in four major areas: Management and Institutional Development, Policy and Strategies, Investment Promotion, and Investor Services. These project components are described below.

1. Management and Institutional Development

Description: The management and institutional development component includes: strengthening of the technical coordination and management of the ICP, the development of a computerized information system, and periodic evaluations.

a. Technical Coordination and Management: The design of the ICP, which is modeled after other successful investment promotion agencies, has three operational units with distinct, but interdependent functions. To assist the executive management and office managers in adapting operational systems and developing a smoothly responsive organization, the project is funding a senior resident industrial development advisor to provide on-the-job training to the entire management team. This individual will also provide more specialized technical assistance to the Research and Development staff.

Grant funding is also included for an AID Project Officer (contracted by USAID/Panama) who will assist the ICP with competitive procurement, operational plans and budgets, and who will monitor the project to assure compliance with U.S. Government regulations.

b. Computer Information System: Although the "systems and statistics" function is part of the Research and Development Office, funding for the development of a turn-key mini-computer system was placed in the Institutional Development component due to the importance of the computer to all the offices of the Investment Council. A firm will be selected to design an information system based on ICP needs, develop specialized software, install the system, and train ICP personnel in its use. The ICP will be the focal point for the development of a large mass of investment/investor data and policy studies which must be accessed and updated quickly and easily. Eventually, other government agencies should be able to access the databank via remote terminals.

c. Evaluation: The choice of investment promotion strategies, the decision on establishing overseas offices, the effectiveness of ICP policy recommendations, and the progress of the institution as a whole will be some of the issues addressed by annual review teams. The project provides grant funding for these evaluations, which will be jointly organized by the ICP and AID.

Outputs: 8 senior staff members trained; program and operational policies developed; management guidelines set; computer data base established and functioning; and 3 annual evaluations.

Funding: AID $1,003,000 DL and $200,000 DG; GOP $3,119,000

2. Policy and Strategies

Description: Three major activities contribute to the overall policy and strategies component: policy formulation, market strategies, and operational planning. The ICP Research and Development Office(R&DO), which is responsible for these activities, will be guided by the following considerations:

a. Policy Formulation: In keeping with the ICP's strategic role as a facilitator, the R&DO will not perform policy studies; rather it will commission policy studies, financing only those not funded by other sources.Attempts will be made to have such studies done by MICI's Policy Analysis and Research Unit created under the Employment Planning and Generation Project (525-0221), by the four ministries (Finance, Planning, Labor, Commerce) involved in the Development Administration Project (525-0209), or by university professors and other local/international consultants. However, it is considered critical to have the resource flexibility to finance policy studies or supporting analysis to resolve issues and make recommendations to the Board of Directors and the government on a timely basis. Thus, funding has been tentatively allocated to finance an estimated 3 studies per year in areas which the Research and Development Office deems as meriting attention.

In addition, 6 members of the Research and Development Office and the Managing and Deputy Director will receive 30 months of training in policy analysis through the life of the project.

b. Market Strategies: In order to develop the ICP information data base and define market strategies for focusing investor search activities, consultant services will be contracted to carry out (1) competitive studies, (2) international trade studies, (3) product studies and (4) special studies over the life of the project.

Short term training will be provided to Research and Development Office members in this area at various international sites, e.g. UNIDO in New York City, the University of Oklahoma Industrial Development Program, State of Florida Investment Promotion Office in Gainesville, Florida.

c. Operational Planning: Besides its "think-tank" role, the Office of Research and Development will play the key role in the operational planning for the ICP. Once the Managing Director's Office has set policy guidelines, the R&DO will be asked to develop the operational plans and targets for the two line offices, Investment Promotion and Investor Services, and evaluate the results after each operational year. The advisor to the Managing Director described above will play a key role here. Training provided in this area will be on-the-job.

Outputs: 10 policy studies; approximately 13 competetive, international trade, product and special studies; 8 persons trained ; and yearly operational plans and investment targets developed.

Funding: AID $1,635,000 DL; GOP $604,000

3. Investment Promotion

Description: Two major activities are subsumed in the Investment Promotion Component: (a) Investor Search and (b) Investor Reception. The project provides training and technical assistance to the Office of Investment Promotion, which will carry out the following activities:

a. Investor Search: GOP funds in investor search will finance the setting up and staffing of four promotion groups dealing with the U.S., Europe, Asia and South America from a central office in Panama. AID loan funds will train personnel, develop promotional campaigns and materials, finance special activities such as attendance at various conferences and trade fairs and visits to other investment promotion agencies.

Because of the need for the ICP to seemingly run before it can walk, a turn-key promotion activity has been suggested. This would involve a private consulting firm actually setting up an overseas promotion system; operating the system for an initial period and at the same time providing on-the-job training to ICP personnel who would then take over the investor search operations.

b. Investor Reception: The GOP will provide office space, equipment, vehicles, and personnel. AID funds will finance targeted promotional materials, training of personnel and three investor forums. One of these forums will be a follow-on to an initial forum developed by UNIDO to match serious investors with potential investment opportunities in Panama.

Outputs: 5 specialized promotion groups operating; turn-key promotion system; 18 persons trained; promotional materials; 131 promotional missions; 3 investor forums; and various conferences/trade fairs/observation trips.

Funding: AID $1,080,000 DL; GOP $4,137,000*

* Includes salaries, publicity, travel, per diem, representation.

4. Investor Services

Description: This component will strengthen the "one-stop" concept, which is critical to the overall investment promotion effort. Two major activities handled by the Office of Investor Services(ISO) are document processing and coordination of infra-structure services:

a. Document Processing: Most governments specialize in red tape and the Goverment of Panama is no exception. In order to gain certain fiscal benefits provided by the Contrato de la Nación, for example, an investor must go through 34 separate steps, a processing period which may take from six months to a year. While the ICP will certainly be looking into this area under its policy recommendation mandate, there are remedial efforts that can be effected immediately within the actual system. Thus, AID funds will be used to provide short term technical assistance to improve the document flow within other ministries and agencies. Funds from the Development Administration project (525-0209) will be used whenever feasible, albeit that project does not cover all the entities involved in the investor documentation process.

b. Coordination of Infrastructure Services: Once an investor is ready to start construction, along come a series of headaches trying to deal with the water, sewer, electricity, public works and telephone companies. While the ICP has designated persons in each area to speed the process, coordination of these services is still weak. Thus, the project will finance a series of seminars to improve the Services personnel's understanding of their roles as regards the ICP, the importance of investment promotion to Panama, and how such services can be coordinated and provided on a more timely basis. Funding of two additional vehicles will improve logistical support provided to investors.

Outputs: 5 ISO personnel trained in new document processing procedures; various service coordination seminars; and functioning motor pool.

Funding: AID $55,000 DL; GOP $250,000.

H. Project Inputs

Project inputs by component are summarized in Table 3-1. These are classified as either commodity, training, or technical assistance. The use of "turn-key" technical assistance in this project raises some definitional problems in budget allocation. "Turn-key" is taken to mean a package of technical assistance in which contracted personnel carry out a substantial portion of the actual work, while providing-on-the-job training to the personnel of the ICP. This does not lend itself to classification of the contracted services as either technical assistance or training. Nor is it practical to attempt to divide any given package into technical assistance and training components.

The project design team classified "turn-key"activities as training if major purposes of the activity was to develop staff competence; as technical assistance, if its major purpose was to carry out a specific operational requirement (See Annexes B.3 and B.4).

The inputs allocated to Institutional Development are those whose impact will be distributed throughout the agency: management training and support, an investor/investment information system, and evaluations.

In the Policy and Strategies component, inputs are heavily weighted toward studies and research which produce operational data. There is, however, substantial training "fall out" from the technical assistance activities.

The bulk of the inputs in Investment Promotion are for technical assistance to permit rapid access to potential investors in Europe and Asia. The complementary input for Investment Promotion training covers travel and per diem costs of the ICP staff who will learn marketing techniques during the Asian and European campaigns.

The inputs to Investor Services are relatively minor. Strengthening of ISO will be largely accomplished through extension of informal contacts, improvement in procedures, and acquisition of relevant data.

TABLE 3-1
PROJECT INPUTS

Component/Input	Quantities	AID/DL-G ($000)
1. Institutional Development		
Commodity (Computer)	1	420
Training	42p/m	583
Evaluation/Project Officer	51p/m	200
		1,203
2. Policy and Strategies		
Technical Assistance	157p/m	1,577
Training	2p/m	59
		1,636
3. Investment Promotion		
Technical Assistance	36p/m	615
Training	36p/m	464
		1,079
4. Investor Services		
Commodity (Cars)	2	27
Technical Assistance	5p/m	28
		55
Grand Total		3,973

I. Relation to AID Program Objectives

The ICP project constitutes a formal, pragmatic linkage between the GOP and the commercial business community directed towards the attainment of public objectives through private sector initiatives. Those objectives - employment generation, reorientation of industry, increased foreign and domestic investment, increased participation in export markets - are fully consistent with current AID policies and overall program objectives. Moreover, the ICP provides an instrument for policy evaluation and a means of giving substance in the form of experience and credibility to the emerging policies.

1. Relationship to the CDSS

The FY 1984 Country Development Strategy Statement (CDSS) states that "An effort has begun by the GOP to rethink previous policy, to mend relations with the private sector and to re-stimulate private investment ... Our strategy is designed to help support and encourage this change in the Government's development strategy while simultaneously encouraging and supporting the positive private sector response to that change." The formation of the ICP as a major "joint-venture" of the GOP and the business community will give substance to their emerging developmental strategy and provide critical support to private sector investment initiatives.

The objectives of the ICP are nearly identical with those of the Mission's CDSS which emphasizes the need to increase employment opportunities through five program elements: (1) Appropriate policy formulation; (2) labor-intensive industries promotion, (3) private sector strengthening; (4) small business development and (5) manpower planning and development. The ICP is designed to identify policy issues, commission policy analysis and make recommendations. Its operational function is to promote and service investors in export-oriented industry, emphasizing labor-intensive industry whenever practical. The ICP also serves as a private sector-government sounding board through the participation of its board members. Finally, it provides a linkage to manpower development efforts by identifying industrial manpower needs of the clients it serves, and thus gives practical focus to the activities of manpower programs. In brief, the ICP objectives and activities represent an unique confluence of governmental, private sector and USAID policies and objectives.

2. Complementary Mission Projects

The Development Administration (525-0209) project will help improve the administrative and human-resource capabilities of four ministries, the majority of funding focused on employment-related entities within the Ministries of Commerce and Labor. Specifically benefitting are the Directorates of Foreign and Internal Trade (DICOMEX and DICOIN) of MICI and the National Employment Directorate (DNE) and the National Skills Training Institute (SENAFORP) of MITRAB.

Through technical assistance, the capacity of these agencies to design and implement policies and strategies and to improve their administrative procedures will be developed.

The Employment Planning and Generation (525-0221) project consists of three components: The first, located within MICI, is developing the institutional capability to identify and analyze problems related to employment-generation policies and to identify opportunities for change that will stimulate private-sector investment in labor-intensive industries. The second component will provide MITRAB with a workforce information system linking employment generating activities to the worker training institutions. The third component is designed to stimulate investment in labor-intensive activities by providing credit to small and medium-size enterprises under the supervision of the National Bank of Panama (BNP).

The Panamanian Association of Business Executives (APEDE) has received an Operational Program Grant (OPG) to create within this organization the permanent capability to offer management and technical training to small entrepreneurs. The APEDE (525-0225) project is experimental in that a variety of methodologies are being developed and tested so that training can be tailored to the needs of each individual business.

The planned Workforce Development (525-0214) project will create a non-formal skills-training system responsive to labor-market needs. The project primary activity will be the creation of a training fund managed by the private and public sectors which will provide funding to business, labor and individuals to improve their job skills and thus raise productivity.

Funds are being provided to the Overseas Education Fund, a U.S.-based private, voluntary organization, to implement a three-year Women's Skills Training (525-0229) project with Human Resources Development Institute (IFARHU). Through this OPG, 600 low-income women will be trained in skills that allow them to start their own small business or obtain employment elsewhere.

3. Relation to the Caribbean Basin Initiative

The ICP initiatives are directed primarily at the development of export industry through attraction of foreign investors who already possess a market position in the major industrial nations. It proposes a continuing effort to improve the investment climate of Panama and to undertake an intensive effort to identify potential investors and to facilitate their entry into the Panama industrial community. Thus its objectives in this respect are a particularly appropriate response to the proposed Reagan administration Caribbean Basin Initiative. In whatever form the CBI legislation eventually appears, Panama by virtue of the ICP project will be in position to respond more rapidly and effectively to the opportunities offered.

4. Relationship to AID Policy Papers

This project is fully consistent with two recent (May 1982) AID policy papers: Bureau for Private Enterprise Policy Paper and Private Enterprise Development. The former has as its goal to foster the growth of productive self-sustaining, income and job producing private sectors in developing countries using the financial, technological and management expertise of the U.S. private sector, indigenous resources, multilateral institutions and Agency resources as appropriate. The ICP particularly responds to the three PRE Policy Paper objectives which call for: (1) "...the establishment, improvement and expansion of productive developmentally desirable private enterprises in priority sectors in developing countries;" (2) "Bring together investment opportunities in developing countries, U.S. and host country capital and experienced management, thereby transferring technical, managerial and marketing expertise from the U.S. to the developing countries;" and (3) "Stimulate and help create conditions conducive to the flow of U.S. and host country private capital into productive investment in priority sectors in developing countries." The objectives of ICP activities are practically identical with these and provide a basis for formulation of programs which will add substance to these mutually supportive policies and objectives.

The concerns outlined in the Private Enterprise Policy Paper are in direct consonance with ICP activities, particularly in the area of improving the functioning of LDC markets. There the paper notes that AID assistance should be channeled "through encouraging policy reform as well as strengthening institutions which serve the private sector (e.g. financial intermediaries) and developing the human resources needed in key skill areas." Specifically, the ICP project will (1) foster high level review and analysis of policies effecting the investment climate; (2) strengthen a new institution with a key private sector role; and (3) support the development of critical management skills through training and technical assistance.

5. Other Donors

UNIDO has recently begun to provide technical assistance to the ICP in project preparation. Budgeted at $500,000, the UNIDO project will primarily identify products which can be manufactured or produced in Panama through utilization of the natural resource endowments of the country.. This activity is "product oriented" i.e. it identifies products first and then looks for markets for those products. This is complementary to the USAID funded activities which are "market oriented" i.e. they look for companies with existing markets and try to induce production in Panama in response to those markets. The U.N. project is expected to continue for two and one half years and will require 54 person/months of effort.

The Irish Development Agency (funded by the EEC) is expected to provide assistance in respect to the European Markets. The nature of the assistance has not been defined at this time. It will probably take the form of special training in Ireland, familiarization with European market characteristics and general advice to ICP management.

The Florida Department of Commerce has agreed to place its facilities at the disposal of the ICP for purposes of training ICP personnel in promotional techniques in the U.S. The ICP expects to use the facilities in its 1983 training program.

PART IV. PROJECT ANALYSIS

A. Economic Analysis

In analysing the economic feasibility of the project the Mission concluded that the conventional economic analysis establishing a relationship between costs and benefits or arriving at a rate of return on investment would not be an appropriate guide for AID's participation or non-participation in the financing of the ICP project. The methodology chosen and the results of this analysis are summerized below.

Obviously, the objective of the Government in establishing ICP and financing its costs from public funds is to ameliorate the severe unemployment problem with considerable social as well as economic costs.

However, it is equally obvious that the success in employment generation is not attributable solely to ICP efforts since no employment shall be generated in the absence of investment by private individuals and firms. Therefore, it would be excessively optimistic to credit ICP for the benefits accruing to the economy and neglecting the costs born by the investors.

To undertake a cost benefit analysis of hypothetical categories of investments would be a theoretical exercise beyond the purpose of this study and possibly irrelevant to the employment generation objectives of the Government. Therefore, it has to be assumed that an investment would not take place unless the investor was reasonably certain that he would obtain a rate of return equivalent to other opportunities open to him.

Following this line of reasoning, but in order not to disregard the argument that since ICP as the catalytic agent is responsible for all investments and therefore only ICP costs should enter the cost benefit calculations, two sets of cost benefit calculations have been undertaken. In case A benefits are compared with only ICP costs. In case B benefits are compared with ICP costs plus the required minimum initial capital investment costs. Based on information collected from labor intensive manufacturing industries, the figure of $8,000 was used as the average amount of investment needed for each employment generated.

On the benefit side, as return on investment was not considered the appropriate yardstick for the evaluation of the project whose objective is generation of employment and it was assumed that all investors would obtain a rate of return equivalent to other opportunities open to them, it was considered reasonable to measure the success of the project in terms of the domestic value added of labor. Value added was confined to the nominal yearly salary a worker receives plus employment benefits not directly paid to the worker, i.e., about $2,470 per year in 1983.

Admittedly there are other benefits, but for the purposes of this exercise they were ignored partly because of the very positive results obtained from these partial benefits and also because of the difficulty in obtaining accurate data on other benefits.

In all calculations, to arrive at present value, a discount rate of 12 per cent was used, this being accepted as the opportunity cost of capital in Panama. Project costs are for the life of the project, i.e., four years, while benefits were extended to ten years.

The business of ICP is generation of employment through promotion of investment. A crucial point here is the number of investors that could be attracted to Panama, the type of manufacturing industries that might be established, and the number of workers employed. For this purpose recourse was made to the track record of other countries which have been engaged in the business of investment promotion for export, with features similar to Panama, and with labor costs equal or higher than those prevailing in Panama. For the sake of simplification only industries producing "Maquila" goods for export to the United States were included. On this basis a hypothetical model was constructed assuming that the pattern of investment in Panama would by and large follow the same pattern and his would be the profile of industrial structure that could be expected to develop. If this were to be the case, the average numbers of workers in an industry would be 215, with the large firms employing 335 and small ones 100. This information would determine the number of industries; small, medium or large, that would have to be established in order to generate the minimum number of jobs or the targets established by ICP.

On the basis of these assumptions and the methodology described above, the conclusions arrived at are favorable. These are summarized here. For details, refer to Annex II, Section C. 1.

1. Under Case A, whereby only ICP costs are included, a benefit cost ratio of 1.0 is achieved by generating 760 jobs for 1986 and maintaining that employment level until 1992. This employment level is attainable with a minimum of 2 large industries or a maximum of 8 small ones.

2. Under Case B, whereby capital investment is also included, a benefit cost ratio of 1.0 is achieved by generating 1622 jobs for 1986 and maintaining that employment level until 1992. This level of employment is attainable with a minimum of 5 large industries and a maximum of 16 small ones.

3. The benefit cost ratio of the project, given the ICP employment generation goals of 8,500, would range from 1.61 if the costs are inclusive of both ICP expenditures and capital investment to 11.1 if only ICP costs are applied. The number of industries to be established to reach ICP employment goals would range from 25 large industries to 85 small ones at the end of the fourth year.

Whether financed from budgetary allocations or loan, ICP expenditures are costs to the Government. Counter balancing these costs are the taxes collected by the Government as the result of the successful promotion efforts of ICP. Applying a domestic value added of $7.3 thousand per worker, an autonomous expenditure multiplier of 1.5 and a marginal tax revenue rate of 16.7 per cent, it is estimated that over a 10 year period tax revenues attributable to the project would be $27 million for a benefit cost ratio of 1.0 and considerably more if ICP employment generation goals are achieved.

Based on the above analysis and conclusions, the Mission considers the project economically justified.

B. Financial Feasibility

1. Introduction

As the activities proposed for financing under the project are not in themselves revenue producing , the financial analysis will not attempt to justify the project's financial soundness in the traditional sense. The budget section covers the basis for the development of the Project budget, the allocation of costs between the AID Loan and GOP Counterpart, the projected expenditures by year during the life of the Project and the recurring costs to the GOP of the Project.

2. Budget Analysis

The total estimated cost of the project is $12.1 million ($3.8 million A.I.D. Loan $0.2 million AID Grant, and $8.1 million, GOP counterpart). The loan will be fully funded in fiscal year 1983 subject to availability of funds. The overall project financial plan is presented in Table 4-1 and shows, by component, the AID loan/grant and GOP counterpart costs.

About 30% of the GOP budgetary support consists of in-kind contributions, principally salaries of persons already on the Government payroll. The remainder will be utilized to acquire additional personnel, fund travel and per diem costs, which will be incurred in promotional activities in Panama, U.S.A., Europe, Asia and Latin America, and to fund advertising and publicity associated with those activities. In preparation of the budget personnel costs which will eventually comprise nearly half of the ICP budget are projected to rise at about 15% per year.

Annex II.C.2 presents the detailed budgets for AID loan and GOP counterpart funded activities. The figures therein show the estimated costs within each project component and how these costs were developed.

3. Allocation of Costs and Projected Expenditures by Year (US $000)

The Loan will finance 33% of the project's cost, the Grant 2%, and GOP counterpart 67%. The major loan funded activities are: Policy and Strategies, $2,084 (17%); Investment Promotion, $1,080 (9%); Investor Services, $55 (0%); and Institutional Development, $554 (5%). The Grant of $200 will pay for periodic evaluations and a project officer. GOP counterpart costs will be: personnel, $3,530 (29%); logistical support (including vehicles, fuel, maintenance, and rent), $1,809 (15%); and marketing, $2,771 (23%). Projected disbursements by component by year over a five-year period are shown in Table 4-2.

Table 4-1

PROJECT FINANCIAL PLAN [1/]

(US $000)

COMPONENT	AID/DG	AID/DL	GOP	TOTAL
A. Policy & Strategies				
1. Policy Studies	--	795	--	795
2. Marketing Studies	--	782	--	782
3. Training	--	507 [2/]	--	507
B. Marketing (Promotion)				
1. Promotion Activities	--	---	2,771 [3/]	2,771
2. Investor Forums	--	180	-	180
3. Technical Assistance	--	435	--	435
4. Training	--	465	--	465
C. Investor Services				
1. Technical Assistance	--	28	--	28
2. Vehicles	--	27	--	27
D. Institutional Development				
1. Training	--	134 [2/]	--	134
2. Equipment & Material	--	420	235	655
3. Operational Expenses	--		5,104	5,104
E. Evaluation	95	--	--	--95
F. Project Officer	105	--	--	--105
TOTALS	200	3,773	8,110	12,083

1/ Refer to Table 3 of Annex II, Section C.

2/ The industrial development advisor is shown here under Policy and Strategies, as opposed to Institutional Development.

3/ Includes publicity, travel, per diem, representation.

Table 4-2

INVESTMENT COUNCIL OF PANAMA PROJECT

PROJECTED EXPENDITURES BY YEAR 1/

(US $000)

COMPONENT	AID Year	GOP No.1 2/	AID Year	GOP No.2
A. Institutional Development	-	300	479	520
B. Policy and Strategies	195	-	682	-
C. Investment Promotion 3/	92	300	655	632
D. Investors Services	-	-	55	-
E. Evaluation & Project Officer	-	-	70	-
F. Operational Salaries		300	-	930
TOTALS	287	900	1,941	2,082

COMPONENT	AID Year	GOP No.3	AID Year	GOP No.4
A. Institutional Development	59	480	15	509
B. Policy and Strategies	638	-	570	-
C. Investment Promotion 3/	203	907	130	932
D. Investor Services	-	-	-	-
E. Evaluation & Project Officer	70	-	60	-
F. Operational Salaries	-	1,070	-	1,230
TOTALS	970	2,457	775	2,671

1/ For details, refer to Annex II, Section C, Table 1, for GOP figures, and Table 3 for AID figures.

2/ 2nd 1/2 of 1983

3/ Includes publicity, travel, per diem, and representation.

4. Recurring Costs

Except for the purchase of a few vehicles, office equipment and furniture and a computer (to be financed from AID loan fund), all ICP counterpart expenditures are of a recurring nature. The level of these expenditures will increase approximately 14% per year to $2.7 million in the last year of the project.

5. Conclusion

Based on the financial analysis summarized above, the project is considered to be financially feasible with respect to planned disbursements, counterpart funding and recurring project costs.

C. Technical Feasibility

1. Feasibility of the Investment Promotion System

The ICP model comprises a hybrid of investment promotion models already being used in various parts of the world. The ICP model simply marshals the favorable eatures of other models, and adapts these to the specific economic/investment circumstances of Panama. The short-run outlook for successful operations is tempered by the current recession, and in any event an investment promotion system is not expected to produce major results for about 18 months to 24 months after initiating operations.

The long run outlook is highly favorable, provided that attention is given to adjustment in labor law and practices, that political and social stability is mantained and that Government services are improved. The advantages which Panama offers and to which foreign investors have already responded include: strategic geographic location, extensive (albeit sometimes costly) international transport network, good to excellent infra-structure, good supportive industries and services, relatively low cost labor (lower than Singapore, Taiwan, Korea and Hong Kong) generally good skill levels among the workforce, a well educated and hence trainable workforce, a good record of productivity in existing export industries, a sophisticated local business community, good experience with joint-ventures and excellent living conditions for ex-patriates.

Recent detailed cost comparisons by Sugamaan and Associate for specific assembly industries indicated that Panama was cost competitive with other Central American nations, and offered substantial advantages over Far Eastern nations.

The initial decisions to focus the ICP was based upon an objective assessment of its ability to attract investment. Subsequent interest shown by U.S. European and Japanese firms confirm the assessment.

2. Human Resources Availability

The primary source of human resources for this project will be the existing ICP staff of 30 professional and support employees plus 25 still to be recruited. Careful selection, training, and motivation of investment promotion personnel is considered key to the success of this project. In addition to criteria such as preparation and experience, personnel will be chosen with regard to maturity and ability to perform in a Team. The opportunities offered for professional growth are expected to increase the capability of project personnel to perform effectively at all levels of the project.

3. Infrastructure

Maintenance of physical facilities is not considered a problem.

4. Replicability

The ICP concept, organization and program is readily replicable and adaptable to special circumstances of other countries. Its ease of replicability arises from the functional approach taken in its design. The functions identified are those which are necessary for any coherent investment promotion program, as are the activities which support such functions. In the Panamanian configuration, the ICP operates as the "sophisticated salesman", and recommends policy and procedural changes to other government agencies. Other countries' ICP equivalents may also make policy or perform additional administrative functions. In any case, the basic ICP design is adaptable to differing degrees of institutional authority, size requirements, and market focus.

5. Adequacy of Investment Demand

The level of fixed investment required to meet minimum employment generation goals over the project period is $68 million. This assumes a per employee investment of approximately $8000. The assumption is based upon a probable mix of industries heavily weighted, during the project years, with assembly industries, whose per workers fixed investment averages about $2500. This is offset by more capital intensive industries such as ship breaking (a current project being considered) whose per worker costs may exceed $16,000; and agro-industry facilities in which sophisticated and costly processing equipment will be required.

Fixed capital investment is expected to be provided primarly by foreign investors, with some injections from Panamanian banks. This will be supplemented substantially by local investors who already have approached the ICP seeking associations with foreign companies or joint-ventures.

6. Adequacy of Trained Labor Force

The Panamanian labor force is relatively well educated and foreign firms have experienced little difficulty in training personnel. The adequacy of the labor force in respect to skill levels and skill diversity is generally good although deficiencies do exist in some areas. It is argued by business representatives that the Labor Code has been a disincentive to on-the-job, employer sponsored training. It is also argued that the training provided by public agencies is inadequate and misdirected. These concerns are being addressed by the GOP, private sector organizations, and the USAID. No problems are anticipated in filling assembly and semi-skilled positions, but a scarcity of skilled mechanics, electronic technicians, etc. would impede the development of certain projects.

D. Administrative Feasibility

Administrative requirements were substantially addressed in project design: and procedures, reporting needs, methods, flows and control systems are well advanced in most areas of activity. Shifts in priorities and consequent re-allocation of workload has, from time to time, strained the nascent administrative system; but it is expected that the system will function well as priorities are stabilized and full staff is acquired and trained.

The project design takes advantage of institutional capacities, staffs, resources and outputs of other agencies to the extent possible. The ICP thus trades-off reduction in its own resource and operational needs with the need to coordinate and assure good performance in cooperating agencies. The coordination function is not at this time fully operative. Responsibilities and the inter-face mechanism between the ICP and cooperating agencies are being defined at ministerial and working levels. This process may be expected to continue throughout 1983. Successful resolution of these definitions are essential to project success and are receiving attention at highest levels of government.

Internal operations are impeded by staffing problems. There have been difficulties in obtaining personnel with outstanding qualifications for key positions. Some additional personnel will be required to fill technical positions which were undefined in early project design, and the appointment of a Deputy Director will be required to lessen the burdens on the Managing Director, whose wider respsonsibilities in the Government make great demands on his time. The required staffing is expected to be completed prior to or early in 1984. Hiring practices, responding to the shortage of fully qualified personnel, have created wide discrepancies in salaries paid to persons occupying apparently identical positions. This may create severe morale and retention problems as training is completed and when performance of lower paid personnel approaches or exceeds that of the higher paid. This problem is being addressed and a system of entry and promotion criteria is expected to emerge during the next year.

The administrative problems of the ICP are to be expected in a new--and this case a uniquely different--government organization. Given the attention of senior management, successful resolution of the problems are expected in due course; and no serious impediments to successful operations are foreseen.

PART V. PROJECT IMPLEMENTATION ARRANGEMENTS

A. Project Management and Coordination

1. Role of USAID

The Entrepreneurial Resources Group (ERG) has primary responsibility for monitoring the project. With the assistance of the Offices of Development Resources and Controller, the AID Project Officer will:

- Assist the ICP in preparation of documents required for competitive procurement;
- Assist in developing financial plans and work plans;
- Review and monitor annual ICP training and technical assistance plans and suggest modifications as needed;
- Coordinate project evaluation activities;
- Monitor project activity, ensuring compliance with conditions and covenants, taking management action as necessary; and,
- Report on the project to Mission management and ARDN as appropriate.

2. Role of ICP

Successful implementation of the project requires technical expertise, agressive promotion, and coordination at the policy and operational levels within the government as well as with various private sector entities. To meet these requirements, a project technical-management core will be established by the ICP in Panama City. This core will consist of the following officers:

The Minister of the Presidency
The ICP Board of Directors
The ICP Managing Director
The ICP Project Coordinator (Deputy Director)
The MICI Coordinator
External Advisory Groups
Consultants

Project management and coordination roles are summarized below:

Minister of the Presidency

The Minister of the Presidency will provide broad policy guidance to the ICP Board of Directors, the Managing Director of the ICP, and cooperating agencies as regards the content of activities and the roles of the various entities and their personnel. Once these guidelines are set, it is anticipated that the Minister's involvement will be required only when new project policy issues arise.

ICP Board of Directors

These individuals will oversee the project. While not involved in the day-to day minutia of project implementation, the ICP Board will bear the responsibility for national level coordination of the project, presentation of counterpart funding requirements to the Minister in conjunction with the ICP Managing Director, and making decisions on the further expansion of the investment promotion efforts.

ICP Managing Director

The ICP Managing Director will have the primary responsibility for the implementation of the project and for coordinating its activities with other Ministries. He will have the overall responsibility for decisions regarding project personnel, facilities, provision of logistical support and technical assistance. The Managing Director will also be responsible for the development of the yearly counterpart budgets in consultation with the ICP Board of Directors for presentation to the Minister in support of the ICP Project.

ICP Project Coordinator

The ICP Project Coordinator, probably the Deputy Director, will report directly to the Managing Director and will be responsible for the day-to-day management of the project. This person will be a critical element in the implementation of the project, responsible for the technical execution of all project activities, supervision of technical assistance personnel and for the quality/quantity of the technical outputs. Such an individual should have a technical background in business/investment promotion, possess public management skills and have proven experience in the implementation and evaluation of complex development projects. Specifically, he/she will be charged with:

(a) Developing/finalizing scopes of work for all technical assistance provided under the project;

(b) Scheduling technical assistance as regards the most efficient timing of inputs and their proper sequence of execution;

(c) Over-seeing all technical-assistance inputs and outputs;

(d) Facilitating the work of technical assistance consultants within and between the ICP's various field offices;

(e) Coordination of training, infrastructure, and logistic support plans;

(f) Suggesting remedial actions and/or additional inputs for those activities suffering implementation difficulties.

MICI Coordinator

MICI will name a coordinator to be charged with coordinating the day-to-day activities between the ICP and MICI's PARS units and the Foreign Commerce Directorate (DICOMEX). As with the Project Coordinator, the MICI Coordinator will be responsible for facilitating and coordinating the work of the consultants within MICI and for coordinating those activities with other members of the commercial sector.

External Advisory Committee

Three or four highly experienced investment promotion executives and international businessmen will constitute and advisory and evaluation team. This work collectively or individually with the Board of Directors and the Managing Director.

Consultants

Consultants providing technical assistance will be responsible to the Managing Director and work under the daily supervision of the Project Coordinator. Their specific counterparts will be the technical personnel in the various departments, MICI's Policy and Studies Group or the Project Coordinator as required. Any problems or difficulties with consultants that cannot be resolved by the Project Coordinator, in consultation with the technical personnel, will be raised to the level of the ICP Managing Director.

B. Summary Project Implementation Plan

The ICP will be designated as implementing agency in the Project Agreement, responsible for project planning, administration and coordination of inputs such as technical assistance and training.

The four-year implementation schedule provides for the integration of ongoing ICP activities with new project elements. The extensive organization and planning that has preceded project finalization is expected to ease normal project implementation delays. Given the close GOP collaboration in project development; negotiation and execution of the project should proceed rapidly.

The following are planned key activities dates for project implementation:

(Additional information can be obtained from Annex B.3.)

Dates	Activity
1983	
June 30	Loan/Grant authorized
July 15	Project Agreement signed
August	Develop Procurement Specifications
August	Initial Conditions Precedent met (Section F.1 below)
September	Contract short term technical assistance for 1983
September	Project promotional campaign begins
September	Subsequent Conditions Precedent met(Section F.2 below)
September	Prepare RFP's for long term technical assistance
October	Begin solicitation and evaluation of proposals
November	Begin special studies
December	U.S. market identification/training completed
December	External Advisory Committee selected
December	Complete negotiations on long-term technical assistance contracts
December	Completion of training of RDO staff
December	Submission of training and technical assistance plan for 1984/85
1984	
1st Quarter	Continuation of U.S. market studies Complete training of first two promotion teams
2nd Quarter	Begin promotion visits to U.S. Begin Latin America Promotion Team training
3rd Quarter	Begin Asian Promotion Team training Begin European Promotion Team training Submission of a training plan for 1985/86
4th Quarter	Conduct first evaluation Begin promotion in LA and South America Begin promotion in Asia
1985	
1st Quarter	Begin European promotion campaign
4th Quarter	Conduct second evaluation
1986	
4th Quarter	Conduct third evaluation
1987	In-depth impact evaluation PACD

C. Training

The various diagnostic studies pointed out training needs for technical and operational-level personnel in 3 areas: (1)Policy issue identification (2) Marketing Analysis and (3) Promotion Activities . More detailed information on specific training needs and the planned program can be found in Annex B.3.

D. Procurement of Goods and Services

1. Overview

AID guidelines suggest that the Borrower under an AID project be charged with the procurement of goods and services unless there are mitigating circumstances. In the case instant, it is felt that a realistic assessment of the GOP's current administrative constraints suggests the need for some initial procurement help by AID. Specifically, AID will purchase (1) the automated data processing/information system and (2) the investor services vehicles.

Once the actions described above have been completed, it is expected that AID's active procurement/contracting support role will end. With the planned technical assistance and training in institutional development, policy and strategy and investment promotion, the ICP will assume responsibility for the procurement of all goods and services financed under the Project.

E. Project Evaluation

Annual progress evaluations will be held in 1984, 1985 and 1986 with an in-depr impact evaluation scheduled six months before the PACD in September 1987. The progress evaluations will be a joint ICP/AID evaluation effort to review the project's progress. Given the various investment marketing methodologies being utilized, AID and the GOP will have to assess their success to some degree before deciding to expand/curtail these activities. Regular progress evaluations will:

1. Examine the Project's design to determine if it conforms to current reality;

2. Examine the timely provision and quality of inputs by AID and the GOP;

3. Compare and analyze actual progress toward achievement of planned outputs and purpose; and

4. Identify and analyze implementation problems, their causes and effects.

5. Assess the strengths and weaknesses of other promotion methodologies and consider which positive attributes might be worthwhile incorporating and/or expanding in the ICP.

Using the results of each evaluation, the combined ICP/AID evaluation team will hold a workshop to prepare an action document that contains major findings and recommended orrective actions. This report will be submitted to the ICP Board of Directors, the Minister of the Presidency, and the Minister of Planning. The ICP Managing Director and Project Coordinator will be responsible for ensuring that the recommended actions are carried out within the time period specified in the evaluation report.

The final End-of-Project evaluation will be prepared by an outside group of consultants. This evaluation will cover the topics mentioned above and also determine whether the project has achieved its end-of-project status, determine the project's positive and negative impacts, catalogue what lessons have been learned, and specify if these lessons apply to the other phases of investment promotion activities under implementation, or to other Mission sectoral projects or to activities in other countries. Copies of this report should be delivered to the Ministers of Planning and the Presidency and AID within 30 days of the Project PACD.

F. Conditions, Covenants and Negotiating Status

The project has been thoroughly discussed with members of the public and private sectors at the national level and has been formally presented to the Minister of Planning and Economic Development, the Minister of Commerce and Industry and the ICP Board of Directors. Reaction has been favorable and there appear to be no major impediments to negotiating and signing the Project Loan and Grant Agreement in FY 1983. The formal GOP request for the project from the Minister of Planning is shown in Annex I.B. On the basis of Mission analysis, in addition to the standard conditions, we are recommending the following:

1. Conditions Precedent to First Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of commitment documents under the Project Agreement to finance any Project activity, the GOP shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(a) Evidence that all heads of the ICP offices, the new Deputy Director, most of the of professional staff have been recruited making a total of at lest 22 professional staff members on board.

(b) Evidence that a Project Coordinator has been appointed in the ICP.

(c) Agreement between the Ministry of Commerce and Industry ("MICI") and the Investment Council of Panama (ICP) which details MICI's responsibilities and the resources to be committed under the Project and how activities will be coordinated between the MICI and the ICP;

(d) A legal opinion from the Procurador General to the effect that the ICP has been legally created and constituted under Panamanian law.

2. Conditions Precedent to Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any Project activity except for the procurement of computer equipment and software and the contracting of a project officer by USAID, the GOP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(a) A financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over the first year of the Project;

(b) A quarterly work plan, to be submitted each quarter during the first year of the Project, which details each Project Activity to be carried out during such quarter and a budget which details the proposed AID funds for each such activity.

3. Recurring Conditions Precedent to Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any new Project activity, each Project year after the first Project year, the GOP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(a) a financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over such Project year;

(b) a quarterly work plan, to be submitted each quarter during such year, which details each Project activity to be carried out in such quarter and a budget which details the proposed AID funds needed for each such activity.

4. Covenants

The GOP shall covenant that, unless AID otherwise agrees in writing, it will:

(a) Provide budgetary support to the ICP over the life of the Project of not less than the equivalent of US $8,110,000 for Project activities and to provide adequate budgetary support to the ICP for on-going activities after the life of the Project;

(b) Make reasonable efforts to retain personnel trained under the Project in positions related to investment promotion and/or employment generation.

ANNEX I: STANDARD ATTACHMENTS

Section A: Logical Framework Matrix

Section B: Borrower Loan Request

Section C: PID/DAEC Cable

Section D: Draft Authorization

Section E: Statutory Checklists

Section F: Environmental Threshold Decision

INVESTMENT COUNCIL OF PANAMA
PROJECT DESIGN SUMMARY: LOGICAL FRAMEWORK MATRIX

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
A. Sector Goal To marshall public and private investment resources to increase employment opportunities	1. Levels of investment 2. Job creation 3. Appropriate legislative and and administrative changes.	Census & national statistics	1. Panama is competitively positioned to compete in international markets. 2. Investment climate adequate to attract investment.
B. Project Purpose To develop the operational capacity of the Investment Council of Panama (ICP) to promote and service new export-oriented foreign and domestic investment.	A mechanism in place capable of promoting direct new investment in export-oriented industry in Panama attributable to the Project of not less than $24 million per year in current dollars and the generation of not less than 3,000 direct new jobs each year. Indicators	Annual Project Reviews Project evaluations AID Project Files GCP statistics	1. The current world-wide recession does not deepen or continue through the life of the project. 2. Gov't. and private sector commitment to ICP concept continues.

	1983	1984	1985	1986	Totals
Direct					
Investment ($ millions)	9.6	14.4	20.0	24.0	68.0
Jobs	1200	1800	2500	3000	8500
Indirect					
Investment ($ millions)	6.0	9.0	12.0	12.0	39.0
Jobs	1800	2700	3750	4500	12,750

Total investment: $millions 107
Total jobs: 21,250

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
C. Project Outputs			
1.0 Institutional Development A senior management staff trained and able to develop program and operational policies and guidelines for the ICP.	1.1 Personnel Trained — 83 / 84 / 85 / 86 / Total (1) Executive Director — 1 / 1 (1) Deputy Director — 1 / 1 (3) Office head (line) (1) Office head (staff) (5) Directors — 6 / 6	1. ICP records and files. 2. AID Project files. 3. Consultant reports. 4. Project Evaluations	1. Persons trained under the project begin work on a timely basis, are located where needed and work in the subject areas in which they were trained.
2.0 Policy and Strategy A unit capable of identifying areas of policy research and making recommendations to the ICP board; developing priorities and investor search targets set out in yearly ICP operational plans; developing and disseminating investment, market and industrial information.	2.1 Trained Personnel: 4 2.2 Studies — CY 83 / 84 / 85 / 86 / Total Policy studies — 1 / 4 / 3 / 3 / 12 Competitive studies — 1 / 3 / 1 / 1 / 5 Product Studies — 10 / 10 / 10 / 10 / 40 Special studies — 1 / 5 / 5 / 5 / 16 Seminars — 2 / 4 / 4 / 4 / 16 Totals — 15 / 26 / 23 / 23 / 87 2.3 Annual Plans — 1 / 1 / 1 / 1 / 4 2.4 Information System System On-line — - / 1 / - / - / 1 Personnel trained — 4 / 20 / 12 / - / 36	Consultant report and performance	Recruitment of personnel is timely and retention rates high. Specialized T.A. from experience sources.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
3.0 Investment Promotion Investor search and reception mechanisms capable of locating investors, promoting Panama and attending to investor needs on arrival in Panama.		1. ICP record and files 2. Quarterly Work Plans. 3. Project evaluations 4. Turn-key promotion system evaluation	1. That the turn-key system is not found to be more cost effective after first year evaluation.

2.1 Investor Search

Activity	CY 83	84	85	86
1. Overseas Offices				
a. United States	1	-	1	
b. Europe	1	-	1	
c. Asia	-	1	1	
d. South America		1	1	
Total	2	2	4	
2. Turn-key Promotion				
a. System operational	-	1		
b. ICP staff trained				

3. Promotion Activities	CY 83	84	85	86	Total
a. Promotion materials	2	4	8	20	34
b. Promotion campaigns	1	3	5	6	15
c. Observation trips	4	8	6	6	24
d. Attendance at trade fairs and conferences	4	10	14	14	42
e. Training (persons)	3	5	-	-	8
f. Promotion booths	-	2	-	-	2

2.2 Investor Reception

Activities	CY 83	84	85	86	Total
a. Training	2	3	-	-	5
b. Foreign investors	25	75	100	100	300
c. Local investors	5	10	20	20	55
d. Investor forum	-	-	-	1	1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS						MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
4.0 Investor Services	4.1.1 Activities	83	84	85	86	Total	1. Review of ICP and USAID Project Records.	1. It is assumed that ICP personnel will be reassigned to or recruited for the project as needed, that counterpart funding is forthcoming for equipment and materials.
An investor serice mechanism capable of processing all required documentation in a timely fashion and coordinating the provision of infrastructural services.	a. Personnel trained						2. ICP reimbursement requests	
	b. Coordination seminars					3	3. Project evaluations	
	c. New Documentation Processing Procedures	1	3	2	-	6		

5.0 Inputs

	(US $000) AID/DL	GOP	Total
1. Training	1,106	-	1,106
2. Technical Services	2,220	-	2,220
3. Equipment & Materials	447	70	517
4. Travel/Per Diem	293	492	492
5. Evaluation - Project Officer	200	-	200
6. Operational Expenses (Salaries, rent, utilities, etc.)	-	7,598	7,598
Project Total	3,973	8,110	12,083

Total AID Loan Funded	$3,973
Total GOP Counterpart	8,110
TOTAL PROJECT	12.083

República de Panamá
RECIBIDO
Ministerio de Planificación y Política Económica
JUL 6 1983
US AID/PANAMA
C&R SECTION

5 de julio de 1983
DPEyS/DPIyNP-165

Señor
Robin L. Gómez
Agencia para el Desarrollo
Internacional (AID)
Ciudad.

Estimado señor Director:

Por este medio solicitamos de la Agencia para el Desarrollo Internacional (AID) que usted dignamente dirige en Panamá, el respaldo financiero requerido para llevar a cabo el proyecto denominado "Consejo Nacional de Inversiones".

Como es de su conocimiento, el Gobierno de Panamá le viene dando una alta prioridad a todas las actividades que conllevan a un aumento en el empleo del país. Por este motivo, funcionarios del sector público y de la AID, conjuntamente con consultores técnicos, han estado trabajando en el diseño de un proyecto que dé respuesta a dicho problema. Esta respuesta en parte, ha sido la concepción del proyecto "Consejo Nacional de Inversiones".

El proyecto tiene como objetivo desarrollar la capacidad operacional del recientemente creado Consejo Nacional de Inversiones de Panamá. Esto se daría a través del fortalecimiento de cuatro áreas que son: investigación y desarrollo, mercadeo, servicios a los inversionistas y desarrollo institucional. Con ese fin, se desea promover y proporcionar servicios de apoyo a los inversionistas de nuevas inversiones, orientadas principalmente a la exportación, y a aumentar el empleo en el sector privado.

El proyecto será ejecutado y coordinado por el Consejo Nacional de Inversiones de Panamá con la participación del Ministerio de Comercio e Industrias (MICI). Su período de ejecución se estima en cuatro años, comenzando en el año 1983.

El costo total del proyecto se estima en B/.12,083,000, de los cuales AID financiará B/.3,973,000 que incluyen un préstamo de B/.3,773,000 y una donación de B/.200,000, y el resto, -- B/.8,110,000 será la contrapartida del Gobierno de Panamá en especie y efectivo para asegurar el éxito del mismo. El préstamo solicitado tendrá plazo de 20 años, incluído un período de gracia de 10 años, para pagos sobre el principal; debiendo el

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Gobierno pagar a la AID en concepto de intereses el dos porciento (2%) anual durante diez (10) años a partir de la fecha del primer desembolso y subsiguientemente el tres porciento (3%) anual sobre el saldo del principal y sobre cualquier interés vencido.

Por lo anteriormente expuesto, deseamos reiterar nuestra solicitud, sabiendo de antemano el respaldo positivo que ustedes han brindado y seguirán brindando al Proyecto.

Atentamente,

J. MENALCO SOLIS R.
Ministro

ACTION: AID-3 INFO: DCM CHRON

ACTION COPY
TO: HRD NAN
ACTION TAKEN
DUE: 2/3/83
DATE 2/1/83 INITIALS

Annex I.C.
Page 1 of 3

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DE RUSBC #6847/01 0290634
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DLN: 579
29 JAN 83
TOR: 0645
CN: 03853
CHRG: AID
DIST: AID

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: INVESTMENT COUNCIL OF PANAMA PID GUIDANCE CABLE

1. THE SUBJECT PID WAS REVIEWED AND APPROVED AT A DAEC MEETING HELD ON JANUARY 18, 1983. IN ADDITION TO THE ISSUES RAISED BY THE MISSION IN THE PID, THE PP SHOULD ALSO ADDRESS AND TAKE INTO CONSIDERATION THE QUESTIONS AND GUIDANCE THAT FOLLOW.

2. THE PP SHOULD CLARIFY THE EXTENT TO WHICH THE INVESTMENT COUNCIL OF PANAMA (ICP) WILL SERVE AS AN OPERATIONAL OR COORDINATING ENTITY IN ITS DIFFERENT AREAS OF ACTIVITY. SPECIFICALLY, THE WORKING RELATIONSHIP BETWEEN THE ICP AND THE MINISTRY OF COMMERCE AND LABOR (MICI) IN THE AREAS OF POLICY FORMULATION AND ANALYSIS, AND EXPORT AND INVESTMENT PROMOTION SHOULD BE FURTHER DEFINED. FOR EXAMPLE, THIS DISCUSSION SHOULD DESCRIBE HOW THE ICP WILL BENEFIT FROM AND/OR PROVIDE IMPETUS TO FUNCTIONS CURRENTLY BEING CARRIED OUT BY THE INTERNAL AND FOREIGN COMMERCE DIRECTORATES (DICOMIN AND DICOMEX) AND THE POLICY AND RESEARCH SYSTEM UNIT (PARS) WITHIN MICI.

3. WITH RESPECT TO THE ENABLING DECREE CREATING THE ICP, MISSION REPRESENTATIVES AT THE DAEC REVIEW EXPRESSED THEIR DISSATISFACTION WITH VARIOUS ASPECTS OF THE DECREE AND STATED THAT THE MISSION IS CONSIDERING, AS A CONDITION PRECEDENT (CP) TO INITIAL DISBURSEMENT OF PROJECT FUNDS, THAT THE DECREE BE REVISED TO REMEDY THE STRUCTURAL AND ADMINISTRATIVE WEAKNESSES AS IDENTIFIED. IT WAS QUESTIONED AT THE DAEC REVIEW WHETHER IT IS MORE APPROPRIATE THAT THESE REVISIONS BE A CP TO LOAN SIGNING INSTEAD. GIVEN THE SIGNIFICANCE OF THIS DECREE, BOTH WITH REGARD TO THE AUTONOMY AND EFFICIENT FUNCTIONING OF THE ICP, THE BUREAU HAS REQUESTED TO BE ADVISED OF WHAT REVISIONS ARE MADE DURING THE INTENSIVE REVIEW AND HOW THE MISSION PROPOSES TO DEAL WITH SHORTCOMINGS THAT STILL MAY EXIST BY THE TIME THE PROJECT IS READY FOR AUTHORIZATION.

4. IN LIGHT OF THE CONCERN REGARDING GOP ABILITY TO ADEQUATELY FUND THE PROJECT'S OPERATIONAL EXPENSES OF

OFF	ACT	INF
DIR		✓
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C&R		

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C&R SECTION

THE ICP DURING AND AFTER THE LIFE OF THIS PROJECT, THE MISSION SHOULD CAREFULLY EXAMINE THE MOST COST-EFFECTIVE ORGANIZATIONAL DESIGN AND MODE OF OPERATION. SPECIFICALLY, IN TERMS OF ACHIEVING THE LOWEST INVESTMENT PROMOTION COST PER JOB CREATED, THE INTENSIVE REVIEW SHOULD EXAMINE: (A) THE ADVANTAGES AND DISADVANTAGES OF CONTRACTING WITH A CONSULTING FIRM TO PERMANENTLY CARRY OUT INVESTMENT PROMOTION ACTIVITIES VERSUS HIRING A CONSULTING FIRM TO PERFORM PROMOTIONAL ACTIVITIES DURING THE FIRST YEAR OF THE PROJECT AS A STOP-GAP MECHANISM UNTIL THE ICP IS ADEQUATELY STAFFED AND TRAINED TO DIRECTLY ASSUME RESPONSIBILITY FOR THESE TASKS; (B) WHETHER THE ICP SHOULD ESTABLISH OVERSEAS OFFICES OR WORK EXCLUSIVELY OUT OF PANAMA; AND (C) THE EXTENT TO WHICH THE ICP COULD PIGGYBACK ON THE INVESTOR SEARCH AND PROMOTION ACTIVITIES BEING CARRIED OUT BY MICI PROVIDED THESE ACTIVITIES WERE UPGRADED THROUGH BETTER STAFFING AND/OR INCREASED FUNDING. IF IT IS DECIDED TO CONTRACT WITH A CONSULTING FIRM FOR ONLY THE FIRST YEAR OR SO, THE ICP SHOULD ENSURE THAT THE FIRM WILL LEAVE IN PLACE, WITHIN THE COUNCIL, THE OPERATIONAL CAPACITY AND KNOW-HOW TO INDEPENDENTLY PERFORM INVESTMENT PROMOTION ACTIVITIES UPON TERMINATION OF THE CONTRACT.

5. WITH REGARD TO THE ABOVE, IT WOULD APPEAR THAT THE AMOUNT OF TRAINING PROGRAMMED FOR THE FIRST YEAR OF THE PROJECT ASSUMES A LARGE PERMANENT STAFF AND THE PHASING-OUT OF THE CONTRACTORS, YET THE PID APPEARS TO KEEP OPEN THE POSSIBILITY THAT THE TRAINED STAFF WOULD BE REDUCED IN LATER YEARS WITH CONTRACTORS CONTINUING TO PERFORM

FUNCTIONS FOR WHICH THE STAFF WAS TRAINED. IF, FOR BUDGETARY OR TECHNICAL REASONS, THE MISSION CANNOT BE ASSURED AT THE OUTSET THAT THE HIGHER STAFF LEVELS CAN BE MAINTAINED, THEN THE HIRING AND TRAINING IN THE EARLY PART OF THE PROJECT SHOULD BE SCALED BACK.

6. RELATED TO THE ISSUE OF FINANCING, THE MISSION SHOULD INVESTIGATE VARIOUS COST RECOVERY SCHEMES FOR RECUPERATION OF AT LEAST PARTIAL COSTS OF SERVICES RENDERED AND ACTIVITIES CARRIED OUT BY THE ICP IN ORDER TO ASSIST IN MEETING THE FINANCIAL NEEDS OF THE ORGANIZATION.

7. PROJECT SUCCESS WILL BE PRIMARILY JUDGED BY ITS EMPLOYMENT GENERATING IMPACT. THE EMPLOYMENT GENERATION POTENTIAL OF NEW INVESTMENTS --BOTH DIRECT AND INDIRECT-- SHOULD BE A MAJOR SELECTION CRITERION IN THE ICP'S INVESTOR SEARCH AND PROMOTION ACTIVITIES. THE EMPLOYMENT GENERATION TARGETS PRESENTED IN THE PIT SEEM LOW AND THE COST PER JOB GENERATED APPEARS HIGH RELATIVE TO THE OBJECTIVES AND CRITERIA OF INVESTMENT-TE)

EMPLOYMENT PROJECTS IN OTHER COUNTRIES. THE MISSION SHOULD EXAMINE THESE RATIOS CAREFULLY AND IS ENCOURAGED TO LOOK AT THE CARIBBEAN EXPERIENCES AS A POINT OF REFERENCE IN ESTABLISHING AMBITIOUS, BUT REALISTIC, TARGETS FOR DIRECT AND INDIRECT JOB GENERATION AS A RESULT OF THIS PROJECT. SECONDLY, THERE REMAINS THE QUESTION OF WHETHER THE EXPLICIT FOCUS ON PRODUCTION FOR EXPORT AND THE IMPLICIT FOCUS ON MANUFACTURING AND ASSEMBLY OPERATIONS MAY BE LEAVING OUT OTHER POSSIBLE EMPLOYMENT GENERATING INVESTMENTS THAT COULD BE STIMULATED BY THE ICP. THE PP, THEREFORE, SHOULD PROVIDE AN ANALYTICAL JUSTIFICATION FOR THIS LIMITATION IF IT IS TO BE MAINTAINED

8. ONE OF THE MAJOR FACTORS RESTRICTING FURTHER DEVELOPMENT OF EXPORT INDUSTRIES IN PANAMA IS LABOR PROBLEMS AND YET, WHILE THE MINISTRY OF LABOR IS TO BE REPRESENTED ON THE BOARD OF DIRECTORS OF THE ICP, THERE IS NO ORGANIZED LABOR PARTICIPATION. DURING PROJECT DEVELOPMENT THE MISSION SHOULD EXAMINE THE EXTENT TO WHICH THE ICP SHOULD BE ENCOURAGED TO INCLUDE ORGANIZED LABOR AS A PARTICIPANT ON ITS BOARD AND THE IMPLICATIONS OF ITS INVOLVEMENT OR LACK THEREOF FOR THE ICP TO EFFECTIVELY PERFORM ITS MANDATED TASKS.

9. AS REQUESTED, PROJECT AUTHORIZATION AUTHORITY IS HEREBY DELEGATED TO THE USAID/PANAMA MISSION DIRECTOR PURSUANT TO DELEGATION OF AUTHORITY 133-1, SECTION 6.

THE MISSION IS ENCOURAGED TO ACCELERATE SIGNING OF PROJECT AGREEMENT, CURRENTLY SCHEDULED FOR JULY 1983, TO JUNE 1983. PLEASE ADVISE SOONEST IF MISSION WILL NOT BE ABLE TO MEET OBLIGATION TARGET DATE. SHULTZ
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#6847

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PROJECT AUTHORIZATION

Name of Country: Panama

Name of Project: Investment Council of Panama

Number of Project: 525-0239

Number of Loan: 525-W-054

1. Pursuant to Section 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Investment Council of Panama project for Panama involving planned obligations of not to exceed Three Million Seven Hundred Seventy Three Thousand United States Dollars ($3,773,000) in loan funds ("Loan") and Two Hundred Thousand United States Dollars ($200,000) in grant funds ("Grant") over a four year period from date of authorization, subject to the availability of funds in accordance with AID OYB/allotment process, to help in financing foreign exchange and local currency costs for the project.

2. The project ("Project") consists of support to the Investment Council of Panama (ICP) in the areas of (i) institutional development (ii) policy and strategy, (iii) investment promotion, and (iv) investor services to strengthen the ICP's capacity to promote and service new export-oriented and domestic investment in Panama.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with AID regulations and Delegations of Authority, shall be subject to the following essential terms and major conditions together with such other terms and conditions as AID may deem appropriate.

a. Interest Rate and Terms of Repayment

The GOP shall repay the Loan to AID in U.S. Dollars within twenty (20) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The GOP shall pay to AID in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (i) two percent (2%) per annum during the first ten (10) years, and (ii) three percent (3%) per annum therafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Commodities, Nationality of Services (Loan)

Commodities financed by AID under the Loan shall have their source and origin in Panama or in countries included in AID Geographic Code 941, except as AID may otherwise agree in writing. Except for ocean shipping,

the suppliers of commodities or services financed by AID under the Loan shall have Panama or countries included in AID Geographic Code 941 as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Loan shall be financed only on flag vessels of Panama or countries included in AID Geographic Code 941, except as AID may otherwise agree in writing.

c. Source and Origin of Commodities, Nationality of Services (Grant)

Commodities financed by AID under the Grant shall have their source and origin in Panama or in the United States, except as AID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed by AID under the Grant shall have Panama or the United States as their place of nationality, except as AID may otherwise agree in writing. Ocean shipping financed by AID under the Grant shall be financed only on flag vessels of the United States, except as AID may otherwise agree in writing.

d. Conditions Precedent to First Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of commitment documents under the Project Agreement to finance any Project activitiy, the GOP shall, except as AID may otherwse agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) Evidence that at least 22 professional staff members including the heads of the ICP offices and the Deputy Director are on board;

(2) Evidence that a Project Coordinator has been appointed for the ICP;

(3) An agreement between the Ministry of Commerce and Industry ("MICI") and the Investment Council of Panama (ICP) which details MICI's responsibilities and the resources to be committed under the Project and how activities will be coordinated between MICI and the ICP;

(4) A legal opinion from the Procurador General to the effect that the ICP has been legally created and constituted under Panamanian law.

e. Conditions Precedent to Disbursement (Loan and Grant)

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement to finance any Project activity except for the procurement of computer equipment and software and the contracting of a project officer by USAID, the GOP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) A financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over the first year of the Project;

(2) A quarterly work plan, to be submitted each quarter during the first year of the Project, which details each Project activity to be carried out during such quarter and a budget which details the proposed AID funds for each such activity.

f. Recurring Conditions Precedent to Disbursement (Loan)

Prior to any disbursement, or the issuance of any commitment document under the Project Agreement to finance any new Project activity, each Project year after the first Project year, the ICP shall, except as AID may otherwise agree in writing, furnish to AID, in form and substance satisfactory to AID:

(1) A financial plan which details Loan, Grant and GOP counterpart funds budgeted for all activities to be carried out over such Project year;

(2) A quarterly work plan, to be submitted each quarter during such year, which details each Project activity to be carried out in such quarter and a budget which details the proposed AID funds needed for each such activity.

g. Covenants

The GOP shall covenant that, unless AID otherwise agrees in writing, it will:

(1) Provide budgetary support to the ICP over the life of the Project of not less than the equivalent of US $8,110,000 for Project activities and to provide adequate budgetary support to the ICP for on-going activities after the life of the Project;

(2) Make reasonable efforts to retain personnel trained under the Project in positions related to investment promotion and/or employment generation.

_____
Robin Gomez
Director

_____
Date

5C(1) -- COUNTRY CHECKLIST

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBLITY

1. FAA Sec. 481. Has it been determined that the government of the recipient country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? — No

2. FAA Sec. 620(c). If assistance is to a 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) the debt is not denied or contested by such government? — No

3.	FAA Sec. 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?	No
4.	FAA Sec. 532(c), 620(a), 620(f), 620D; FY 1982 Appropriation Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?	No
5.	ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assistance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.	Not applicable
6.	FAA Sec. 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?	No

7.	FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?	No
8.	FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?	No
9.	FAA Sec. 620(q); FY 1982 Appropriation Act Sec. 517. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?	No
10.	FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the annual "Taking into	Yes

Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

11. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

Panama is not in arrears in its payments of its U.N. obligations.

13. FAA Sec. 620A; FY 1982 Appropriation Act Sec. 520. Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism? Has the country aided or

No

abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? — No

15 FAA Sec. 669, 670. Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) — No

16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed — No

to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria.

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? — No

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest? — No

b. ISDCA of 1981, Sec. 725(b). If ESF is to be furnished to Argentina, has the President certified that (1) the Govt. of Argentina has made significant progress in human rights; and (2) that the provision of such assistance is in the national interests of the U.S.?

Not applicable

c. ISDCA of 1981, Sec. 726(b). If ESF assistance is to be furnished to Chile, has the President certified that (1) the Govt. of Chile has made significant progress in human rights; (2) it is in the national interest of the U.S.; and (3) the Govt. of Chile is not aiding international terrorism and has taken steps to bring to justice those indicted in connection with the murder of Orlando Letelier?

Not applicable

5C(2) PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only: B.1. applies to all projects funded with Development Assistance Funds, B.2. applies to projects funded with Development Assistance loans, and B.3. applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

Yes.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1982 Appropriation Act Sec. 523; FAA Sec. 634A; Sec. 653(b).

   (a) Describe how authorizing and appropriations committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that amount)?

   (a) The project was included in the AID FY 84 Congressional Presentation as a proposed $3 million grant project.

   (b) The original grant project was modified to a $3.8 million loan and $200,000 grant project. A congressional notification was sent to congress and the 15 day waiting period expired on , 1983.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,00, will there be

(a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes
3. FAA Sec. 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 purpose of the assistance?	The Investment Council of Panama (ICP) came into existence by Presidential Decree on 12/8/82.
4. FAA Sec. 611(b); FY 1982 Appropriation Act Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? (See AID Handbook 3 for new guidelines.)	Not applicable
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?	Not applicable

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	No. the project will develop the capacity of a Panamanian institution to attract investments to Panama in direct competition with other countries.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and 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.	(a) The project will increase international trade. (b) The project will foster private initiative and competition by promoting and facilitating increased foreign and domestic export-oriented investments. (c) Not applicable (d) The project will discourage monopolistic practices by increasing the number of firms in export oriented production. (e) The project is designed to improve the technical efficiency of the ICP in providing its services and of industry, agriculture and commerce by increased investments and competition in the sectors. (f) Not applicable.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Private U.S. firms will provide technical services. The project is specifically designed to promote and service increased U.S. and and other foreign private investments in Panama, thereby increasing trade.

9. FAA Sec. 612(b), 636(h); FY 1982 Appropriation Act Sec. 507. 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 in lieu of dollars.	Not applicable. The currency used in Panama is the U.S. Dollar although it is denominated a "Balboa". There is no U.S. owned local currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	Not applicable.
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
12. FY 1982 Appropriation Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?	The project, by promoting and servicing investments in export oriented production activities for which Panama has comparative advantage, is not expected to cause substantial injury to U.S. producers. It is expected that a substantial number of the new investments will be made by U.S. firms.
13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16? Does	Yes

the project or program take into consideration the problem of the destruction of tropical forests?

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

Not applicable

3. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and

The problem which the project will address is the high level of unemployment resulting from economic stagnation. It is expected that new investments resulting from ICP's activities will generate between 6000 and 9000 new jobs plus an equivalent number jobs resulting from secondary investments. Through relatively labor intensive raw material production processing and through multiplier effects, it is expected that the project will effectively involve rural areas and continue to improve the job possibilities for women.

otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?	
b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used?	Yes
c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	Not applicable
d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activitiy with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	Yes, Panama's contribution exceeds 25% of the total costs of the Project.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than $100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character."	No grant funds for capital assistance will be available under the project.
f. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes
g. FAA Sec. 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	The project recognizes the needs of the country to increase employment opportunities, utilizes and trains human resources towards the institutional development of the ICP.

institutional development; and supports civil education and training in skills required for effective participation in governmental processes esential to self-government.

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

USAID review has concluded that the GOP has the capacity to repay the loan.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, 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?

Not applicable

c. ISDCA of 1981, Sec. 724 (c) and (d). If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

Not applicable

3. Economic Support Fund Project Criteria

a. FAA Sec. 531(a). Will this assistance promote economic or political

Not applicable

stability? To the extent possible, does it reflect the policy directions of FAA Section 102?	
b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?	Not applicable
c. FAA Sec. 534. Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?	Not applicable
d. FAA Sec. 609. If [illegible] commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	Not applicable

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Panama does not discriminate against U.S.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be	Not applicable

financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	
5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of countries otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one or these areas?	Not applicable
6. FAA Sec. 603. Is the shipping excluded from compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates?	Not applicable
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? If the facilities of other	Yes

Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

8. International Air Transport. Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? — Yes

9. FY 1982 Appropriation Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? — Yes

B. Construction

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services to be used? — Not applicable

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — Yes

3. FAA Sec. 620(k). If for construction of productive enterprise, will agggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP)?	Not applicable

C. Other Restrictions

1. FAA Sec. 122(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter?	Yes
2. FAA SEc. 301(d). If fund is established solely by U.S. contributions and administed by an internatioal organization, does Comptroller General have audit rights?	Not applicable
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc co ntries?	Yes
4. Will arrangements preclude use of financing:	Yes
a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family	

planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?	
b. FAA Sec. 620(g). To compensate owners for expropriated nationalized property?	Yes
c. FAA Sec. 660. To provide training or advice or provide any financial support for police, prisons, or other law enforcement forces, except for narcotics programs?	Yes
d. FAA Sec. 662. For CIA activities?	Yes
e. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained?	Yes
f. FY 1982 Appropriation Act, Sec. 503. To pay pensions, annuities, retirement pay, or	Yes

adjusted service compensation for military personnel?	
g. FY 1982 Appropriation Act, Sec. 505. To pay U.N. assessments, arrearages or dues?	Yes
h. FY 1982 Appropriation Act, Sec. 506. To carry out provisions of FAA section 209(d) (Transfer of FAA funds to multilateral organizations for lending)?	Yes
i. FY 1982 Appropriation Act, Sec. 510. To finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?	Yes
j. FY 1982 Appropriation Act, Sec. 511. Will assistance be provided for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	No
k. FY 1982 Appropriation Act, Sec. 515. To be used for publicity or propaganda purposes within U.S. not authorized by Congress?	Yes

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C 20523

LAC/DR-IEE-83-23

ENVIRONMENTAL THRESHOLD DECISION

Project Location	:	Panama
Project Title and Number	:	Investment Council of Panama 525-0239
Funding	:	$5.18 million - All years - Loan $1.0 million - First year (FY 83)
Life of Project	:	Three years
IEE Prepared by	:	Donald Mackenzie USAID/Panama/ODR
Recommended Threshold Decision	:	Categorical Exclusion
Bureau Threshold Decision	:	Concurrence with recommendation
Action	:	Copy to Robin Gomez Director, USAID/Panama
	:	Copy to Donald Mackenzie
	:	Copy to Karen Peake, LAC/DR/SA
	:	Copy to IEE file

James S. Hester Date 18 January 1983

James S. Hester
Environmental Officer
Bureau for Latin America
and the Caribbean

INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Panama, R. P.

Project Title: Investment Council of Panama

Funding: All Years: $5,180,000
First Year (FY'83): $1,000,000

Life of Project: Three Years

Prepared by: Donald R. Mackenzie, ODR

Background:

Section 216.2(c) (2) of 22 CFR Part 216, Environmental Procedures, describes the classes of action which are eligible for categorical exclusion and for which an Initial Environmental Examination is not generally required. The activities of the subject project are applicable to the following categorical exclusions:

1) 216.2(c) (2) (i) Education, Technical Assistance and Training Programs.

2) 216.2(c) (2) (iii) Analyses, Studies, Workshops and Meetings.

3) 216.2(c) (2) (v) Document and Information Transfers.

4) 216.2(c) (2) (xiv) Projects to develop the capability of recipient countries in development planning.

Environmental Action Recommended:

Based on the categorical exclusions discussed above, the Mission recommends that the Investment Council of Panama Project be given a Negative Determination requiring no further environmental review.

Robin Gomez
Mission Director

1/7/83
Date

ANNEX II: PROJECT DEVELOPMENT

SECTION A: BACKGROUND

Exhibit 1: ICP Concept

Exhibit 2: Basic Statistics

Exhibit 3: Progress to Date

ANNEX II: PROJECT DEVELOPMENT

SECTION A: BACKGROUND

EXHIBIT 1: ICP CONCEPT

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The establishment of ICP should be seen in the broad context of Panama's economic development over the last decade, and more particularly, in the context of Panama's major economic problem of the 1980's i.e. the very high level of urban unemployment. A brief review of government policies and economic trends in the 1970's will provide the necessary frame of reference.

Background

Until the advent of the Revolutionary Government in 1968, Panama enjoyed a steady and reasonably satisfactory economic growth. It is estimated that the average annual rate of growth from mid 1950 to 1968 was about 7 percent. The Revolutionary Government, believing that the pattern of past growth dependent on import substitution in manufacturing, income from the Panama Canal, and export of bananas could not be sustained, and furthermore believing that the distribution of income in Panama is grossly distorted, embarked on a strategy of infrastructure support and export expansion in order to create a surplus within the metropolitan area to be invested in the rural areas to reduce poverty.

In the period from 1969 to 1972 public sector expanded rapidly. Large sums were invested in new airports, dams, roads and ports. Foreign owned utility companies were nationalized. Banana lands were purchased and a major land reform program was inaugurated. Furthermore the Government undertook a large expansion of social services, particularly in health and education, covering all the rural population.

Subsequently, in the period from 1972 to 1976 the main emphasis of Government policy was on self-sufficiency in basic agricultural products, direct engagement in productive activities and protection of the lower income groups through price control measures and laws safe-guarding the interests of labor. GOP entered directly into production activities by owning and operating banana plantations, sugar refineries, cement plants and citrus factories.

The expansion of social services, investment in infrastructure, and considerable loss in publicly owned productive enterprises put a heavy strain on Government finance. Coincidentally, in this period there was a slow down in world trade and a significant increase in the price of oil. These developments combined with the unsettling effects of the Panama Canal negotiations and loss of confidence by the private sector to bring about a severe recession, the effects of which are still visible.

Private investment declined from 21% of GDP in 1974 to 8% in 1977. Real private investment in housing and construction which had reached the peak of $170 million in 1974 declined to $50 in 1976 and 1977, and in spite of a gradual recovery in 1979, is still below the 1973 figure.

Private investment in capital goods dropped from $112 million in 1974 to $45 million in 1977. In the same period gross capital formation declined by 35 per cent. In the four years 1973 to 1977 annual growth of GDP was below 2 percent thereby resulting in a fall of per capita output. Unemployment on the national level reached 16 percent and in certain areas 25 percent.

In order to reverse this unfavourable trend the Revolutionaly Government in 1976 embarked on a readjustment and reversal of its policies. In order to encourage private investment it provided new incentives, banned strikes, froze collective bargaining and raised controlled prices. It was also decided not to involve the Government any further in production, but to disengage, to the extent possible, from those enterprises under Government ownership. As a further stimulus to private investment The National Finance Corporation (COFINA) was established to provide equity as well as loans to the private sector.

In spite of these efforts, the current economic condition of Panama has not shown much improvement. (See Exhibit 1). Overseas demand remains weak. Private investors take a wait-and-see attitude. Tourism is severely depressed. Present estimates put unemployment at more than 15% percent. It is estimated that the growth of GDP in 1982 might have been about 3 percent and in 1983 none at all.

At present the Government attaches the highest priority to the resolution of unemployment which in the last few years has reached an unreasonably high proportion. Measures of a temporary nature, such as Emergency Employment Program under which 25,000 public sector jobs were created with salaries of $100 per month for a period of about 2 1/2 years until February 1980, had a high cost and short term effect. A more realistic, productive and long term approach was necessary. A cursory review and analysis of the prevailing economic conditions and opportunities indicated that a continuation of the promotion of import substitution manufacturing industries was unrealistic because by and large the demands of the domestic market were already satisfied. Nor could the development of agriculture have an impact because of the low capacity for employment generation in the rural areas and the concentration of job-seekers in the Metropolitan area. Service industries, particularly banking, insurance and tourism would continue to generate employment. However, it is unlikely that the rate of growth of these activities will continue to be as high as in the recent past. Furthermore the skills required in these activities are not to be found among the mass of unemployed.

Panama's comparative advantage in the western hemisphere lies in the possession of certain assets which could be conducive to foreign investment in manufacturing industries for export if properly exploited. Among these, the more important ones are the geographic location of the country, its proximity and easy accessability to the markets in the north and the south and the Canal which makes the imports and exports of goods economical.

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The monetary system of Panama being based on the United States dollar, thereby eliminating the fears of transferability and loss in foreign exchange, is a very important factor in the decisions of foreign investors. Furthermore, Panama has a highly developed infrastructure in port facilities, roads, telecommunication, banking, insurance, residential housing, office accomodation, industrial sites and educated manpower. The favorable social climate of the country and its relative political stability should make it more attractive than many other countries in this region . Finally, the fiscal incentives provided by Panama for investment in new industries or the expansion of existing ones are not inferior to those in other countries in the region which are actively pursuing a policy of foreign investment.

Panama, in spite of its size, population and natural resources, has ranked third in United States foreign investment in Latin American and fifth (third in 1975) in OECD foreign investment among Latin America and Caribbean countries. The availability of foreign savings for domestic loans is due to the favorable factors and comparative advantages referred to above. Moreover, it is to be assumed that a number of recent development, such as the Caribbean Basin Initiative, the bilateral investment treaty between the United States and Panama which is near agreement, the expansion of the Colon Free Zone, the availability of industrial sites in the reverted Canal Zone, and the trend in the United States to move labor intensive operations abroad, particularly to Mexico, the Caribbean and Central American countries, should improve the conditions for foreign investment.

Having concluded that a solution to the problem of unemployment is to be found in investment, especially foreign investment in labor intensive export oriented manufacturing industries, the next step was to determine how promotion of foreign investment could best be achieved.

For this task the Government hired the services of an Advisory Group staffed by the investment banking firms Kuhn Loeb Lehman Brothers, Lazard Freres, and S.G. Warburg. The report of the Advisory Group submitted to the Government in December 1980 concluded that "promotion efforts have been hindered by a dispersion of the responsibility among several ministries and agencies and by limited budget". Improvement of the existing decentralized programs which come under the responsibility of Ministry of the Commerce and Industry, the Ministry of Finance and Treasury, the Ministry of Planning, the National Finance Corporation, etc. the Advisory Group suggested that Government assistance could be better organized and recommended that "the promotion of foreign investment be assigned exclusively to one agency, i.e. Investment Agency-Panama." It recommended that top priority be given to organization of foreign investment promotion, that a new independent agency solely responsible for promotion with the full support of the government be created and that the new agency would operate as a one-stop agency. The investors would be able to handle all contacts with the Government through this agency which would be the spokesman for all the ministries and other Government entities.

A subsequent report by the same group dealt with the detailed proposals for the organization of such an agency---now called The Investment Council of Panama.

The recommendation of the Advisory Group was accepted by the Government and the Presidential Decree 79 of August, 1982 created the Investment Council of Panama.

ANNEX II: PROJECT DEVELOPMENT

SECTION A: BACKGROUND

EXHIBIT 2: BASIC STATISTICS

EXHIBIT 2: BASIC STATISTICS

The attached tables provide basic statistical data on economic trends; i.e. gross domestic production and its composition, credit to the private sector, population trends and labor force employment and unemployment in Panama.

Table 1	GDP, 1970 to 1981
Table 2	Percentage Change in GDP 1970-81
Table 3	Composition of Gross Capital Formation by Sector and Type of Goods, 1970-81
Table 4	Balance of Outstanding Credit to Private Sector by Commercial Banks, 1970-82
Table 5	Labor Force Data, 1960-79
Table 6	Unemployment by Age Groups, 1976
Table 7	GDP and Employment by Sector, 1960 and 1979
Table 8	Unemployment by Region
Table 9	Population Trends
Table 10	Investment, Loans, and Employment in COFINA-Aided Projects
Table 11	Unemployment in the Metropolitan Region

Table 1

Gross Domestic Production in 1970 prices
(in million of dollars (1970-81)

		1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 (P)	1980 (P)	1981
1.	Agriculture, Forestry, Hunting and Fishing	149.1	160.7	155.4	157.1	147.9	158.6	167.1	175.5	189.1	181.0	177.6	182.8
2.	Mines and Quaries	1.9	2.2	2.4	2.9	2.7	2.5	2.2	2.1	2.2	2.4	3.1	3.6
3.	Manufacturing Industry	127.3	135.4	141.6	150.5	152.5	147.0	150.7	152.5	154.9	172.0	179.0	174.1
4.	Electricity, Gas and Water	21.8	23.8	24.9	31.7	33.1	38.3	42.6	44.0	46.7	52.4	53.5	56.6
5.	Construction	68.2	85.0	87.0	99.6	87.9	96.9	99.6	73.8	102.5	102.4	126.5	141.2
6.	Commerce, Whole sale and Retail, Restaurants and Hotels	161.0	176.3	185.2	193.3	202.6	191.0	197.9	202.3	219.6	240.9	255.2	255.6
7.	Transportation, Warehousing and Communications	61.2	69.7	80.5	90.7	118.2	116.0	109.7	121.6	145.1	155.4	175.4	186.1
8.	Financial Institutions Insurance, Real Estate and Business Services	122.1	136.3	150.1	165.7	170.7	178.8	184.2	193.8	199.7	222.9	227.1	242.6
9.	Community Social and Personal Services	68.2	76.2	88.5	92.3	97.3	102.0	105.9	109.9	118.3	127.8	142.0	149.1
10.	Services to the Canal Area	75.0	75.5	74.4	75.1	77.8	74.7	70.0	71.4	74.3	76.4		
	Panama Canal Commission											175.5	188.4
	less:												
	Imputed Commission of the Banking Sector	10.6	11.4	20.6	24.1	30.5	30.1	33.8	43.6	33.3	56.4	47.1	61.7
	Subtotal Industries	845.2	929.7	969.4	1034.8	1060.2	1075.7	1096.1	1103.3	1219.1	1272.2	1467.8	1518.4
	Government Services	117.8	127.5	138.7	141.5	157.2	169.9	172.1	181.7	187.6	196.5	201.2	216.2
	Domestic Services	21.3	21.6	21.0	20.6	18.5	19.2	17.2	16.3	17.6	16.3	17.7	17.8
	Plus: Import taxes	36.9	40.6	41.6	36.6	27.8	20.9	21.7	20.1	26.5	26.3	28.0	27.7
	Gross :Domestic Product	1021.2	1119.4	1170.7	1233.5	1263.7	1285.7	1307.1	1321.4	1450.8	1516.3	1714.7	1780.1

Source: Contraloria General

TABLE 2

Percentage changes in annual gross domestic production
at 1970 prices

		1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
1.	Agriculture, Forestry, Hunting and Fishing	7.8	-3.3	1.1	-5.9	7.2	5.4	5.0	7.7	-4.3	-1.9	2.9
2.	Mines and Quarries	15.8	9.1	20.8	-6.9	-7.4	-12.0	-4.5	4.8	9.1	29.2	16.1
3.	Manufacturing Industry	6.4	4.6	6.3	1.3	-3.6	2.5	1.2	1.6	11.0	4.1	-2.7
4.	Electricity, Gas and Water	9.2	4.6	27.3	4.4	15.7	11.2	3.3	6.1	12.2	2.1	5.6
5.	Construction	24.6	2.4	14.5	-11.7	10.2	2.8	-25.9	38.9	-o.1	23.5	11.6
6.	Commerce, Wholesale and Retail, Restaurants and Hotels	9.5	5.0	4.4	4.8	-5.7	3.6	2.2	8.6	9.7	5.9	0.2
7.	Transportation Warehousing and Communications	13.9	15.5	12.7	30.3	-1.9	-5.4	10.8	19.3	7.1	12.9	6.1
8.	Financial Institutions Insurance, Real Estate and Business Services	11.6	10.1	10.4	3.0	4.7	3.0	5.2	3.0	11.6	1.9	6.8
9.	Community Social and Personal Services	11.7	16.1	4.3	5.4	4.8	3.8	3.8	7.6	8.0	11.1	5.0
10.	Services to the Canal Area Panama	0.7	-1.5	0.9	3.6	-4.0	-6.3	2.0	4.1	2.8	..	..
	Panama Canal Commission	..	..	..	..	..	..	..	..	..	..	7.4
	Imputed Commission of the Banking Sector	7.5	80.7	17.0	26.6	-1.3	12.3	29.0	-23.6	69.4	-16.5	31.0
	Subtotal Industries	10.0	4.3	6.7	2.5	1.5	1.9	0.7	10.5	4.8	14.9	3.4
	Government Services	8.2	8.8	2.0	11.1	8.1	1.3	5.6	3.2	4.7	2.4	7.5
	Domestic services	1.4	-2.8	-1.9	-10.2	3.8	-10.4	-5.2	8.0	-7.4	8.6	0.6
	Plus Import taxes	10.0	2.5	-12.0	-24.0	-24.8	3.8	-7.4	31.8	-0.8	6.5	-1.1
	Gross Domestic Product	9.6	4.6	5.4	2.4	1.7	1.7	1.1	9.8	4.5	13.1	3.8

Source: Contraloria General

TABLE 3

COMPOSITION OF GROSS CAPITAL FORMATION, ACCORDING TO SECTORS & TYPE OF GOODS AT 1970 PRICES 1970-1981

Sector and type of goods	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 (P)
Gross Capital formation	284.3	348.9	399.4	414.6	393.6	379.7	376.1	261.5	326.6	352.1	415.1	433.1
Construction	148.4	187.8	203.1	229.0	183.3	209.4	201.8	140.1	192.6	185.4	222.9	263.8
Capital Goods	113.5	113.2	170.0	144.8	151.2	151.6	166.4	104.5	110.6	114.5	141.3	174.3
Change in Stocks	22.4	47.9	26.3	40.8	59.1	18.7	7.9	16.9	23.4	52.2	50.9	-5.0
Public Sector	70.4	69.0	167.8	102.3	124.2	185.7	232.1	152.1	180.4	125.2	162.1	131.7
Construction	47.7	58.9	68.7	59.2	79.5	121.8	151.3	89.8	134.3	79.7	99.7	91.4
Capital Goods	22.8	8.3	97.0	44.3	39.2	52.1	74.6	59.3	44.0	34.9	49.9	42.3
Change in Stocks	(0.1)	1.8	2.1	(1.2)	5.5	11.8	6.2	3.0	2.1	10.6	12.5	- 2.0
Private Sector	213.9	279.9	231.6	312.3	269.4	194.0	144.0	109.4	146.2	226.9	253.0	301.4
Construction	100.7	128.9	134.4	169.8	103.8	87.6	50.5	50.3	58.3	105.7	123.2	172.4
Capital Goods	90.7	104.9	73.0	100.5	112.0	99.5	91.8	45.2	66.6	79.6	91.4	132.0
Change in Stocks	22.5	46.1	24.2	42.0	53.6	6.9	1.7	13.9	21.3	41.6	38.4	-3.0

Source: Contraloria General

TABLE 4

Balance of Outstanding Credit to the private sector by the Commercial Banks according to economic activities 1970-1982
(Millions of dollars)

Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	Sept. 1982
Total	420	563	766	1,026	1,352	1,525	1,628	1,766	1,843	2,133	2,531	3,146	3,328
Agriculture	37	50	65	80	97	119	111	120	133	145	162	206	213
Industry	32	38	45	46	89	126	133	137	185	214	265	283	272
Housing	40	56	99	143	232	288	292	336	353	421	466	513	591
Construction	16	33	21	42	56	83	78	73	64	67	97	147	157
Commerce	239	295	410	572	599	513	551	570	612	752	953	1197	1221
Public Entities	12	30	52	55	120	236	340	401	365	351	391	572	647

Source: National Banking Commission

Table 5

Labor Force Data 1960-1979 (Reported) 1/
(thousands of persons)

Year	Population 15 years . Old +	Economically Active	Labor Force Participation Rate (%)	Employ- ment	Unemploy- ment	Unem- ployment Rate (%)	Open pl hidden un- employment
1960	571.0	330.0	57.8	300.0	30.0	9.1	
1961	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
1962	n.a.	n.a.	n.a.	n.a.	n.a.		
1963	620.0	360.0	58.1	339.0	21.0	5.8	
1964	636.0	365.0	57.5	338.0	27.0	7.4	
1965	659.0	379.0	57.5	350.0	29.0	7.7	
1966	680.0	391.0	57.5	371.0	20.0	5.1	
1967	697.0	409.0	58.7	384.0	25.0	6.1	
1968	713.0	435.0	61.0	404.0	31.0	7.1	
1969	737.0	450.0	61.1	420.0	30.0	6.7	
1970	762.7	466.2	61.3	432.9	33.3	7.1	
1971	786.8	471.3	60.7	435.6	35.7	7.6	
1972	811.7	482.2	60.2	449.4	32.8	6.8	
1973	835.8	499.0	59.7	464.1	34.9	7.0	
1974	869.5	517.4	59.5	487.4	30.0	5.8	
1975	896.1	492.8	55.0	461.2	31.6	6.4	7.5
1976	917.9	505.3	55.0	471.6	33.7	6.7	11.5
1977(R)	950.1	515.2	54.2	470.4	44.8	8.7	11.8
1978(R)	973.7	543.0	55.8	499.2	43.8	8.1	11.4
1979(P)	1,002.09	577.8	57.6	527.0	50.7	8.8	

Source: Dirección de Estadística y Censo, Contraloría General de la República; Panamá en Cifras, Años 1974 a 1978, y Años 1975 a 1979 and unpublished GOP documents.

1/ Data for 1960 are from the national census conducted in that year. For the remaining year s the data are based on annual labor force surveys beginning in 1963.

n.a. Not available.

(R) Revises by GOP

(P) Preliminary

TABLE 6

Unemployment by Age Group, 1976

Age Group	Nationwide			Metropolitan Area			Rest of the Country		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
				A. Number of Unemployed Persons					
15-19	7,350	3,820	3,530	4,440	2,220	2,220	2,910	1,600	1,310
20-24	10,660	6,130	4,530	8,580	4,970	3,610	2,080	1,160	920
25-29	5,620	2,630	2,990	4,550	2,090	2,460	1,070	540	530
30-39	5,610	3,250	2,360	4,340	2,620	1,720	1,270	630	640
40-49	2,730	1,690	1,040	2,210	1,360	850	520	330	190
50-59	970	800	170	650	530	120	320	270	50
60-69	490	450	40	410	370	40	80	80	--
70 +	270	270	--	120	120	--	150	150	--
Total:	33,700	19,040	14,660	25,300	14,280	11,200	8,400	4,760	3,640
				B. Unemployment Rates					
15-19	14.4	11.0	21.7	19.4	17.8	21.2	10.4	7.2	22.6
20-24	13.4	11.7	16.6	17.7	16.9	18.9	6.7	5.1	11.3
25-29	7.1	4.9	11.6	9.5	7.2	13.0	3.4	2.2	7.7
30-39	4.5	3.6	6.9	6.1	5.5	7.2	2.4	1.5	6.0
40-49	3.3	2.8	4.7	4.8	4.4	5.4	1.4	1.1	2.8
50-59	1.9	1.9	1.7	2.4	2.5	1.8	1.3	1.3	1.5
60-69	1.8	2.0	1.0	3.6	4.2	1.6	0.5	0.6	--
70 +	3.2	3.5	--	4.8	5.7	--	2.5	2.6	--
Total:	6.7	5.2	10.4	9.0	7.9	11.2	3.7	2.6	8.4

Source: "Dirección de Estadística y Censo, Contraloría General de la República, Situación Social: Estadísticas del Trabajo, Año 1976 (Panamá, March 1979), pp. 17-18.

TABLE 7

GDP AND EMPLOYMENT BY SECTOR[1/]
1960 and 1979

	GDP ($ Millions)[2/] 1960		1979		Employment (Thousands)[3/] 1960		1979	
Agriculture	95.2	(24)	195.1	(14)	154	(51)	155.6	(29)
Manufacturing industries	40.9	(10)	186.6	(14)	24	(8)	53.4	(10)
Construction	22.5	(6)	64.9	(5)	9	(3)	30.8	(6)
Commerce	47.9	(12)	183.4	(13)	27	(9)	70.9	(14)
Services	154.1	(40)	640.4	(48)	70	(24)	198.7	(38)
Canal Area	30.4	(8)	80.8	(6)	16	(5)	17.6	(3
Total	391.0	100	1,351.2	100	300	100	527.0	100

1/ 1960 Prices.

2/ Panamá en Cifras, 1959 a 1963 y 1975 a 1979, Dirección de Estadística y Censo, Contraloría General de la República.

3/ Censo de Población, 1960 y 1980, Contraloría General de la República.

Agriculture includes: agriculture, fish, silviculture, and mining activities.

Commerce includes: wholesale an retail trade.

Services include: electricity, gas, water, sewer, transport, storage, communications, banking, insurance, housing, public administration and public and private services.

TABLE 8

EMPLOYMENT AND UNEMPLOYMENT OF THE POPULATION

15 YEARS OF AGE AND OVER, BY REGION

(in thousands)

	METROPOLITAN REGION			REST OF NATION		
	1970	1975	1980	1970	1975	1980
Population (15+)	389.8	485.3	n.a.	372.9	410.8	n.a.
Labor Force	247.9	272.9	303.2	219.6	219.9	235.7
Participation	64.0%	56.0%	n.a.	59.0%	54.0%	n.a.
Employed	223.6	249.2	271.4	210.7	212.0	223.5
Unemployed	24.3	23.7	31.8	8.9	7.9	12.2
Rate	9.8%	8.7%	10.5%	4.0%	3.6%	5.2%

Sources: 1980 Census; earlier years from Household Survey.

TABLE 9

Population Trends 1/

Year	Total Population	Metropolitan Population	Other Urban Pop.	Total Urban Pop.	Total Rural Pop.	Urb. as % of total Pop.	Metropolitan as % of Total Pop.
1950	805,285	284,000	51,300	335,300	469,985	42%	35%
1960	1,075,541	411,300	77,000	488,300	587,241	45%	38%
1970	1,428,082	623,000	116,000	739,000	689,082	52%	44%
1980	1,830,175	889,000	157,000	1,046,000	784,175	57%	49%
1990	2,320,022	1,254,022	221,464	1,475,486	844,536	64%	54%
2000	2,490,977	1,768,922	312,389	2,081,321	859,656	71%	60%

1/ Calculations are based on official government statistics from the Census and Statistics Division of the Controller General and work done by Fox, Robert W., and Jerrold W. Hugguet, Population and Urban Trends in Central America and Panama, Inter-American Development Bnk, Washington, D C, 1977.

TABLE 10

INVESTMENT, LOANS AND EMPLOYMENT IN

COFINA-AIDED PROJECTS (BALBOAS 000)

Year	Number of Projects	Total Investment	COFINA	Jobs	Inv/Job	Loan/Job
1976	7	700	478	29	24	16
1977	21	6,828	3,838	193	35	20
1978	21	56,809	10,674	254	224	42
1979	60	48,792	14,699	930	52	16
1980	68	35,706	17,878	1,242	29	14
1981	68	40,744	35,943	1,061	38	14
1982[1/]	11	1,500	998	50	30	20

1/ First semester.

TABLE 11

EMPLOYMENT AND UNEMPLOYMENT IN THE METROPOLITAN REGION

(in thousands)

	1975	1980	Annual Increase
Labor Force	272.9	303.2	6.0
Employment	249.2	271.4	4.4
Manufacturing	28.5	32.4	.8
Other	220.7	239.0	3.6
Unemployment	23.7	31.8	1.6

ANNEX II: PROJECT DEVELOPMENT

SECTION A: BACKGROUND

EXHIBIT 3: PROGRESS TO DATE

EXHIBIT 3: PROGRESS TO DATE

The Investment Council of Panama (ICP) legally came into existence by Presidential Decree of August 12th, 1982. Soon thereafter, office accomodations were acquired in the central office building of the National Bank of Panama and by December 1982 the work of remodeling and furnishing the office was completed. Simultaneously, government officials in the Ministry of Planning, and the Ministry of Industry and Commerce responsible for promotion of assembly industries (Maquila), the Colon Free Zone and Dicomex were transferred to ICP.

The present organization of ICP calls for the division of responsibilities of the organization into four departments with a total staff of 28 people, excluding overseas offices. Of the four departments i.e., Research and Development, Promotion, Investor Services and Administration, the latter three are already staffed and operative for the level of operations envisaged for 1983. As yet no one has been hired for the former, i.e. Research and Development department.

In the short period since its establishment ICP has made very good progress in planning its promotional and investor services activities in 1983 and in identifying areas in which assistance could be obtained from international and bilateral sources. ICP has already developed a list of prospective foreign investors classified according to the degree of their interest in investment in Panama. It has also prepared a check list of follow up actions required leading to the signing of the Contract with the Nation in the case of each investment. It is engaged in the collection of essential basic information pertaining to availability and cost of various inputs such as labor, office space, factory sites, electricity, water, telecommunications, transportation, tax incentives etc., to be readily available on up-to-date basis to the prospective investor. The ICP in the process of designing and contracting for the printing of brochures, posters, advertisements in widely circulated commercial and business journals.

A two-person mission from the Ireland Development Authority, under the sponsorship of OECD, visited Panama in February. In the field of technical assistance, the Mission offered its services for the implementation of a European seminar and specific training programs in investment promotion.

UNIDO has agreed to finance a three-to-four person mission to Panama to help in the preparation of project profiles to be readily available to prospective investors. The Chief of the Mission is due in Panama in a few days.

The management consulting firm of Clapp and Mayne, Inc. undertook a study of the infrastructure needs of Light-Manufacturing Industries in the Metropolitan Region of Panama.

A two person mission from the Division of Economic Development of Florida's Department of Commerce visited Panama in March. It reviewed the objectives, organization, staffing and the promotional activities of ICP and commented on these in the light of the successful achievements of the State of Florida in the last 6 years. The mission offered the cooperation and continuous technical assistance of the State of Florida to ICP. As a first step, the Division of Economic Development will assist in the identification of training needs and provide such training in the offices of the Department of Commerce in Tallahassee, Florida.

An interesting and important recent development has been the inclusion of the Minister of Planning on the Board of Directors of ICP. Since this Ministry is responsible for the preparation and initial approval of the national budget, the presence of the Minister in the Board could be very helpful in a sympathetic review of ICP's proposed financial requirements.

The objective of ICP for 1983 is to contact a total of 2000 prospective investors with the expectation that its efforts would result in the eventual establishment of 20 industries (5 big with 200 employees, 7 medium with 50 employees, and 8 small with 35 employees each) generating total employment for 1,630 people.

At this time, all told, ICP is in contact with about 1,500 prospective investors. According to ICP's classification 93 of these are considered as good prospects; 44 as potential investors and 49 as seriously interested (Table 1). All of these prospective investors are continously or intermittently in contact with ICP and the majority of them have visited Panamá. In a higher category are those who are engaged in prefeasibility and feasibility studies. This number is 22. Five of these are considered to have made the decision to invest in Panamá (Table 2).

At this time the Investor Service Office is engaged in serving 15 companies on a continous basis (Table 3). Nine of these are already established and operational, 4 will go into operation in about 6 months, and 2 will start operation in the near future. Additionally the Office of Investors Services is giving assistance on ad hoc basis to 3 to 5 established firms every week.

The strategy of ICP is to concentrate its promotional efforts in 1983 on light assembly (Maquila) projects, electronic industries and banking, insurance and reinsurance. Promotion officers of ICP recently visited Mexico and plan to visit Venezuela and Jamaica in the very near future.

Status Report on ICP Projects

The attached tables summarize the status of investment projects currently handled by the ICP. Table 1 presents a cumulative account of projects entering the Promotion and Services Office during 1982 and 1983. Moving from left to right, each column represents another step in the investment process until a new project finally goes into operation.

Table 2 summarizes basic data on the twenty most promising projects now in promotion.

Table 3 tracks the progress of the 15 companies now in the services phase through the processing of various government agencies.

Table 4 presents an overview of the number of investment projects being handled during any given month of 1983 in each of the government offices.

TABLE 1

CONSEJO NACIONAL DE INVERSIONES
CUADRO RESUMEN

MES/AÑO	INVEST. Y DESARROLLO			PROMOCION DE INVERSIONES										SERVICIO AL INVERSIONISTA						
	PROYECTOS		ESTUDIO	PROSPECTO	POTENCIAL		INTERESADOS		CASOS					ASES.	TRAMITACION			INFRA	ADIEST.	OPERACION
	IDEA	PERFIL	SECTORIAL		NOTA	VISITA	NOTA	VISITA	PREFACT	FACT	DECIS.	SI	NO	LEGAL	FINANC.	C/N	OTRO	ESTRUCT.		
TOTAL 1982	73	2	-0-	1445	4	20	1	33	5	2	2	3	-	0	291	49	7	3	1	8
1983 (E)	100	50	10	2000	500		200			100		20								
ENERO	75	10	-0-	1448	6	29	1	39	8	3	3	3	-	0	273	-0-	11	6	1	8
FEBRERO	80	10	-0-	1539	8	31	1	40	8	2	2	5	-	1	218	-0-	10	15	3	8
MARZO	80	11	-0-	1544	9	35	1	48	10	5	2	5	-	0	218	-0-	10	15	3	8
ABRIL																				
MAYO																				
JUNIO																				
JULIO																				
AGOSTO																				
SETIEMBRE																				
OCTUBRE																				
NOVIEMBRE																				
DICIEMBRE																				
% LOGRO																				

a) Gurgel, Bell Helicopter, Textron, Terminales Panamá, Calinter, Ebasco.
b) Crilla, Bali
c) Leopan, Hayward, Cartotécnica, Antoon Video, Barbizon
d) No incluye Pequeña Empresa del MICI

TABLE 2

O F I C I N A D E P R O M O C I O N A L I N V E R S I O N I S T A

NOMBRE DEL CASO	FECHA	ACTIVIDAD	MONTO DE LA INVERSION TOTAL	MANO DE OBRA GENERADA	FUENTE DE LA INVERSION LOCAL	J.V	EXT.	PAIS	UBICACION	NIVEL
CARTOTECNICA	AGO.1982	ART.de ESCRITORIO	B/. 616,000	30		X		Italia	Panamá	
C O L O S A	DIC.1982	CONFECCION	250,000	50		X		U.S.A.	Panamá	4
ANTOON VIDEO	OCT.1982	VIDEO TAPE	900,000	30			X	Holanda	Colón	4
ORILLA, S.A.	OCT.1982	DESGUACE DE NAVES	1,250,000	200-400			X	U.S.A.	Telfer	3
BALI CORP.	OCT.1982	CONFECCION	3- 5,000,000	425			X	U.S.A.	Chitré	3
GURGEL/PANABRAS	OCT.1982	ENSAMB.DE AUTOS	4- 6,000,000	400		X		Brazil	Panamá	2
BELL HELICOPTER	FEB.1983	ENSAMB./HELICOP.				X		Canada	-	2
TERMINALES PANAMA		REP. DE CONTAINER			X			Panama	Panamá	2
CALINTER		PROD.DE CAL					X	Italia	Los Santos	2
INPESCA	DIC.1982	PROC. DE ATUN	1,500,000	300			X	España	Aguadulce	1
SUNNY HOPS, IN.	NOV.1982	AGROINDUSTRIAS	1,500,000	100			X	Canada	Chepo	1
PROYECTO EMERY	SEP.1982	PULPA Y PAPEL	23,500,000	65			X	U.S.A.	Panamá	1
KENDALL	DIC.1982	MAT. DE CURAC.	1,000,000	50-100			X	Finlandia	Panamá	1
ANLECO CORP.	DIC.1982	ART. de INVIER.	1,000,000	150			X	U.S.A.	Panamá	1
WEST POINT PEPP.	DIC.1982	CONFECCION	1,000,000	100						1
CORP. IND./DISTRIB/.						X		España	-	1
DIFUSCA	OCT.1982	PROC. DE ATUN	3,000,000	300			X	U.S.A.		1
IEASCO	1982	GASIF. DE CARBON					X	U.S.A.	Panamá	2
IND. PEPITA MARAÑON	MAR.1983	AGROINDUSTRIA	7,000,000	400			X	U.S.A.	Prov. Central	
SERVICRUM LTD.	MAR.1983	BANANA CHIP	340,000	20			X	Bolivia	Chiriquí	1

T A B L E 3

O F I C I N A D E S E R V I C I O A L I N V E R S I O N I S T A

	ASESORIA LEGAL					TRAMITACION								INFRAESTRUCTURA							
							CONTRATO CON LA NACION			FINANCIAM		PERMISOS Y CONC		SERV PUB/			INSTALACION		ADIES.M.O.		
NOMBRE DE LA EMPRESA	LAB	FIS	COM	OTRO	CNI	MICI	CONT	PRES	FDO/	EST/APROB		INVS	APROB	SOL.	INTS	COM	ALQ	CON	INIC	FIN	FECHA
MIRAMAR ZONA LIBRE	X	X	X	X	Set/79	X	X	X	01/82	X	X	X	X	X	X	-	X	X	-	X	12/79
REDES DE PANAMA,S.A.	X	X	X	X	Feb/80	X	X	X	03/82	-	-	-	-	X	X	-	X	X	-	X	03/81
TEXTILES DE LA CHORRERA, S.A.	X	X	X	X	Jun/80	X	X	X	04/82	-	-	-	-	X	X	-	X	X	X	X	12/81
PANAMUNDO INDUSTRIAL,S.A.	X	X	X	X	Dic/80	X	[illegible]	X	12/81	-	-	01/83	-0-	X	X	X	-	X	-	X	03/82
TABACOS DE COCLE	X	X	X	X	-0-	-0-	-0-	-0-	-0-	01/83	-0-	-	-	X	X	X	-	X	-	X	11/82
WIDEL CORPORATION	X	X	X	X	Jul/82	07/82	12/82	12/82	-0-	01/83	-0-	-	-	X	X	-	X	X	-	X	09/82
LEOPAN INTERNACIONAL, S. A.	-	-	-	-	Ago/82	08/82	10/82	11/82	12/82	-	-	-	-	X	X	-	X	X	-	X	01/83
HAYWARD DE PANAMA, S. A.	X	X	X	X	Ago/82	03/83	-0-	-0-	-0-	-	-	-	-	X	X	-	X	X	X	X	01/83
PESQUERA INDUSTRIAL PANAMEÑA	X	X	X	X	-0-	-0-	-0-	-0-	-0-	-0-	-	-	X	-0-	-0-	-0-	-	-0-	-0-	0	
CARTOTECNICA,S.A.	X	X	X	X	-	12/82	-0-	-0-	-0-	01/83	-0-	11/82	02/83	-0-	-0-	-	-0-	-0-	-	0	-0-
INPESCA, S. A.	-	-	-	-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	X	X	-0-	-0-	-0-	-0-	-0-	-0-	0	-0-
SHARK PANAMA PRODUCTS	-	-	-	-	-0-	01/83	-0-	-0-	-0-	01/83	-0-	01/83	03/83	-0-	-0-	X	-0-	-0-	0	0	-0-
CALZADOS PLASTICOS,S.A.	-	-	-	-	-	-	-0-	-0-	-0-	-0-	-0-	X	X	-0-	-0-	-0-	-0-	-0-	0	0	-0-
ANTO AUDIO VIDEO TRADING INC.	X	X	X	X	Mar/83	-0-	-0-	-0-	-0-	-0-	-0-	03/83	-0-	-0-	-0-	-	-0-	-0-	03/83	0	05/83
CONFC. LOS ANGELES/BARBIZON	X	X	X	X	Mar/83	-0-	-0-	-0-	-0-	-	-	-	-	X	X	-	X	X	03/83	0	04/83

TABLE 4

PROYECTOS PENDIENTES Y/O EN TRAMITACION EN LAS ENTIDADES GUBERNAMENTALES - OSI

	TOTAL	FINANCIAMIENTO					CONTRATOS CON LA NACION							TRAMITACION LICENCIAS, PATENTES, PERMISOS Y CONCESIONES												
MES.AÑO	TRAM.	FDOS.	BcoNal	Cofina	MICI	B.D.A	CNI	MICI	CONT	PRES	SALIDA SI	SALIDA NO	RMIN	RMAR	OTRO	IMA	RENARE	CUARENT	OTRO	IPAT	APN	ORP	DEPAT	SALUD	ZLC	OTRO
TOTAL1982	347	1d	201	31	59**	-0-	2	38	3	6	18	1	4	-0-	-0-	1	0	-0-	-0-	0	-0-	-0-	-0-	-0-	-0-	1
EST. 1983																										
ENERO			191	23	-0-	-0-	1	-0-	-0-	-0-	-0-		4b	-0-	-0-	1c	1d	-0-	1e	1f	-0-	-0-	-0-	-0-	1	1g
FEBRERO			195	23	-0-	*	3a	-0-	7/1	5/3	5		4b	-0-	-0-	1c	1d	-0-	-0-	1f	-0-	-0-	1h	-0-	1	1g
MARZO			195	23	-0-	*	2a	-0-	2	3	0		4b	-0-	-0-	1c	1d	-0-	-0-	1f	-0-	-0-	1h	-0-	1	1g
ABRIL																										
MAYO																										
JUNIO																										
JULIO																										
AGOSTO																										
SEPTIEMBRE																										
OCTUBRE																										
NOVIEMBRE																										
DICIEMBRE																										

*) Manejan aproximadamente 7000 solicitudes anuales/llevaremos estadísticas de cambio mensual por cartera.
**) No incluyen las solicitudes en trámites de las Provincias de Colón y los Santos.
a) Antoon Video, Barbizon (Conf. Los Angeles)
b) Contratos para explotación minera
c) Cueros vacunos (Grupo Cerpi - cuota de asignación)
d) Normalización de importaciones de pieles (Panamundo)
e) Snark Panama Products
f) Proyecto de Playa Amador
g) Panamundo y Corp. de Desarrollo del Bayano
h) Orilla

ANNEX II: PROJECT DEVELOPMENT

SECTION B: ICP OPERATIONS

Exhibit 1:	Labor Market and Employment Requirements
Exhibit 2:	Project Program 1983-1986
Exhibit 3:	Training Program
Exhibit 4:	Technical Assistance Program

ANNEX II: PROJECT DEVELOPMENT

SECTION B: ICP OPERATIONS

EXHIBIT 1: LABOR MARKET AND EMPLOYMENT REQUIREMENTS

LABOR AVAILABILITY ANALYSIS

A. CHARACTERISTICS OF EMPLOYMENT, UNEMPLOYMENT AND UNDEREMPLOYMENT.

Labor statistics are prepared by the Controller General through surveys which were conducted on a monthly basis during several years in the sixties and then once to twice a year (usually in March and August) during the seventies up to 1979. No surveys have been conducted at the national level for 1980, 1981 and 1982, though there are figures available for the Metropolitan Region for up to 1982 (see Statistical Appendix). Population figures are obtained from a census every ten years, from the surveys mentioned above and from the annual statistics on the number of births and deaths. All the data pertinent to this analysis is summarized in the Statistical Appendix to this Annex.

1. Working Age Population

In Panama the working age population includes those 15 years of age and older, whose number has grown from 762,700 inhabitants in 1970 to 1,003,000 in 1979 (3.1% per year) The group 15 to 24 years old was 37.7% of the population 15 to 64 years old in 1970, 37.0% in 1980 and is expected to decline further to 34.8% by 1990. The group 30 to 49 years went from 35.9% in 1970 to 35.1% in 1980 and should grow to

37.1% in 1990. Though still relatively young on the average, Panama's population is expected to be somewhat older by the end of this decade as the result of reductions in fertility that have already occured and increasing life expectancy.

2. Labor Force

The portion of the working age population which is classifed as economically active totaled 467,500 in 1970 and grew to 577,800 in 1979. The annual rate of growth of 2.4% for the labor force or economically active population was smaller than the 3.1% experienced by the working age population. This comparatively slower growth of the labor force is reflected in a reduced participation or activity rate which moved from an average of 60.2% in 1970 - 1974 to 54.2% in 1978 and then increased again to 57.6% in 1979.

The portion of the working age population not participating in the labor force went from 295,200 in 1970 to 425,200 by 1979 for a 4.1% rate of annual growth which is higher than the rates of growth of the working age population (3.1%) and of the labor force (2.4%). This situation may be explained in part by the very fast growth of students in the school system from 1970 to 1979 and in the number of retired persons. Students in the 10th grade and above (including university level) grew more than three times from 33,200 to 112,600 in the period and the number retirees went from 14,700 in 1970 to 37,600 in 1979.

Given the generally accepted assumption that the great majority of university students in Panama are also members of the labor force, the rest of the non-active working age population[1/] has grown at a 2.6% annual rate during the period, which is a rate closer to the rate of growth of the working age population (3.1%) than the rate of growth quoted above of 4.1%.

In the eighties, given the present and expected age structure of the population, as well as the coverage of the school system, the number of working age students and of retirees should grow 30% to 40% vis - a - vis 100% to 200% in the seventies. Thus the number of potentially active persons would grow more paralell to the growth of the working age population which is expected to continue at 3.1% for the rest of the present decade.

3. Employment

In 1970 total employment reached 434,300 and by 1979 it had moved to 527,000 (2.2% annual growth).

During the decade the behavior of employment followed that of GDP, thus expanding in 1970 - 1974; then contracting and stagnating in 1975 - 1977 and finally showing strong growth in 1978 and 1979 which reflected the Government's Emergency Employment Plan which gave jobs to 20,000 persons in the Public Sector in 1978 and the high rate of growth of GDP in both years (9.8% and 4.5% respectively).

1/ This includes housewives, disabled persons, those who have given up looking for jobs discouraged by their lack of success and others.

For the 1970 - 1979 period the Employment/Output elasticity has been 0.44.

By sector of economic activity, agriculture is the largest employer with 29.4% of total occupation, which reflects in part the fact that the subsistence level farmer is statistically classified as occupied in this sector. Agricultural employment has actually decreased in the 1970-1979 period. Community, Social and Personal Services is the second in importance (27.3%) and one of the fastest growing (4.6% annually) as a result of the increasing number of people on the payrolls of the Public Sector which is mostly classified in this category. Other important employers are the Commerce Sector (13.4%), manufacturing (10.1%), Construction (5.8%) and Transportation, Storage and Communications (5.14%). This last sector has been one of the fastest growers (6.4% per year) after the Financial Sector (8.8% annually). However, these two sectors together represent only 9.1% of total employment. The total number of employees in the Canal Area has actually decreased from 1970 to 1979.

Out of total non agricultural employment, 4.1% had no schooling in 1970 and this percentage decreased to 2.2% in 1979 while those with some years of secondary level education increased from 33.7% to 42.9% and with university training from 8.4% to 14.1%.

4. Unemployment

The number of persons unemployed has fluctuated in response to GDP growth and the activity or participation rate of the labor force in relation to the working age population. Yet, a general trend is detectable for the seventies towards the increment of the number of unemployed (from 33,200 to 50,800) and the rate of unemployment (7.1% in 1970 and 8.8% in 1979).

If the activity rate is assumed to be in 1979 at the 60.2% level it held in the 1970 - 1974 period, then the number of unemployed would have to be calculated at 76,800 and the rate of unemployment would have been 12.7% in that year.

The profile of unemployment shows a concentration of males (53.7% of the total) and on the Metropolitan Region of the country (80.3%). By age structure the higher concentration is in the younger groups, with those in the 15 to 19 years range representing 28.2% of the total and 20 to 24 years 36.5%. This last characteristic is specially true for the male population where 30.5% of the unemployed are 15 to 19 years old and 35.7% are in the 20 to 24 group.

5. Underemployment

The most recent indicators of underemployment were developed by the Controller General as part of the Survey of Households and refer to 1977 and 1978. One concept analyzed is the so-called visible underemployment which covers those persons occupied who worked less than 40 hours per week and wish to work more. The number of additional jobs required

under this concept were estimated at 13,200 in 1977 and 9,800 in 1978, representing 2.6% and 1.8% of the labor force respectively.

Invisible underemployment is defined as the number of persons occupied who worked more than 40 hours per week and received a weekly income of less than B/30.00. The number of additional jobs required in 1977 were calculated at 30,354 and 31,540 for 1978, which represented 5.9% and 5.8% of the labor force for each respective year.

The combined effect of both estimates, jointly with open and hidden unemployment are set forth in the table which follows.

Unemployment and Underemployment
(thousands)

	1978	1979
Open Unemployment	43.8	50.8
Hidden Unemployment 1/	43.1	26.0
Visible Underemployment	13.2	9.8
Invisible Underemployment	30.4	31.5
Equivalent Unemployment	130.5	118.1
Labor Force at 60.2% Participation	586.2	603.8
Equivalent Unemployment (%)	22.3%	19.6%

1/ Calculated on the basis of a labor force resulting from a participation rate of 60.2% which is the average for 1970 - 1974.

The resulting equivalent unemployment rate of 19.6% should be interpreted very cautiously as an order of magnitude indicator of the unemployment problem in Panama.

B. PROJECTIONS

Since there are no official figures for employment and unemployment at the national level in Panama since 1979, the consultants have prepared their own estimates for 1982 for the purposes of the labor availability analysis. The factors used for the 1982 estimate include the Employment/Output Elasticity of 0.44 which prevailed for the 1970-1979 period and the annual average rate of real growth of GDP registered for the 1979 - 1982 period of 4.36%. Employment in 1982 would have been 558,700 and unemployment at 97,700 or 14.9% of the labor force.[1/] The number of alternative projections that can be made is unlimited, but for this analysis the most useful approach is to consider a reasonable combination of circumstances and factors that would result in the best possible case of employment generation in order to explore if the ICP project could impose undue pressures on the availability of labor and the wage level.

The best reasonable combination that can be assumed is as follows:

1. GDP real annual growth of 5% for 1982-1986 and 7% for 1986 - 1992.

1/ Given a working age population of 1,139,600 and assuming that the participation rate has not changed from the 57.6% estimated officially for 1979.

2. Employment/Output Elasticity of 0.50.

3. Participation rate of 55%.

Employment and unemployment projections resulting from these factors are shown in the table below:

(figures in thousands of persons)

Year	Labor Force	Employed	Unemployed	Rate of Unemployment
1986	717	619	98	13.7%
1992	848	744	104	12.3%

C. ANALYSIS

Given the factors considered in this analysis and the employment generation goals of ICP it is not envisioned that if the project under consideration achieves its goals fully, it would have any problem in obtaining an adequate supply of manpower to fill the job positions available. Further, the number of unemployed is expected to remain at such relatively high levels over the next ten years, even with high economic growth, that the success of the project cannot be envisioned in general to generate undue upward pressures on the wage level. Nevertheless, this situation could be different in the case of skilled workers, which would require a specialized specific analysis.

The growth of students participating in the educational system, both in their number as well as in terms of the percentage of their respective age group, suggests strongly that the vast majority of the potential labor supply will have working literacy and be trainable for semi-skilled jobs.

ANNEX II: PROJECT DEVELOPMENT

SECTION B: ICP OPERATION

EXHIBIT 2: - PROJECT PROGRAM 1983 - 1986

EXHIBIT 2: PROJECT PROGRAM 1983 - 1986

The period November 1982 - June 1983 was spent in organizing the ICP, recruiting personnel, establishing systems and external linkages. During the same period the promotion and service units serviced potential investors, previously identified or contacted through the "Maquila" program.

A tentative program for the period June 1982 - December 1986 has been prepared and is described below. There will be periodic testing of the program elements and revisions made as circumstances warrant. Major decisions, yet to be taken, pertain to the establishment of overseas offices. Acting in response to the experience and advice of representatives of the Division of Economic Development of the Florida Department of Commerce, the Management of the ICP has decided to operate from its offices in Panama for, at least, through 1984. During that period overseas efforts will rely heavily on contractors. Evaluations made by a special team of foreign experts will be reviewed by the Managing Director and the Board of Directors and decisions will be taken for continuation or adjustment of program elements.

An AID project manager will be appointed to monitor the project from the administrative perspective, to facilitate resource flows, and to assist the Managing Director and his key staff members in identification of matters affecting the operation of the program.

The management of the ICP has elected to utilize a highly experienced contractor to carry out important program elements. This decision was prompted primarily by the desire to initiate effective operations without delay. The experience of other investment promotion agencies elsewhere revealed that inexperienced personnel, no matter how well theoretically qualified do not become fully effective for at least three years. Similarly, new agencies require years to build up the domestic and foreign data bases upon which the promotion effort is based. By electing to utilize appropriately qualified contractors, who already possess the personnel, data bases, and a successful track record of investment promotion, the ICP can advance its operational activities by at least three years.

Two major program elements will be placed fully or partially in the hands of contractors or consultants: operation of and training of personnel of the Office of Promotion; and operation and training of personnel in the Office of Research and Development. The ICP is negotiating with the former promotional training officer of the Division of Economic Development to undertake a two year effort of technical assistance and training for the promotion staff; such training to be provided within the context of actual promotional campaigns. The campaigns would commence in July of 1983.

The Council is also negotiating with the Fantus Company for a package of services which include: a resident advisor to the Research and Development office, identification of individual companies in 10 to 15 industrial classifications which would be prime targets for promotional efforts; and production of comparative cost profile of Panama and its presumptive international competitors. These elements, and others are outlined in the Training and Technical Assistance Exhibits B.3 and B.4 respectively. The scheduling of training and technical assistance activities shown in those exhibits is precisely related to the scheduling of the program set out below.

The program content and resource allocations are designed to produce a minimum of 3000 direct jobs per year by 1986, and direct investment not less than $24 million annually. The targets for intermediary years are as follows:

	1983	1984	1985	1986	Totals
Investment ($ million)	9.6	14.4	20.0	24.00	68.0
Jobs	1200	1800	2500	3000	8500

Panamanian experience indicates that 1.5 indirect jobs are generated by the income streams of each new job created by new investment. Thus an additional 12,750 jobs may be generated if prime targets are met.

The gradual increase in targeted jobs is expected to be accomplished in part by increased effectiveness of staff and in part by staff increases. Staff increases will also be necessary if and when contractual services are terminated. The ICP program design through the end of 1984 is relatively firm. The main thrust of its program elements for the period 1985-1986 is also reasonably clean. However, should a decision be made to open one or more overseas offices at the end of 1984, organizational, procedural and cost changes will be required. The AID training and technical assistance components (see Annexes B.3 and B.4) have been designed to facilitate early operations, to accommodate program adjustments as necessary, and to advance institutional capability over the three year period. The program elements outlined below are shown by year and by ICP functional office.

RESEARCH AND DEVELOPMENT PROGRAM - 1983

1. Recruitment

During the remainder of 1983 the R&DO will complete recruitment of its key personnel. Some of the personnel complement for this office was not forseen in the original design and provision for those posts was not made in the 1983 budget. Should it prove impossible to adjust the 1983 budget to accommodate hiring of all needed personnel, hiring will be completed early in 1984.

The recruitment of key personnel is a critical requirement and conditions all technical assistance and training programs. None of the posts in the R&DO are currently filled and therefore an interim effort will be mounted to recruit for the following positions.

1 Manager of Research and Development
1 Industrial Engineer
1 MBA with cost/accounting experience
2 Jr research officers
1 computer programmer/analyst
2 computer clerks

These personnel will, under guidance of consultants provided under "turn-key" contracts, undergo immediate on-the-job training.

2. Market Identification - U.S. Markets - June to December

Market identification will be undertaken by contractor. (See Annex B.1). One of the research officers will work in the U.S. offices of the contractor.

As market data is provided the R&DO will segregate company information by geographic area and industrial classification and present a "target list" to the Promotion Office. Simultaneously, it will provide an industrial profile on each industrial classification and assist the Promotion Office in preparation of technical presentations.

3. Determination of Availability of Domestic Data - May to July

As a prelude to its efforts to assemble, classify and analyze domestic data the R&DO has commissioned a consulting firm to gather all data required. The data requirements have been extracted from data base handbooks of Florida Department of Commerce and other investment promotion sources.

4. Development of Domestic Data Base

Upon receipt of consultant reports on data availability, the R&DO team will undertake three actions:

(a) They will set up standard acquisition procedures and schedules for data which is routinely available.

(b) They will, with the assistance of consultants, prepare terms of reference for generation of new data.

(c) They will ascertain the availability of other resources in the GOP to develop data.

RESEARCH AND DEVELOPMENT PROGRAM - 1984

1. Continuation of U.S. Market Studies

Market studies will be carried out by contractors with participation of R&DO personnel. Lists of targeted firms are forwarded to Promotion.

2. Initiation of Latin American Market Studies

The staff of the R&DO will work with a contractor to develop and utilize Latin American data for identification of potential investors from that region. It is expected that the Latin American promotion group will assist in this effort.

3. Asian and European Market Studies

Contractors will develop and utilize Asian and European data bases for use in the Asian and European Promotion campaign of 1984. The contractors are expected to develop routine data information services from those geographic-areas. They will train R&DO personnel in all procedures involved. R&DO personnel will establish internal procedures to maintain system as on-going programs.

4. Special Studies

During the years the R&DO will commission and participate in several studies.

The first will examine the possibilities of inducing U.S. firms to utilize the Free Zone as a marketing center for Latin American, as is presently done by the Japanese.

The second will involve examination of one or more special situations which may influence investor decisions in certain geographical or economic settings. It is likely that Hong Kong will be examined. Investor uncertainty has increased there in anticipation of a change in political status of that Colony. Other possible examinations may include Japanese investment policies, special investor groups, etc.

The third will be the first in a series of distribution and transport studies. These will examine all prices affecting the transport cost structure of Panama and will recommend strategies for reducing ocean shipping costs to major market areas. The study and subsequent studies will be designed to provide the R&DO with both data and a high level of expertise in matters affecting cargo rates, shipping facilities, competitive routing and shipping strategies.

The fourth study, Canal traffic and cargos, is intended to examine production possibilities derived from movement raw, semi-finished and finished products through the Canal. At the same time the studies will attempt to identify transport alternatives, which may supplement the Canal for trans-Isthmus shipping.

The studies, individually and collectively, will provide information upon which the R&DO personnel will frame strategies and promotion campaigns; identify policy issues, program possibilities; and maintain a creative dialogue with the public and private sectors.

5. Policy Studies

Policy issues are expected to arise as a result of the operations of the ICP. The R&DO personnel will define those issues and relate them to their probable effect on employment generation. In the course of their operations most investment promotion offices in other countries have had occasion to request policy changes. Florida for example, as a result of recommendations by the Fantus Company, has made approximately 40 legislative changes to accommodate new investment in that State.

Apart from policy issues which may arise, there are immediate issues which the R&RO will address in 1984. These are: (1) Evaluation of the labor code and the labor market and (2) Public sector pricing policies and their effect on consumers and on production.

These and other policy studies will be carried out in conjunction with other agencies, notably MICI. Whenever possible the R&DO will attempt to induce other agencies to take on policy studies, utilizing funding already available through programs like the PARS. It will, however, utilize funding under this loan to insure that priority issues are addressed in a timely and professional manner.

The R&DO will as a result of the studies make recommendations for policy and legislation on procedural changes.

6. Formation and operation of an external Advisory and Evaluation Committee

During 1983, the R&DO will determine the availability of appropriate expert on investment promotion, e.g., senior executives of the Florida Department of Commerce. The Irish Development Council, etc. and international business lenders to serve as external advisors to the management of the ICP.

Three or four would be selected to form an external advisory committee to the Directors & Senior Management of the ICP. the Advisory Committee would, with the assistance of R DO personnel, establish evaluation criteria for annual assessment of the ICP and participate in that assessment at the end of each GOP fiscal year. They would at the request of the Board of Executive Director undertake or advise upon events or conditions of which might affect ICP operations.

7. Inter-Sectoral Seminars

In conjunction with the emergence of policy issues and technical concerns the ICP will sponser seminars which bring together leaders and major participants in the Panamanian investment process to air those issues, receive feed-back and advance their resolution. During 1984 the ICP expects to sponsor seminars on export promotion, productivity, joint-venture programs, and price policies. To the degree practicable the ICP will obtain joint-sponsorship of the seminar with MICI, SIP and other public and private agencies.

RESEARCH AND DEVELOPMENT PROGRAM - 1985-1986

The R&DO will at the end of 1984 and 1985 review its activities and the results obtained from this review, priority activities and studies will be selected and scheduled for the ensuing year. The external advisory group will participate in the selection of activities and in the evaluation of the previous years activities. Although the emphasis on particular activities will undoubtedly change the general thrust of the operations of the R&DO will remain focused on the elements which were initiated in 1984. Throughout the period there will be heavy reliance on consultants and contractors. The development of adequate information would tax the capacity of the R&DO office and require substantial additional staff. By utilizing consultants, the R&DO personnel will be able to devote their attention to determination of data requirements, supervision of consultants and conversion of the data into strategy and operational activities.

INVESTMENT PROMOTION PROGRAM - 1983

1. Recruitment

During the middle of 1983 the Promotion will complete recruitment of its key personnel and support staff. The start-up budget for the Promotion Office did not provide for full staffing of all five area groups, nor did it anticipate the use of the Florida contact system which offers especially effective use of staff by controlled preparation for visits and control of the visits themselves. To operate effectively in the U.S., Europe, Asia and Latin America the Promotion Office will staff-up to five teams (two for the U.S. operations). Each team would consist of one sales executive or representative and two case officers, for a total of :

5 Sales Executives
10 Case Officers

In as much as the training the promotion officer staff is scheduled for July 1983-Feb. 1984, the additional staff will be recruited in time to participate.

2. Training in Panama & U.S

July 83 - Feb. 84 - A training/promotion operations consultant will provide on-the-job training to all promotion staff in July of 1983. The training will be carried out in Panama, in facilities of the Florida Department of Commerce and in actual promotional field exercise in portions of the U.S.

The promotion exercises will use industrial and company identification data proposed by another consultant firm and will establish the inter-active relationships between the Promotion Office, the R&DO and the Services Office.

3. Residual "Maquila" and ad hoc activities

The ICP absorbed the formerly independent "Maquila" program which promoted the entry of assembly industries into Panama. Lists of potential investors developed under that program are available. The promotion staff will continue contacting and servicing firms on that list, as well as firms which are continuing to contact the ICP on their own.

4. Initiation of advertising and publicity campaigns July to December

Materials will be prepared and contracts let on internal and external disseminated promotional literature and films.

INVESTMENT PROMOTION PROGRAM - 1984

1. Market Operations in the U.S. - February to December

Upon completion of the training initiated in 1983, the two promotion teams, with the assistance of the training/promotion operations advisor, will begin routine, promotional campaigns in the U.S. These will be conducted and at the rate of 24 man/missions per year. During this period replacement personnel will be trained as required.

2. Seminars - January to December

During this period two types of seminars will be held in the U.S. and in Panama. Those in the U.S. will bring together groups of potential investors for presentation of Panamanian investment opportunities. The seminars in some cases will be sponsored by the ICP, but more frequently the promotion personnel of the ICP will participate in seminars on meetings sponsored by U.S. oganizations, e.g. U.S. Chambers of Commerce, OPIC, CACC, etc. Promotion personnel will normally be accompanied by one or more senior staff in Board members.

In Panama the seminars will be directed at the Panamanian business community and at mixed groups of Panamanian and potential foreign investors.

3. Latin American Campaign - February to December

Upon completion of training in the U.S. the Latin American promotion teams will prepare and carry out promotion campaign in Central and South America. In preparing for the campaign the team will work closely with the R&DO in developing information and data sources and in design of various studies. The team is expected to carry out a minimum of 6 missions during 1984.

4. Asian Market Campaign - February to December

Upon completion of training in the U.S., the Asian promotion teams will be integrated into the Consultant Team (to be contracted) to prepare and participate in a campaign directed primarily at Japan, Taiwan, Hong Kong, Korea and Singapore.

The R&DO will also be involved in the data gathering and processing elements of the campaign. It is expected that after the campaign, which will last for one year, that the ICP will be able to maintain a continuous operation of four missions per year without the need for massive consultant assistance. At the end of the period, decisions will be made in respect to the desirability of opening offices in the Far East mantaining operations in Panama, and for specialized consultant services.

5. European Market Campaign - February to December

Upon completion of training in the U.S. the European promotion team will be integrated into Consultant Team (to be contracted) to prepare and participate in a campaign directed primarily at Germany, France and Spain.

The R&DO will also be involved in the data gathering and processing elements of the campaign. It is expected that after the campaign, which will last for one year, that the ICP will be able to maintain a continuous operation without massive consultant assistance. At the end of the period, decisions will made in respect to opening an ICP office In Europe.

INVESTMENT PROMOTION PROGRAM - 1985 and 1986

The Promotion Office will, at the end of 1984 and 1985, review and evaluate its activities and the results obtained. Strategies, activities and resource allocations will be adjusted as required. The external advisory group will participate in the evaluations and in the selection of activities.

The advisability of establishing overseas offices will be the major decision to be taken. Should it be decided that such offices be opened budgetary additions will undoubtedly be required.

ANNEX II: PROJECT DEVELOPMENT

SECTION B: ICP OPERATIONS

EXHIBIT 3: TRAINING PROGRAM

EXHIBIT 3: TRAINING PROGRAM

The components shown here are classified as "training" in as much as the main thrust of the activities are directed at achieving staff competency. They constitute discretely identifiable activities which advance the ICP program, but the activities are used primarily as a vehicle for instilling required skills, attitudes, and knowledge in ICP individual staff members, and to effect a nexus with individuals within teams, and teams within the institution.

In certain cases the training will be provided in-house by a consultant who will be responsible for development of key personnel: e.g. the consultant expected to be contracted for the Research and Development Office (A.1 in the component tabulation which follows this section). The duty of that consultant is to instruct and advise on the full range of activities involved in: identifying policy issues, devising marketing strategies, preparing terms of reference for studies, identification of special situations, collection and interpretation of data, development of internal controls, and program priorities. In carrying out these training functions over the life of a flexible and changing project, he will train the heads of each operational department in their roles as responders to, and users of the Research and Development Office. The activity is essentially management training within a unique technical and organizational framework.

In some cases the ICP technicians will receive training within a contracted operation. In market identification, for example (A.2 in the component tabulation), ICP technicans will be sent for training to a consulting firm which will be carrying out operational activities on behalf of the ICP. The operational activities (shown in the technical assistance annex B.4) are expected to continue throughout the project life. The training costs shown in A.2 reflect only the travel and per diem cost of the ICP technicians which will participate, as trainees, in the operational activity.

Cost calculations shown for each activity have been developed in most cases on the basis of known rates of likely contractors. In some cases they reflect cost rates of contractors which have made proposals to the ICP. In others they are calculated at standard rates. Per diem rates are illustrative only. These would be paid by AID and accordance with AID per diem rates prevailing at the time that travel takes place.

TABLE 1

ICP TRAINING 1983-1986

Organizational Division/ Description Total	1983	1984	1985	1986	TOTAL
A. Research & Development					
1. Industrial Development Techniques	89,000	120,000	120,000	120,000	449,000
2. Market Identification	11,000	11,000	11,000		33,000
3. Computer Operations & Library		10,000			10,000
4. Economic Development Courses		5,230	5,230	5,230	15,690
	100,000	146,230	136,230	125,230	507,690
B. Investment Promotion					
1. Industrial recruitment skills + U.S. Market penetration	92,000	90,000	69,600	69,600	321,200
2. Asian Market penetration	--	36,000	40,000	--	76,000
3. European Market		33,600	33,600		67,200
	92,000	159,600	143,200	69,600	464,400
C. Executive Management					
1. Management Courses		15,500	15,500	15,500	46,500
2. Asian Market		25,000	25,000		50,000
3. European Market		18,600	18,600		37,200
		59,100	59,100	15,500	133,700
GRAND TOTAL	192,200	364,930	338,530	210,330	1,105,990

* The industrial development trainer/adviser is charged to Institutional Development in the Summary Financial Plan on page 3 in the project paper.

TRAINING ACTIVITIES

RESEARCH AND DEVELOPMENT OFFICE - 1983

1. Industrial Development Techniques

a.-Period: 6 months

b.-Content: Training of the Deputy Director and all R&DO personnel in policy & operations research and programming, inclusive of market research techniques, development and use of locational data, incentive evaluation and use, distribution and transportation, cost comparisons, broadcasting techniques, site and building suitability, community data information, budgeting, socio-economic trends, identification of weaknesses and strengths of Panama as an industrial site.

c.-Place: ICP

d.-Resources:

1 Training Advisor	6 months	$72,000
1 Training Advisor	1/2 month	$ 5,000
Travel & Per diem		12,000
		$89,000

e.-Office Space & Facilities: ICP

f.-Secretarial Services ICP

2. Market Identification Techniques

a.-Period: 3 months

b.-Content: Use of STC International trade statistics and specialized data for identification of industries which would likely improve their position by establishing production facilities in Panama and the identification of specific industries within those categories.

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

c.-Place: New Jersey

d.-Resources:

Travel of one ICP trainee Panama-New York-Panama	$ 1,000
Per Diem 90 days x $100	$ 9,000
Other	1,000
	$11,000

e.-Office Space & Facilities: Contractor

f.-Secretarial Services: Contractor

RESEARCH AND DEVELOPMENT OFFICE - 1984

1. Industrial Development Techniques

a.-Period: 12 months

b.-Content: Training of the Deputy Director and all R&DO personnel in policy & operations research and programming, inclusive of market research techniques, development and use of locational data, incentive evaluation and use, distribution and transportation, cost comparisons, broadcasting techniques, site and building suitability, community data informtion, budgeting, socio-economic trends, identification of weaknesses and strengths of Panama as an industrial site.

c.-Place: ICP

d.-Resources:

1 Training Advisor	12 months	
Travel & Per Diem		
		$120,000

e.-Office Space & Facilities: ICP

f.-Secretarial Services ICP

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

2. Market Identification Techniques

a.-Period:	3 months	
b.-Content:	Use of SIC International trade statistics and specialized data for identification of industries which would likely improve their position by establishing production facilities in Panama and the identification of specific industries within those categories.	
c.-Place:	New Jersey	
d.-Resources:	Travel of one ICP trainee Panama-New York-Panama	$ 1,000
	Per Diem 90 days x $100	9,000
	Other	1,000
		$11,000
e.-Office Space & Facilities:	Contractor	
f.-Secretarial Services:	Contractor	

3. Computer Operations & Library

a.-Period:	--------	
b.-Content:	Use of computer; input and retrieval of data, maintenance of conventional and disc library.	
c.-Place:	ICP	
d.-Resources:	One Computer Trainee	$10,000
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services	ICP	

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

4. Economic Development Courses

a.-Period: 1 year

b.-Content: Other training of Research and Development staff will include participation in the Economic Development Institute at the University of Oklahoma, or similar economic development course.

c.-Place: U.S.

d.-Resources:

Air Transportation: Panama U.S.-Panama for three persons	$2,500
Per Diem: 7 days x $80.00 for 3 persons	1,680
Course fees: $350 for 3 persons	1,050
	$5,230

e.-Office Space & Facilities ICP

f.-Secretarial Services ICP

RESEARCH AND DEVELOPMENT OFFICE - 1985

1. Industrial Development Techniques

a.-Period: 12 months

b.-Content: Training of the Deputy Director and all R&DO personnel in policy & operations research and programming, inclusive of market research techniques, development and use of locational data, incentive evaluation and use, distribution and transportation, cost comparisons, broadcasting techniques, site and building suitability, community data information, budgeting, socio-economic trends, identification of weaknesses and strengths of Panama as an industrial site.

c.-Place: ICP

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

d.-Resources:	1 Training Advisor Travel & Per Diem	12 months	
			$120,000
e.-Office Space & Facilities:	ICP		
f.-Secretarial Services:	ICP		

2. Market Identification Techniques

a.-Period:	3 months	
b.-Content:	Use of SIC International trade statistics and specialized data for identification of industries which would likely improve their position by establishing production facilities in Panama and the identification of specific industries within those categories.	
c.-Place:	New Jersey	
d.-Resources	Travel of one ICP trainee Panama-New York-Panama	$ 1,000
	Per Diem 90 days x $100	9,000
	Other	1,000
		$11,000
e.-Office Space & Facilities:	Contractor	
f.-Secretarial Services:	Contractor	

3. Economic Development Courses

a.-Period:	1 year
b.-Content:	Other training of Research and Development staff will include participation in the Economic Development Institute at the University of Oklahoma, or similar economic development course.
c.-Place:	U.S.

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

d.-Resources:	Air Transportation: Panama U.S.-Panama for three persons	$2,500
	Per diem: 7 days x $80.00 for 3 persons	1,680
	Course fees: $350 for 3 persons	1,050
		$5,230

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

RESEARCH AND DEVELOPMENT OFFICE - 1986

1.-Industrial Development Techniques

a.-Period: 12 months

b.-Content: Training of the Deputy Director and all R&DO personnel in policy & operations research and programming, inclusive of market research techniques, development and use of locational data, incentive evaluation and use, distribution and transportation, cost comparisons, broadcasting techniques, site and building suitability, community data information, budgeting, socio-economic trends, identification of weaknesses and strengths of Panama as an industrial site.

c.-Place: ICP

d.-Resources: 1 Training Advisor 12 months
Travel & Per Diem
$120,000

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

2. Economic Development Courses

a.-Period: 1 year

b.-Content: Other training of R&DO staff will include participation in the Economic Development Institute at the University of Oklahoma, or similar economic development course.

c.-Place: U.S.

d.-Resources:

Air Transportation: Panama-U.S.-Panama for three persons	$2,500
Per diem: 7 days x $80.00 for 3 persons	1,680
Course fees: $350 for 3 persons	1,050
	$5,230

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

INVESTMENT PROMOTION OFFICE - 1983

1. Promotion Techniques Training

a.-Period: 7 months

b.-Content: Whole group and individual on-the-job training will be given to develop the ICP promotion staff's ability to attract industry to Panama. Instruction will include sales strategies for industrial recruitment, preparation of the written proposal, making the sales call, how to plan and implement a site tour, and how to conduct effective follow-up. The promotion staff will participate in a Florida Department of Commerce sales mission, and will plan and implement their own sales mission in the U.S. They plan and implement a site tour.

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

In addition, the Director of Promotion will receive individualized instruction in how to manage the marketing operation.

c.-Place:

5 months ICP
2 months U.S.

d.-Resources:

Consultant	$35,000
Air Transportation U.S.-Panama-U.S (5 Trips)	$ 2,800
Per Diem - 60 days at $80.	$ 4,800
ICP Staff	
Air Transportation Panama-U.S.-Panama 10 persons (1 Trip)	$ 5,600
TLH-selected U.S. cities-TLH 10 persons W/FDC Staff	$ 5,000
TLH-ATL-TLH 5 persons	$ 1,000
Per Diem - 45 days x $80 for 10 persons	$36,000

e.-Office Space & Facilities: IPC/FDC

f.-Secretarial Services: TLH 2,000

$92,200

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

INVESTMENT PROMOTION OFFICE - 1984

1. Promotion Techniques Training

a.-Period: 12 months

b.-Content: Individual skill training for promotional personnel including instruction in advanced sales techniques, how to plan and conduct investor seminars, and special promotional events.

The promotion Staff will attend the Florida Industrial Development Workshop (held in May in TLH) or the Basic Economic Development Course (November at University of South Florida, Tampa.)

The Director of Promotion will be given instructions on how to develop the annual marketing plan which will include setting goals and objectives, achievement/motivation techniques, and the performance evaluation process. Instruction will also be given in the plan and implementation of effective advertising and public relations campaigns.

c.-Place: 8 months ICP
4 months selected U.S. cities

d.-Resources:

1 Training Contractor	$60,000
Air Transportation U.S.-Panama-U.S. (8 Trips)	$ 5,000
Per Diem - 100 days $80	$ 8,000
Part Time Secretary (U.S.)	$ 4,000
Course Fees - 8 persons $300 each.	$ 2,400
Air Transport ICP Staff Panama-U.S.-Panama for 8 persons	$ 5,000
Per Diem-ICP Staff 7 days x $100 for 8 persons	$ 5,600
	$90,000

Note: COP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

2. Promotion Techniques Training - Asian Staff

a.-Period: 1 year

b.-Content: Three Promotion Staff members will receive on-the-job training in technical preparation and representation in the Far East. This instruction will include orientation and sales training, and the plan and implementation of sales missions.

c.-Place: Far East

d.-Resources:

Air Transportation: 3 Trips Panama-Far East-Panama for 2 persons (1 Trip for person)	$12,000
Per Diem: 120 days x $100 for 2 persons	$24,000
	$36,000

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

3.- Promotion Techniques Training - European Staff

a.-Period: 1 year

b.Content: Two promotion Staff members will receive on-the-job training and technical preparation and representation in Europe. This instruction will include orientation and sales training, andthe plan and implementation of sales missions.

c.-Place: Europe

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

d.-Resources:

Air Transportation: Panama-Europe-Panama (4 Trips) for 2 persons	$ 9,600
Per Diem: 120 days x $100 for 2 persons	$24,000
	$33,600

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

INVESTMENT PROMOTION OFFICE - 1985

1. Promotion Techniques Training

a.-Period: 12 months

b.-Content: It is anticipated that new staff will have been hired who need to be trained in the basic skills of promotion. The course developed in 1983 will be conducted by a consultant, with a designted ICP staff member assisting. The intent is to train an internal trainer, so that this function can be routinely handled by ICP. The Senior Promotion Staff will be used as the "models", in the same way FDC staff were used in 1983.

The Managing Director and Promotion Manager will attend a "How to Meet the Media" course to prepare them to effectively conduct media interviews and answer questions.

The Senior Promotion Staff will attend a Site Location course such as if offered by American Management Associates (AMA).

c.-Place: 8 months ICP
4 months selected U.S. cities

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

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d.-Resources:	1 Training Contractor	$40,000
	Travel Contractor U.S.-Panama-U.S. (6 Trips)	3,400
	Per Diem 75 days x $80	6,000
	Course Fees (BEDC, media and site location)	4,000
	ICP Staff	
	Air Transport Panama-U.S.-Panama for 8 persons	5,000
	Per Diem 14 days x $100 for 8 persons	11,200
		$69,600

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

2. Promotion Techniques Training - Asian Staff

a.-Period: 1 year

b.-Content: Two promotion staff members will receive on-the-job training in technical preparation and representation in the Far East. This instruction will include orientation and sales training, and the plan and implementation of sales missions.

c.-Place: Far East

d.-Resources:	Air Transportation Panama-Far East-Panama (4 Trips) for 2 persons	$16,000
	Per Diem: 120 days x $100 for 2 persons	24,000
		$40,000

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

3.- Promotion Techniques Training - European Staff

a.-Period: 1 year

b.-Content: Two promotion Staff members will receive on-the-job training in technical preparation and representation in Europe. This instruction will include orientation and sales training, andthe plan and implementation of sales missions.

c.-Place: Europe

d.-Resources:

Air Transportation: Panama-Europe-Panama (4 Trips) for 2 persons	$ 9,600
Per Diem: 120 days x $100 for 2 persons	$24,000
	$33,600

e.-Office Space & Facilities: ICP

f.-Secretarial Services: ICP

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

INVESTMENT PROMOTION OFFICE - 1986

1.-Promotion Techniques Training

a.-Period:	12 months	
b.-Content	The ICP Staff member identified as the in-house-trainer will conduct the promotion skills course developed in 1983. The consultant will supervise the instruction. The training function should now be in-house capability. Again, Senior Staff will be used in the training as models. Outside courses such as the Basic Development courses and selected site location course (such as those offered by AMA) will be continued as part of the ICP training program.	
c.-Place:	ICP	
d.-Resources:	1 Training Contractor	$40,000
	Travel U.S.-Panama-U.S. (6 Trips)	3,400
	Per Diem 75 days x $80	6,000
	Course Fees (BEDC, site location)	4,000
	ICP Staff	
	Air Transport Panama-U.S.-Panama for 8 persons	5,000
	Per Diem 14 days x $100 for 8 persons	11,200
		$69,600
e.-Office Space & Facilities:	ICP	
f.-Secretarial Service:	ICP	

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID fund shall be the prevailing U.S. government rates.

MANAGEMENT - 1984

1.-Management Courses

a.-Period:	1 year	
b.-Content:	The Managing Director and Deputy Director will attend a 2 weeks management course such as is offered by New York University or Wharton School of Business in order to upgrade their management skills.	
c.-Place:	U.S.	
d.-Resources:	Air Transportation Panama-U.S.-Panama for 2 persons	$ 4,000
	Per Diem: 125 days x $150 for 2 persons	4,500
	Course Fee:	7,000
		$15,500

2.-Management Market Orientation (Asia)

a.-Period:	1 year	
b.-Content:	The Managing Director and 3 Board members will receive orientation training in the Far East, and will participate in a sales mission.	
c.-Place:	Far East	
d.-Resources:	Air Transportation Panama-Far-East-Panama 4 persons	$16,000
	Per Diem: 15 days x $150	9,000
		$25,000
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services:	ICP	

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

3.- Management Market Orientation (Europe)

a.-Period:	1 year	
b.-Content:	The Managing Director and 3 Board Members will receive orientation training in Europe, and will participate in a sales mission.	
c.-Place:	Europe	
d.-Resources:	Air Transportation Panama-Europe-Panama 4 persons	$ 9,600
	Per Diem: 15 days x $150 x 4 persons	9,000
		$18,600
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services:	ICP	

MANAGEMENT - 1985

1.-Management Courses

a.-Period:	1 year	
b.-Content:	The Managing Director and Deputy Director will attend a 2 week management course such as is offered by New York University or Wharton School of Business in order to upgrade their management skills.	
c.-Place:	U.S.	
d.-Resources:	Air Transportation Panama-U.S.-Panama for 2 persons	$ 4,000
	Per Diem: 30 days x $150 for 2 persons	4,500
	Course Fee:	7,000
		$15,500

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

2.-Management Market Orientation (Asia)

a.-Period:	1 year	
b.-Content:	The Managing Director and 3 Board members will receive orientation training in the Far East, and will participate in a sales mission.	
c.-Place:	Far East	
d.-Resources:	Air Transportation Panama-Far-East-Panama 4 persons	$16,000
	Per Diem: 15 days x $150* 4 persons	9,000 $25,000
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services:	ICP	

3.- Management Market Orientation (Europe)

a.-Period:	1 year	
b.-Content:	The Managing Director and 3 Board Members will receive orientation training in Europe, and will participate in a sales mission.	
c.-Place:	Europe	
d.-Resources:	Air Transportation Panama-Europe-Panama 4 persons	$ 9,600
	Per Diem: 15 days x $150 x 4 persons	9,000 $18,600
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services:	ICP	

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

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MANAGEMENT - 1986

1.-Management Courses

a.-Period: 1 year

b.-Content: The Managing Director and Deputy Director will attend a 2 weeks management course such as is offered by New York University or Wharton School of Business in order to upgrade their management skills.

c.-Place: U.S.

d.-Resources:

Air Transportation Panama-U.S.-Panama for 2 persons	$ 4,000
Per Diem: 30 days x $150 for 2 persons	4,500
Course Fee:	7,000
	$15,500

Note: GOP Per Diem allows $115 for Latin America and $150 for North America and Europe. The rate applicable to ICP staff traveling on USAID funds shall be the prevailing U.S. government rates.

ANNEX II: PROJECT DEVELOPMENT

SECTION B: ICP OPERATIONS

EXHIBIT 4: TECHNICAL ASSISTANCE PROGRAM

EXHIBIT 4: TECHNICAL ASSISTANCE PROGRAM

The components described herein are classified as Technical Assistance, although some of them provide training as a "fall-out" of the activities undertaken.

This is the case in Activity A.1 Market Identification, B.2 Asian Promotion Campaign, and B.3 European Promotion Campaign. Each of these activities is intended primarily to establish specific operations and operational guidelines as quickly as possible. Given the inexperience of the ICP personal, highly professional contractors will be required to formulate and carry out the inter-related and complex technical and administrative tasks. While the contractors undertake those tasks, members of the ICP will work with them, receiving on-the-job training in the process.

The following table summarizes technical assistance activities, person months, and funding for 1983 - 1986.

ICP-Technical Assistance 1983 - 1986

Organizational Division Description		1983	1984	1985	1986	TOTAL
A.- Research and Development						
1. Market identification	34 p/m	85,000	85,000	85,000	85,000	340,000
2. Determination of Availability of domestic Base Data	2 p/m	10,000				10,000
3. Development of Domestic Data Base	6 p/m		40,000	10,000	10,000	60,000
4. Codification of Domestic and U.S. Investor Data	1 p/m		5,000			5,000
5. Re-exportation Studies	9 p/m		15,000	15,000	15,000	45,000
6. Latin American Import Studies	8 p/m		21,000	21,000	15,000	57,000
7. Target of Opportunity Studies	15 p/m		50,000	50,000	50,000	150,000
8. Policy Studies	24 p/m		80,000	80,000	80,000	240,000
9. Distribution & Transportation Studies	10 p/m		50,000	50,000		100,000
10. Canal Traffic Studies	18 p/m		30,000	30,000	30,000	90,000
11. Advisory Committee	15 p/m		60,000	60,000	60,000	180,000
12. Intersectoral seminars	30 p/m		100,000	100,000	100,000	300,000
Subtotal		95,000	536,000	501,000	445,000	1,577,000
B. Investment Promotion						
1.-Seminars	18 p/m		60,000	60,000	60,000	180,000
2.-Asian Promotion Campaign	18 p/m		230,000			230,000
3.-European Promotion Campaign	18 p/m		205,000			205,000
Subtotal			495,000	60,000	60,000	615,000
C. Investor Services						
1.-Workshops	6 p/m		28,000			28,000
Subtotal			28,000			28,000
GRAND TOTAL		95,000	1,059,000	561,000	505,000	2,220,000

TECHNICAL ASSISTANCE ACTIVITIES

RESEARCH AND DEVELOPMENT - 1983

1. Market Identification

a.-Period:	5 months.	
b.-Content:	Identification of 10/15 target industries. Identification of major companies within those target groups. Preparation of international competitive profiles of the likely competitors of Panama. Preparation of a brochure for use with target companies.	
c.-Place:	New Jersey	
d.-Resources:	Consultant services	$85,000
e.-Office Space and Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

2. Determination of Availability of Domestic Base Data

a.-Period:	2 months	
b.-Content:	Using Florida data base as a guide determine availability of such data in Panama and delivery of all data that is routinely available. Make recommendations for development of data which is not routinely available.	
c.-Place:	ICP	
d.-Resources:	Local contractors	$10,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

RESEARCH AND DEVELOPMENT - 1984

1. Market Identification

a.-Period:	10 months	
b.-Content:	Identification of 10/15 target industries. Identification of major companies within those target groups. Preparation of international competitive profiles of the likely competitors of Panama. Preparation of a brochure for use with target companies.	
c.-Place:	New Jersey	
d.-Resources:	Consultant services	$86,000
e.-Office Space and Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

2.-Development of Domestic Data Base

a -Period:	2 months	
b.-Content:	Development of domestic data base	
c.-Place:	Panama	
d.-Resources:	Contractors	$40,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services	Contractors	

3.-Codification of Domestic Data Base and Codification of U.S. Investor Data

a.-Period:	1 - 2 months	
b.-Content:	Design standard codification for entry of base data into computer banks.	
c.-Place:	Panama	
d.-Resources:	Contractors	$ 5,000

e.-Office Space and Facilities	Contractors	
f.-Secretarial Services:	Contractors	

4.-Re-exportation Studies:

a.-Period:	3 months	
b.-Content:	Investigation of possibilities of FTZ for specific assembly plants, packaging (U.S. re-export) & repackaging of goods.	
c.-Place:	Panama	
d.-Resources:	Contractors	$15,000
e.-Office Space and Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

5.-Latin American Import Studies

a.-Period:	3 months	
b.-Content:	Examination of import statistics, events, and factors affecting production of Latin American imports. Research Panama as an alternative to produce those goods for the Latin American markets.	
c.-Place:	Panama	
d.-Resources:	Contractors	$21,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

6.-Target of Opportunity Studies

a.-Period:	2 months each	
b.-Content	Special situation in various parts of the world may bring about unique opportunities for Panama to attract investment; e.g. termination of British Agreement with China regarding Hong Kong.	
c.-Place:	Panama and elsewhere.	
d.-Resources:	Contractors	$50,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services	Contractors	

7. Policy Studies

a.-Period:	8 months	
b.-Content:	(1) Labor market study. Evaluation of labor force and its growth characteristics by region and major locality. Labor law and labor practices ought to be studied. Data will be presented in a form readily adaptable for use in the computer. (2) Public sector pricing study. Assessment of government policy and the effect on the consumer, and on production.	
c.-Place:	Panama	
d.-Resources:	Contractors	$80,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

8.-Distribution and Transportation Studies

a.-Period:	12 months	
b.-Content:	Collection of information on all factors that influence transportation costs from Panama to market centers. The information to be fed into computer and a system for up-dating to be established and recommendation of strategy for reduction of freight costs.	
c.-Place:	Panama	
d.-Resources:	Contractors	$50,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

9.-Canal Traffic Study

a.-Period:	one month	
b.-Content:	Collection of information, primarily from Canal Commission on cargo and destination passing through the Canal and derive industrial potential and transport facility.	
c.-Place:	Panama	
d.-Resources:	Contractors	$30,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

10. -Advisory & Evaluation Committee

a.-Period:	One year: 5 p/ms effort during the year.

b.-Content: A commission of 3 or 4 well-known people in the field of investment promotion (e.g. head of the IDA, head of the Florida Division of Economic Development) shall be invited to advise the Board and the Managing Director of ICP on matters which may effect the operation and success of ICP and to conduct an annual evaluation of ICP progress for submission to the Board of ICP.

c.-Place: Panama, U.S. and other places.

d.-Resources:

3 or 4 advisors	$50,000
travel & per diem	$10,000
	$60,000

e.-Office Space & Facilities: ICP

f.-Secretarial Assistance ICP

11.-Intersectoral Seminars

a.-Period 1 year

b.-Content: Discussion and dissemination of information on policy matters in government agencies and private sector. Most of these seminars will be organized and conducted by INCAE.

c.-Place: Panama

d.-Resources $100,000

e.-Office Space Facilities ICP - INCAE

f.-Secretarial Services ICP - INCAE

INVESTMENT PROMOTION - 1984

1.-Seminars

a.-Period: 1 to 2 weeks each.

b.-Content: Development and dissemination of information to selected domestic and foreign target groups (e.g. For joint venture arrangements and discussion of policy and administrative issues.)

c.-Place: Panama and target countries.

d.-Resources:	INCAE	$60,000
e.-Office Space & Facilities:	ICP - INCAE	
f.-Secretarial Services	ICP INCAE	

2.-Asian Promotion Campaign

a.-Period:	1 Year	
b.-Content:	Selection of specific firms in target areas of Asia. Preparation of cost profiles on those industries. Identification of target industry policies, problems, expansion plans. Political/economic conditions which may effect target industry behavior. Identification of key decision makers in those companies. Preparation of methods of accessing decision makers. Scheduling of visits. Individual interview techniques. Arrangements for presentation and visits. Arrangements for high potential Asian investors to visit Panama. Preparation for such visits. Recommendation on the use of Asian agents and/or use of ICP personnel for permanent residence in Asia.	
c.-Place:	ICP - Asian countries.	
d.-Resources:	Contractors, 18 p/ms	$180,000
	Travel & Per diem	$ 50,000
		$230,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services:	Contractors	

3.- European Promotion Campaign

a.-Period:	1 Year

b.-Content: Selection of specific firms in target areas of Europe. Preparation of cost profiles on those industries. Identification of target industry policies problems, expansion plans. Political/economic conditions which may affect target industry behavior. Identification of key decision makers in those companies. Preparation of methods of accessing decision makers. Scheduling of visits. Individual interview techniques.

Logistics of presentation and visits. Arrangements for high potential European investors to visit Panama. Preparation for such visits. Follow up contacts and visits. Recommendation on the use of European agents and/or the use of ICP personnel for permanent residence in Europe.

c.-Place: ICP - European countries.

d.-Resources:

Contractors, 18 p/ms	$180,000
Travel & Per diem	$ 25,000
	$205,000

e.-Office Space & Facilities: Contractors

f.-Secretarial Services: Contractors

INVESTOR SERVICES - 1984

1.-Workshops

a.-Period: 1 Year

b.-Content: Preparation of Workshop with private sector entities to secure the cooperation of the private sectors in the attainment of the objectives of ICP, to facilitate the collection of information and to acquaint them with the work of ICP.

c.-Place: Panama

d.-Resources: ICP $28,000

e.-Office Space and Facilities ICP

f.-Secretarial Services: ICP

RESEARCH AND DEVELOPMENT - 1985

1.Market Identification

a.-Period:	1 year	
b.-Content:	Identification of 10/15 target industries. Identification of major companies within those target groups. Preparation of international competitive profiles of the likely competitors of Panama. Preparation of a brochure for use with target companies	
c.-Place:	New Jersey	
d.-Resources:	Consultant services	$85,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services:	Contractors	

2.-Development of Domestic Data Base

a -Period:	2 months	
b.-Content:	Development of domestic data base	
c.-Place:	Panama	
d.-Resources:	Contractors	$10,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

3.-Re-exportation Studies:

a.-Period:	3 months
b.-Content:	Investigation of possibilities of FTZ for specific assembly plants, packaging (U.S. re-export) & repackaging of goods.

c.-Place:	Panama	
d.-Resources:	Contractors	$15,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

4.-Latin American Import Studies

a.-Period:	3 months	
b.-Content:	Examination of import statistics, events and factors affecting Latin American imports as these would effect decisions to invest in Panama to produce those goods for the Latin American markets.	
c.-Place:	Panama	
d.-Resources:	Contractors	$21,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

5.-Target of Opportunity Studies

a.-Period:	2 month each	
b.-Content	Special situation in various parts of the world may bring about unique opportunities for Panama to attract investment; e.g. termination of British Agreement with China regarding Hong Kong.	
c.-Place:	Panama and elsewhere.	
d.-Resources:	Contractors	$50,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services	Contractors	

6. Policy Studies

a.-Period:	8 months	
b.-Content:	(1) Labor market study. Evaluation of labor force and its growth characteristics by region and major locality. Labor law and labor practices ought to be studied. Data will be presented in a form readily adaptable for use in the computer. (2) Public sector pricing study. Assessment of government policy and the effect on the consumer, and on production.	
c.-Place:	Panama	
d.-Resources:	Contractors	$80,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

7.-Distribution and Transportation Studies

a.-Period:	12 months	
b.-Content:	Collection of information on all factors that influence transportation costs from Panama to market centers. The information to be fed into computer and a system for up-dating to be established and recommendation of strategy for reduction of freight costs.	
c.-Place:	Panama	
d.-Resources:	Contractors	$50,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

8.-Canal Traffic Study

a.-Period:	one month
b.-Content:	Collection of information, primarily from Canal Commission on cargo and destination passing through the Canal and derive industrial potential and transport facility.

c.-Place:	Panama	
d.-Resources:	Contractors	$30,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

9.-Advisory & Evaluation Committee

a.-Period:	One year: 5 p/ms effort during the year.	
b.-Content:	A commission of 3 or 4 well-known people in the field of investment promotion (e.g. head of the IDA, head of the Florida Division of Economic Development) shall be invited to advise the Board and the Managing Director of ICP on matters which may effect the operation and success of ICP and to conduct an annual evaluation of ICP progress for submission to the Board of ICP.	
c.-Place:	Panama, U.S. and other places.	
d.-Resources:	3 or 4 advisors travel & per diem	$50,000 $10,000 $60,000
e.-Office Space & Facilities:	ICP	
f.-Secretarial Services:	ICP	

10.-Intersectoral Seminars

a.-Period	1 year	
b.-Content:	Discussion and dissemination of information on policy matters in government agencies and private sector. Most of these seminars will be organized and conducted by INCAE.	
c.-Place:	Panama	
d.-Resources		$100,000
e.-Office Facilities	ICP - INCAE	
f.-Secretarial Services	ICP - INCAE	

INVESTMENT PROMOTION - 1985

1.-Seminars

a.-Period:	1 to 2 weeks each.	
b.-Content:	Development and dissemination of information to selected domestic and foreign target groups e.g. Joint venture arrangements and discussion of policy and administrative issues.	
c.-Place:	Panama and target countries.	
d.-Resources:	INCAE	$60,000
e.-Office Space & Facilities:	ICP - INCAE	
f.-Secretarial Services:	ICP - INCAE	

RESEARCH AND DEVELOPMENT - 1986

1.Market Identification

a.-Period:	6 months	
b.-Content:	Identification of 10/15 target industries. Identification of major companies within those target groups. Preparation of international competitive profiles of the likely competitors of Panama. Preparation of a brochure for use with target companies	
c.-Place:	New Jersey	
d.-Resources:	Consultant services	$85,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services:	Contractors	

2.-Development of Domestic Data Base

a.-Period:	2 months
b.-Content:	Development of domestic data base

c.-Place:	Panama	
d.-Resources:	Contractors	$10,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

3.-Re-exportation Studies:

a.-Period:	3 months	
b.-Content:	Investigation of possibilities of FTZ for specific assembly plants, packaging (U.S. re-export) & repackaging of goods.	
c.-Place:	Panama	
d.-Resources:	Contractors	$15,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

4.-Latin American Import Studies

a.-Period:	3 months	
b.-Content:	Examination of import statistics, events and factors affecting production of Latin American imports. Research Panama as an alternative for the Latin American markets.	
c.-Place:	Panama	
d.-Resources:	Contractors	$15,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services:	Contractors	

5.-Target of Opportunity Studies

a.-Period:	2 month each	

b.-Content	Special situations in various parts of the world create opportunities for Panama to attract investment; e.g. Hong Kong.	
c.-Place:	Panama and elsewhere.	
d.-Resources:	Contractors	$50,000
e.-Office Space and Facilities	Contractors	
f.-Secretarial Services	Contractors	

6. Policy Studies

a.-Period:	8 months	
b.-Content:	(1) Labor market study. Evaluation of labor force and its growth characteristics by region and major locality. Labor law and labor practices ought to be studied. Data will be presented in a form readily adaptable for use in the computer. (2) Public sector pricing study. Assessment of government policy and the effect on the consumer, and on production.	
c.-Place:	Panama	
d.-Resources:	Contractors	$80,000
e.-Office Space & Facilities:	Contractors	
f.-Secretarial Services	Contractors	

7.-Canal Traffic Study

a.-Period:	one month	
b.-Content:	Collection of information, primarily from Canal Commission on cargo and destination passing through the Canal and derive industrial potential and transport facility.	
c.-Place:	Panama	
d.-Resources:	Contractors	$30,000

e.-Office Space & Facilities: Contractors

f.-Secretarial Services Contractors

8.-Advisory & Evaluation Committee

a.-Period: One year: 5 p/ms effort during the year.

b.-Content: A commission of 3 or 4 well-known people in the field of investment promotion (e.g. head of the IDA, head of the Florida Division of Economic Development) shall be invited to advise the Board and the Managing Director of ICP on matters which may effect the operation and success of ICP and to conduct an annual evaluation of ICP progress for submission to the Board of ICP.

c.-Place: Panama, U.S. and other places.

d.-Resources:

3 or 4 advisors	$50,000
travel & per diem	$10,000
	$60,000

e.-Office Space & Facilities: ICP

f.-Secretarial Assistance ICP

9.-Intersectoral Seminars

a.-Period 1 year

b.-Content: Discussion and dissemination of information on policy matters in government agencies and private sector. Most of these seminars will be organized and conducted by INCAE.

c.-Place: Panama

d.-Resources $100,000

e.-Office Facilities ICP - INCAE

f.-Secretarial Services ICP - INCAE

INVESTMENT PROMOTION - 1986

1.-Seminars

a.-Period:	1 to 2 weeks each.	
b.-Content:	Development and dissemination of information to selected domestic and foreign target groups e.g. Joint venture arrangements and discussion of policy and administrative issues.	
c.-Place:	Panama and target countries.	
d.-Resources:	INCAE	$60,000
e.-Office Space & Facilities:	ICP - INCAE	
f.-Secretarial Services	ICP INCAE	

ANNEX II: PROJECT DEVELOPMENT

SECTION C: ECONOMIC/BUDGET ANALYSIS

Exhibit 1: Economic Analysis

Exhibit 2: ICP Budget for 1983-86

ANNEX II: PROJECT DEVELOPMENT

SECTION C: ECONOMIC/BUDGET ANALYSIS

EXHIBIT 1: ECONOMIC ANALYSIS

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SUMMARY AND CONCLUSIONS

1. Comparable experiences show that the hypothetical model would have an average of 215 workers per firm and a domestic value added per worker in the order of US$7,500.

2. The minimum employment level necessary to achieve a benefit/cost ratio of 1.0 will vary depending on whether the firms' investment costs are included in the total cost of the project. Thus, two cases are studied in the present analysis:

CASE A: In Case A, only the ICP cost is included in the cost of the project. Consequently, the benefit/cost ratio of 1.0 is achieved by generating 760 jobs for 1986 and maintaining that employment level until 1992. This employment level is attainable with a minimum of 2 large firms or a maximum of 8 small ones.

CASE B: In Case B, the firms' capital investment is included, in addition to the ICP cost, in the cost of the project. The benefit/cost ratio of 1.0 is achieved by generating 1,622 jobs for 1986 and maintaining that employment level until 1992. This level of employment is attainable with a minimum of 5 large firms or a maximum of 16 small ones.

3. Given the experiences observed in countries with wage levels comparable to those of Panama or higher, the number of firms that have to be attracted seems easily attainable for the ICP.

4. The benefit/cost ratio of the project given the ICP employment generation goals would range from 1.61, if the costs include both ICP expenditures and capital investment by the firms attracted (Case B), to 11.1 if only ICP expenditures are considered as costs (Case A).

5. The number of firms that would have to be attracted to reach ICP employment goals could range from 25 large firms to a maximum of 85 small firms at the end of the fourth year. This also seems to be an attainable goal, though it would require very serious efforts.

6. Tax revenues over a ten year period projection would range from US$27.4 million with the employment generation required from a benefit/cost ratio of 1.0 to a maximum of US$142.9 million if the ICP employment generation goals are attained.

7. It is not envisioned that the achievement of the employment generation goals of ICP would create any problem with respect to obtaining an adequate supply of manpower to fill the job positions that would become available.

8. The number of unemployed is expected to remain between 1986 and 1992 at a level in the order of 100,000 persons, even assuming high rate of economic growth and

other favorable factors. Accordingly, it is not forseen that success of the ICP project would generate any undue pressures on wage levels.

9. The growth on the number of students in the educational system of Panama over the past decade and their rate of participation in their age groups, strongly suggest that the vast majority of the potential labor supply that would be available to fill job positions with firms attracted by ICP will have both working literacy and a level of general education that makes them easily trainable for semi-skilled jobs.

A. BENEFIT/COST ANALYSIS

1. HYPOTHETICAL MODEL

The hypothetical model has been constructed by taking into consideration the characteristics observed in the exporting industry of countries that have developed promotion strategies similar to the ones which Panama is trying to develop now, and having at the same time wages that are comparable or higher than those prevailing in Panama. These countries are Ireland, Mexico, Hong Kong, Singapore and Barbados.

Tables No.1 and 2 shows the composition of exports of light manufactures by the above mentioned countries. Said composition serves as an indicator of the type of manufacturing activities which could be generated in Panama by the project under evaluation.

Table No.1 shows the total value and percentage distribution, by manufacturing sector, of those countries' exports (in U.S. Dutiable Value) to the United States. The amount of U.S. imports in each sector indicates the order of magnitude and importance of each potential market in which Panama could compete. As a consequence, Table No. 1 shows implicitly a profile of industrial structure that could be expected to develop.

Table No. 2 presents the value added per worker, and the average size of business firms in each manufacturing

sector. The information refers to Mexico's maquila industry in 1981, and it is used as an example of the relative size of the business firms that could be attracted to Panama in terms of number of workers per firm. This information is also useful to estimate the amount and composition of the domestic value added that could be generated by the firms to be established in the country. The weighted averages are used further on in the report for the different projections developed.

The minimum wage levels prevailing in Panama for the type of activities that could be promoted by the Investment Council of Panama (ICP) are presently B/.0.83, B/.0.88 and B/.0.91 per hour. These wages are combined with employment benefit payments required from the employer by the existing legislation, and the number of hours that have to be paid to the worker per year, to compute the annual cost to the firm per worker employed which is shown in Table No.3. The factors resulting from the B/.0.88/hour nominal base are used for the calculations and analyses of this report.

TABLE NO. 1

COMPOSITION OF U.S. IMPORTS OF "MAQUILA" 1/ GOODS FROM SELECTED COUNTRIES 2/ IN 1978

MANUFACTURING SECTOR	U.S. DUTIABLE VALUE 3/	
	$ Millions	%
Electrical and Electronic	737.4	64.2
Apparel	57.7	5.0
Machinery and Transport Equipment	174.4	15.2
Toys and Sporting Goods	15.7	1.4
Footwear and leather goods	23.2	2.0
Other manufacturing	139.6	12.2
	1,148.0	100.0

NOTES:

1/ Refers to articles and products classified under articles 806 and 807 of the Tariff Schedule of the U.S.A (TSUSA).

2/ Includes the following countries which had in 1978 labor costs equal or higher than those of Panamá: Ireland, Mexico, Hong Kong, Singapore and Barbados.

3/ Dutiable value is the value added outside the U.S. including freight charges and insurance.

SOURCE: U.S. Import Statistics as processed in the Proyecto para la Urbanización del Area Industrial de la Zona Libre de Colón (1980), Tomo I, p.86.

TABLE No. 2

DISTRIBUTION OF FIRMS, EMPLOYMENT, VALUE ADDED, VALUE ADDED PER WORKER, AND WORKERS PER PLANT, BY MANUFACTURING SECTOR IN MEXICO'S MAQUILA INDUSTRY IN 1981

MANUFACTURING SECTOR	No. of FIRMS	TOTAL EMPLOYEES	VALUE ADDED (US Million)	VALUE ADDED PER WORKER (US$000)	WORKERS PER PLANT (Number)
Electrical and Electronic	230	77,100	543	7.0	335
Apparel	117	16,700	100	6.0	143
Machinery and Transport Equipment	44	11,500	127	11.0	262
Toys and Sporting Goods	23	2,300	17	7.4	100
Footwear and leather goods	19	1,900	16	8.4	100
Other Manufacturing	172	20,400	174	8.5	119
T O T A L	605	129,900	977	7.5	215

SOURCE: The Flagstaff Institute, Flagstaff, Arizona.
Telex to INDESA, June 6, 1983.

Annex II.C
Exhibit 1

TABLE No. 3

ANNUAL COST TO THE FIRM PER WORKER

	MINIMUM WAGE PER HOUR		
	B/0.83	B/0.88	B/0.91
Nominal Yearly Salary (Rate X 8 X 5.5 X 52)	1,899.04	2,013.44	2,082.08
Employment Benefits 22.83%	433.55	459.67	475.34
Social Security = 10.75%			
Education Insurance = 1.25%			
Workmen's Compensation = 2.50%			
XIII Month 8.33%			
Total Cost Per Worker (Year)	2,332.59	2,473.11	2,557.42
Annual Cost to the firm per Worker (Year) 1/			
1983 =	2,332.59	2,473.11	2,557.42
1984 =	2,425.89	2,572.03	2,659.72
1985 =	2,522.93	2,674.92	2,766.11
1986 =	2,623.85	2,781.91	2,876.75

1/ The last revision of minimum wages has resulted in increases of 4.3%, 4.9%, and 5.2% yearly for the different wage classifications. Revisions for the future are projected at a rate of increase of 4% yearly.

2. REQUIRED BENEFITS FOR A BENEFIT/COST RATIO OF 1.0

The annual benefits required to obtain a benefit/cost ratio of 1.0 depend on the following: a) the evaluation period; b) the opportunity cost of capital; and c) the elements included as costs of the project.

For the analysis of the benefits required to obtain a benefit/cost ratio of 1.0 the following two cases were considered:

CASE A: The cost of the project including only the costs to be incurred into by the Investment Council of Panama (ICP) over the next four year period, and the benefits for the next ten years.

CASE B: The cost of the project including not only the ICP expenditures but the capital invested by the firms that are established in Panama as a result of the efforts of ICP.

In the two cases the benefits are evaluated over a ten year period.

For both cases the projected ICP expenditures were provided to the consultants by the client. The opportunity cost of capital was established at 12% given the present average cost of credit obtained by the Government of Panama in its international borrowings and the prevailing expectations on the future of capital markets. These criteria on the opportunity cost of capital to be

used were consulted with the appropiate officials from the Ministry of Planning and Economic Policy, confirming that the Ministry has been using the same rate of discount for its evaluations. Figures on capital investment by firms to be established in Panama were provided to the consultants by AID officials, who set them at a level of US$8,000 (at current prices) per employment generated.

CASE A: Table No. 4 which follows contains the present value of ICP costs totaling US$9.4 million . Given the level of project cost, a nominal annual average benefit of US$1,664,005 would be required in order to obtain a benefit/cost ratio of 1.0. The number of workers necessary to achieve this level of direct benefits are then estimated by applying to this figure the annual cost to the firm per worker (See Table No.3), which, at the current rate 1/, would result in an average annual employment of 673 workers. Since the results of the project are expected to be produced gradually over the next few years starting from a relatively low level of employment (126 in 1983) and increasing onwards, a pattern of growth deemed reasonable for this case by the consultants was adopted in order to arrive at the projected employment generation that is shown on Table No. 5.

1/ Using a minimum wage per hour of B/.0.88.

TABLE No. 4

PRESENT VALUE OF PROJECT COSTS

(thousands of Balboas)

CASE A 1/

YEAR	CURRENT	PRESENT VALUE 2/
1983	700	700.0
1984	4,000	3,571.4
1985	3,400	2,710.5
1986	3,400	2,420.1
TOTAL	11,500	9,402.0

1/ Project's cost includes only ICP expenditures.

2/ Discounted by an opportunity cost of capital of 12%.

TABLE No. 5

ESTIMATE OF DIRECT BENEFITS REQUIRED FOR A

BENEFIT/COST RATIO OF 1.0

CASE A 1/

YEAR	EMPLOYMENT GENERATION		DIRECT BENEFITS	
	ANNUAL	ACCUMULATED	NOMINAL 2/ (US$000)	PRESENT VALUE 3/ (US$000)
	(No of workers)			
1983	126	126	311.6	278.2
1984	164	290	745.9	594.6
1985	191	481	1,286.6	915.8
1986	279	760	2,114.3	1,343.7
1987	- -	760	2,198.8	1,247.7
1988	- -	760	2,286.8	1,158.5
1989	- -	760	2,378.2	1,075.8
1990	- -	760	2,473.4	998.9
1991	- -	760	2,572.3	927.6
1992	- -	760	2,675.2	861.3
PRESENT VALUE OF DIRECT BENEFITS				US$9,402.1

$$\frac{\text{BENEFITS}}{\text{COSTS}} = \frac{9,402.1}{9,402.1} = 1.0$$

1/ The cost of the project includes only ICP expenditures.

2/ Using a minimum wage per hour of B/.0.88 (See table No.3).

3/ Discounted at a 12% rate (opportunity cost of capital).

CASE B: The benefits and the cost of the project, including as part of the total cost of the project the capital investment to be undertaken by the firms, are shown in a ten year projection on Tables No.6 and No.7. In this case, the net present value of total investment amounts to US$20.0 million , and the benefit/cost ratio of 1.0 to match this cost would be obtained with a level of employment that would grow from 250 workers in 1983 to 1,622 workers by 1986, remaining thereafter at that level until 1992 as a result of the ICP efforts.

The following table sumarizes the results for Cases A and B.

		CASE A ICP COST ONLY	CASE B ICP COST AND FIRMS' INVESTMENT
Present Value of Project's Cost. (000 Balboas)		9,402.1	20,029.0
Benefit/Cost Ratio		1.00	1.00
Employment Generation (Accumulated) (Number of Workers)	YEAR		
	1983	126	250
	1984	290	600
	1985	481	1,050
	1986	760	1,622
	1987	760	1,622
	1988	760	1,622
	1989	760	1,622
	1990	760	1,622
	1991	760	1,622
	1992	760	1,622

Annex II.C
Exhibit 1

TABLE No. 6

PRESENT VALUE OF PROJECT COSTS INCLUDING INVESTMENT

BY THE FIRMS AS PART OF THE COST

(000 Balboas)

CASE B 1/

YEAR	ICP COSTS	INVESTMENT BY FIRMS 2/	TOTAL NOMINAL COST	TOTAL PRESENT VALUE 3/
1983	700	2,000	2,700	2,700.0
1984	4,000	2,800	6,800	6,071.4
1985	3,400	3,600	7,000	5,580.4
1986	3,400	4,576	7,976	5,677.2
T O T A L			24,476	20,029.0

1/ The cost of the project includes ICP expenditures and the capital investment by the firms.

2/ Capital investment is B/.8,000 (at current prices) per worker.

3/ Discounted at a 12% rate (opportunity cost of capital).

Annex II.C
Exhibit 1

TABLE No. 7

ESTIMATE OF DIRECT BENEFITS REQUIRED FOR A BENEFIT/COST RATIO OF 1.0

CASE B 1/

YEAR	EMPLOYMENT GENERATION		DIRECT BENEFITS	
	ANNUAL	ACCUMULATED	NOMINAL 2/	PRESENT VALUE 3/
	(No. of Workers)		(000 Balboas)	(000 Balboas)
1983	250	250	618.3	552.0
1984	350	600	1,543.2	1,230.2
1985	450	1,050	2,808.7	1,999.2
1986	572	1,622	4,512.3	1,867.6
1987	- -	1,622	4,692.8	2,662.8
1988	- -	1,622	4,880.5	2,472.6
1989	- -	1,622	5,075.7	2,295.9
1990	- -	1,622	5,278.7	2,131.9
1991	- -	1,622	5,489.8	1,979.7
1992	- -	1,622	5,709.5	1,838.3
TOTAL NET PRESENT VALUE				B/.20,030.2

1/ The cost of the project includes ICP expenditures and the capital investment by the firms.

2/ Using a minimum wage per hour of B/.0.88 (See Table No.3).

3/ Discounted at a 12% rate (opportunity cost of capital).

3. ESTIMATES OF THE REQUIRED NUMBER OF FIRMS, GIVEN THE MINIMUM EMPLOYMENT REQUIREMENTS

The required number of firms for a ten-year period is estimated here for a minimum exployment generation requirement in order to obtain a benefit/cost ratio of 1.0 in cases A and B. The required number of firms would vary from a minimum to a maximum depending on the average employment generated by the average firm. This variation would be a function of the composition of manufacturing sectors covered by the firms as can be ascertained by reviewing Table No.2 of this report. Given the background information contained in the hypothetical model, it has been assumed that the average size of firms would be 215 workers, while large firms would average 335 workers and small firms 100 workers.

By applying the above criteria, the cumulative number of firms that would be necessary to have attracted to Panama each year to achieve the minimum employment requirements for cases A and B, would be as follows:

CASE A 1/

YEAR	MINIMUM 2/	AVERAGE 2/	MAXIMUM 2/
1983	1	1	1
1984	1	1	3
1985	1	2	5
1986	2	4	8

1/ The cost of the project includes only ICP expenditures.
2/ Cumulative number of firms required.

CASE B 1/

YEAR	MINIMUM 2/	AVERAGE 2/	MAXIMUM 2/
1983	1	1	3
1984	2	3	6
1985	3	5	11
1986	5	8	16

1/ The cost of the project includes ICP expenditures and the capital investment by the firms.

2/ Cumulative number of firms required.

4. CALCULATION OF THE BENEFIT/COST RATIO GIVEN THE ICP EMPLOYMENT GENERATION GOALS

In order to evaluate the benefit/cost ratio according to the ICP's employment generation goals, both cases were taken into consideration. Case A, as mentioned before, includes only the cost of the ICP, whereas Case B includes the ICP cost and the capital investment made by the firms that would be established.

The criteria used here are the same ones that were used before: a 12% discount rate per year; a benefit evaluation period of ten years; and an investment cost of B/.8,000 (Current Prices) per generated job, together with the direct benefits that are equivalent to the cost per worker based on a minimum salary of B/.0.88 per hour and shown on Table No.3.

CASE A: Under Case A, the benefits reach B/.104.4 million (Table No.8) over a ten-year period, while the costs of the project, including only the ICP costs, reach B/.9.4 million (Table No.4). Consequently, the benefit/cost ratio, under Case A, would be 11.11 (See Table No. 9).

CASE B: Under Case B, the benefits are equal to the benefits in Case A, but the costs increase to B/.64.9 million (Table No.10). Therefore, the benefit/cost ratio becomes 1.61 (See Table No. 9).

The cumulative number of firms that would be necessary to have attracted each year over the following years in order to generate this level of employment has been estimated with the same approach and factors as explained in Section 3 above, and the results for both Case A and Case B are as follows:

YEAR	MINIMUM 1/	AVERAGE 1/	MAXIMUM 1/
1983	4	6	12
1984	9	14	30
1985	16	26	55
1986	25	40	85

The number of firms reached by 1986 would have to be maintained until 1992.

1/ Cumulative number of firms required.

TABLE No. 8

CALCULATION OF DIRECT BENEFITS GIVEN THE ICP EMPLOYMENT GENERATION GOALS

CASE A 1/ & B 2/

YEAR	EMPLOYMENT GENERATION		DIRECT BENEFITS	
	ANNUAL (No. of workers)	ACCUMULATED (No. of workers)	NOMINAL 3/ (000 Balboas)	PRESENT VALUE 4/ (000 Balboas)
1983	1,200	1,200	2,967.7	2,649.7
1984	1,800	3,000	7,716.1	6,151.3
1985	2,500	5,500	14,712.1	10,471.8
1986	3,000	8,500	23,646.2	15,027.6
1987		8,500	24,592.0	13,954.2
1988		8,500	25,575.7	12,957.5
1989		8,500	26,598.8	12,031.9
1990		8,500	27,662.7	11,172.5
1991		8,500	28,769.2	10,374.5
1992		8,500	29,920.0	9,633.4
	TOTAL NET PRESENT VALUE			B/.104,424.4 5/

1/ Cost of the project includes only the ICP expenditures.

2/ The cost of the project includes ICP expenditures and the capital investment by the firms.

3/ Using a Minimum wage rate of B/.0.88 per hour.

4/ Discounted at a 12% rate (opportunity cost of capital).

5/ See Table No. 9 for the calculation of the benefit/cost ratio.

TABLE No. 9

CALCULATION OF THE BENEFIT/COST RATIO GIVEN THE ICP EMPLOYMENT GENERATION GOALS

CASES A 1/ AND B 2/

CASE A

$$\frac{\text{BENEFITS } 3/}{\text{COSTS } 4/} = \frac{\text{B/104,424,400}}{\text{B/ 9,402,000}} = \underline{\underline{11.11}}$$

CASE B

$$\frac{\text{BENEFITS } 3/}{\text{COSTS } 5/} = \frac{\text{B/104,424,400}}{\text{B/ 64,885,700}} = \underline{\underline{1.61}}$$

1/ In CASE A the cost of the project includes only the costs to be incurred into by the Investment Council of Panama over the first four years of the project.

2/ In CASE B the cost of the project includes that of CASE A plus the capital invested by the firms that are established in Panama as a result of the efforts by the ICP, also over the first four years of the project.

3/ See Table No. 8.

4/ See Table No. 4.

5/ See Table No. 10.

TABLE No. 10

COSTS OF THE PROJECT INCLUDING CAPITAL INVESTMENT

BY FIRMS

(000 Balboas)

CASE B 1/

YEAR	ICP COSTS	INVESTMENT BY FIRMS 2/	TOTAL NOMINAL COST	PRESENT VALUE 3/
1983	700	9,600	10,300	10,300.0
1984	4,000	14,400	18,400	16,428.6
1985	3,400	20,000	23,400	18,654.3
1986	3,400	24,000	27,400	19,502.8
TOTAL	11,500	68,000	79,500	64,885.7 4/

1/ The cost of the project includes ICP expenditures and the capital investment by the firms.

2/ The capital investment by the firms is B/8,000 (at current prices) per worker.

3/ Discounted at a 12% rate (opportunity cost of capital).

4/ See Table No. 9 for the calculation of the benefit/cost ratio.

B. EVALUATION MODEL

The analysis defining the basic requirements that are essential for the achievement of a benefit/cost ratio of 1.0, defines in fact the minimum requirements necessary for employment generation and the number of business firms that are required each year. Those requirements establish the basic goals that need to be fulfilled in order to justify the cost of the project. Accordingly, the permanent evaluation of the project has to be done by comparing the actual results achieved and the basic goals that need to be fulfilled.

By converting these annual goals into quarterly goals and assuming an upward trend, the following results are obtained for Cases A and B: (next page).

Annex II.C
Exhibit 1

YEAR	QUARTER	CASE A		CASE B	
		NEW JOBS PER QUARTER	JOBS AT THE END OF THE QUARTER	NEW JOBS PER QUARTER	JOBS AT THE END OF THE QUARTER
1	I	30	30	40	40
	II	31	61	65	105
	III	32	93	70	175
	IV	33	126	75	250
2	I	37	163	80	330
	II	40	203	85	415
	III	43	246	90	505
	IV	44	290	95	600
3	I	45	335	100	700
	II	47	382	110	810
	III	49	431	115	925
	IV	50	481	125	1,050
4	I	66	547	130	1,180
	II	68	615	135	1,315
	III	71	686	145	1,460
	IV	74	760	162	1,622

The evaluation would be achieved just by comparing results achieved and the corresponding quarterly requirement.

ANNEX II: PROJECT DEVELOPMENT

SECTION C: ECONOMIC/BUDGET ANALYSIS

EXHIBIT 2: ICP BUDGET FOR 1982-1986

Topic	Page
Budgetary Analysis	1
ICP Budget - GOP Categories	3
ICP Budget - Assistance Categories	5
ICP Budget - Project Components	7
Assumptions for Budget Preparation	9
Salary Budget	12
Travel and Per Diem	15

EXHIBIT 2: ICP BUDGET FOR 1983 - 1986

Budgetary Analysis

The following three tables present ICP's projected expenditures during the life of the project. Table I follows the Governments classification of expenditures. Table 2 shows the allocation of funds on an organizational basis and the division of AID assistance into loan and grant. Table 3 reflects the cost according to the major activities of each unit in ICP. The reader is referred to Annex B "ICP Program". Exhibit 2, 3 and 4 and Attachments 1, 2, 3 and 4 for the details of the technical assistance and training programs and their costs and the assumptions made for the projection of the ICP expenditures.

It will be observed that it is anticipated that the expenditures of ICP will rise significantly in the second year of its operation: i.e. from about $1.8* million in 1983 to $4.0 million in 1984. Thereafter in the third and fourth years of the project there will be substantial reduction in AID finance and a normal increase in ICP budget.

The reasons for the inordinately high level of expenditures in the second year is explained by the fact that the bulk of policy and market studies as well as the promotion campaigns and training are scheduled to be carried out in 1984. Furthermore, it is assumed that the data processing facilities will also be installed in this year. While some of the studies will have to be carried out on a repetitive basis, or the updating of a previous study may be required, the financial demand will decline. Ostensibly, the cost of promotion campaigns initially to be contracted out to experienced qualified firms is expected to decline as ICP staff receive on-the-job training and the cost of training per se will decline as in-house training will replace training by outside advisors and outside Panama. Finally, the capital costs also have already taken place in 1984.

In the total projected expenditures of $12.1 million (GOP $8.1m, AID $4.0m) five items account for about $10m. on 83% of all expenditures. These are (a) salary $3.53m (29%); (b) Studies $S1.58m (13%); (c) direct promotion $3.4m (28%); (d) training $1.1 million (9%) and (e) data processing $0.42m (3%). Of the Governments share of $8.1m. two items, namely salary and direct publicity account for 78% of all expenditures; $3.53 and $2.77 respectively. Of the AID share of $4.0m., the largest part will be spent on studies $1.58m (39%). Next in cost is training in the amount of $1.1m (28%) followed by promotion $0.64m (16%) and purchase of a computer $0.42m (11%).

*Inclusive of $287,000 from USAID loan. ICP expenditures from GOP funds are not expected to exceed $1.5 million.

Of the total expenditure a very small amount ($517,000, 4%) is related to capital expenditure. One item, the procurement and installation of a computer, represents most of the capital cost ($420,000). The rest, $97,000, is for the purchase of two vehicles and some office equipment and furniture required for the new staff.

Assuming that ICP will not suffer from a large turn over of its trained staff, and assuming further that ICP will become less dependant in its promotion work on outside assistance, it is reasonable to conclude that at the end of the project period the increase of ICP's annual expenditures will follow the normal course of increase of recurring expenditures of any government agency, unless the success of its operations dictate a substantial increase in staff and establishment of permanent presence in various parts of the world through resident officers

INVESTMENT COUNCIL OF PANAMA
PROJECT OF EXPENDITURES ACCORDING TO GOP CLASSIFICATIONS
(US $ 1000)

		1983			1984			1985			1986			TOTAL JUNE 1983 TO DEC. 1986		
		TOTAL	AID	GOP BUDGET	TOTAL	AID	GOP	TOTAL	AID	GOP	TOTAL	AID	GOP	TOTAL	AID	GOP
001				(291)												
020				(328)												
030				(217)												
				(7)												
050	Salary			842	930		930	1070		1070	1230		1230	3530		3530
100	Rent			88	120		120	120		120	120		120	360		360
113	Mail			6	15		15	17		17	19		19	51		51
115	Telecommunication, Telex, Phone, Taxi.			70	150		150	165		165	180		180	495		495
130	Information & Publicity			300	400		400	600		600	700		700	2000		2000
140	Per Diem		(51)	60	156	(104)	52	194	(107)	87	83	(31)	52	484	(293)	191
150	Travel		(15)	80	156	67)	89	192	(69)	123	106	(17)	89	469	(168)	301
160	Commercial & Finance Service			10	30		30	30		30	30		30	90		90
170	Consultants (Studies)															
	Contracts R & D		95		504	504		441	441		385	385		1425	1425	
	Consultants Promotions Contracts				495	495		60	60		60	60		615	615	
	Other Contracts				60	60		60	60		60	60		180	180	

INVESTMENT COUNCIL OF PANAMA
PROJECT OF EXPENDITURES ACCORDING TO GOP CLASSIFICATIONS
(US $ 1000)

TABLE 1

PAGE 2

		1983			1984			1985			1986			TOTAL JUNE 1983 TO DEC. 1986		
		TOTAL	AID	GOP BUDGET	TOTAL	AID	GOP	TOTAL	AID	GOP	TOTAL	AID	GOP	TOTAL	AID	GOP
180	Maintanance & Repair			37	60		60	65		65	70		70	195		195
200	Entertainment				91		91	97		97	91		91	279		279
220	Fuel & Lubrication			5	25		25	28		28	30		30	83		83
270	Office Supplies			41	50		50	55		55	60		60	165		165
310	Vehicles			8	27	27								27	27	
340	Office Equipment			22	440	420	20							440	420	20
350	Office Furniture			23	50		50							50		50
620	Training (Advisor) R&D		89		120	120		120	120		120	120		449	449	
	Advisor Promotion		43		77	77		49	49		49	49		218	218	
	Other		60		168	168		170	170		41	41		439	439	
090	Transfer from 1982			200												
	Non Salary & Non Publicity expenditures in 2nd. 1/2, 1983													300		300
	Evaluation					35			35			25		95	95	
	Project Officer					35			35			35		105	105	
	TOTALS	1187	287	*1800	4023	1941	2082	3427	970	2457	3446	775	2671	12083	3973	8110

*1983 GOP figures are Budget figures. It is assumed that in the 2nd. half of 1983 which corresponds with the initiation of the project total expenditure by GOP will be $900,000 of which $300,000 for salary $300,000 for publicty and $300,000 for all other expenditures.

The Salary and Publicity figures have been included in the line items (050 and 130) the remainder $300,000 has not been sub-divided among the line items and appears only in 1983 total.

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Table 2

PAGE 1

INVESTMENT COUNCIL OF PANAMA
PROJECTIONS OF EXPENDITURES BY YEAR
(US $ 000)

	FISCAL YEAR 83			FISCAL YEAR 84			FISCAL YEAR 85			FISCAL YEAR 86			ALL YEARS TOTAL		
	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG
A. RESEARCH & DEVELOPMENT															
1. Technical Service		95	--	--	536	--	--	502	--	--	445	--	--	1577	--
2. Training		100	--	--	146	--	--	136	--	--	125	--	--	507	--
3. Equipment & Materials		--	--	--	420	--	--	--	--	--	--	--	--	420	--
4. Travel & Per Diem		(11)		--	(15)	--	--	(15)	--	--	(4)	--	--	(45)	--
5. Salary				174	--	--	200	--	--	230	--	--	604	--	--
B. INVESTMENT PROMOTION															
1. Technical Services				--	495	--	--	60	--	--	60	--	--	615	--
2. Training		92		--	160		--	143	--	--	70	--	--	465	--
3. Equipment & Materials				--	--	--	--	--	--	--	--	--	--	--	--
4. Travel & Per Diem		(55)		105	(93)		173	(99)	--	104	(26)	--	382	(273)	--
5. Salary				425	--	--	489	--	--	562	--	--	1476	--	--
C. INVESTOR SERVICES															
1. Technical Services				--	28	--	--	--	--	--	--	--	--	28	--
2. Training				--	--	--	--	--	--	--	--	--	--	--	--
3. Equipment & Materials				--	27	--	--	--	--	--	--	--	--	27	--
4. Travel & Per Diem				--	--	--	--	--	--	--	--	--	--	--	--
5. Salary				72	--	--	83	--	--	95	--	--	250	--	--
D. INSTITUTIONAL DEVELOPMENT															
1. Technical Services	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2. Training				--	59	--	--	59	--	--	15	--	--	134	--

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INVESTMENT COUNCIL OF PANAMA
PROJECTIONS OF EXPENDITURES BY YEAR
(US $ 000)

Table 2

Page 2

	FISCAL YEAR 83			FISCAL YEAR 84			FISCAL YEAR 85			FISCAL YEAR 86			ALL YEARS TOTAL		
	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG	GOP	DL	DG
3. Equipment & Materials				--	--	--	--	--	--	--	--	--	--	--	--
4. Travel & Per Diem				37	(53)	--	37	(53)	--	37	(8)	--	111	(114)	--
5. Salary				258	--	--	297	--	--	341	--	--	896	--	--
6. Other Current Expenditures				1011	--	--	1176	--	--	1302	--	--	3491	--	--
E. EVALUATION															
1. Technical Services						35			35			25			95
2. Training															
3. Equipment & Materials															
4. Travel & Per Diem					(10)			(10)			(10)			(30)	
5. Salary															
F. Project Officer						35			35			35			105
TOTALS	* 900	287	--	2082	1871	70	2457	900	70	2671	715	60	8110	3773	200

( )Part of Travel and Per Diem is reflected in Technical Services & Training.
* For the 2nd. half of 1983 which corresponds with the initiation of the project it is assumed that total expenditure by GOP will be $900,000.

INVESTMENT COUNCIL OF PANAMA
PROJECTIONS OF EXPENDITURES BY YEAR
(US $ 1000)

Table 3

Page 1

	1983			1984			1985			1986			ALL YEARS		
	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL
A. RESEARCH & DEVELOPMENT															
1. Policy Studies	--	10	10	--	285	285	--	250	250	--	250	250	--	795	795
2. Marketing Studies	--	85	85	--	251	251	--	251	251	--	195	195	--	782	782
3. Training	--	100	100	--	146	146	--	136	136	--	125	125	--	507	507
B. MARKETING															
1. Promotion Campaign	300	--	300	400	--	400	600	--	600	700	--	700	2000	--	2000
2. Investors Forum				--	60	60	--	60	60	--	60	60	--	180	180
3. Marketing T.A.				--	435	435								435	435
4. Training	--	92	92	--	160	160	--	143	143	--	70	70	--	465	465
C. INVESTOR SERVICES															
1. Institutional T.A.				--	28	28							--	28	28
2. Training															
3. Vehicles				--	27	27							--	27	27
D. INSTITUTIONAL DEVELOPMENT															
1. Institutional T.A.															
2. Training				--	59	59	--	59	59	--	16	16	--	134	134
3. Equipment & Materials				120	420	540	55	--	55	60	--	60	235	420	655

INVESTMENT COUNCIL OF PANAMA
PROJECTIONS OF EXPENDITURES BY YEAR
(US $ 1000)

	1983			1984			1985			1986			ALL YEARS		
	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL	GOP	AID	TOTAL
4. Operational Expense	600	--	600	1562	--	1562	1802	--	1802	1911	--	1911	5875	--	5875
E. EVALUATION															
1. Progress evaluation					35			35			25			95	
2. Final Impact Evaluation															
F. PROJECT OFFICER					35			35			35			105	
TOTALS	*900	267	1187	2082	1941	4023	2457	970	3427	2671	775	3446	8110	3973	12083

* It is assumed that in the 2nd. half of 1983 which corresponds with the initiation of the project total expenditure by GOP will be $900,000 of which $300,000 for salaries, $300,000 for publicity and $300,000 for all other expenditures.
The publicity figure has been included in the line item. The remainder $600,000 has not been sub-divided among the line items and appears only in 1983 total.

ASSUMPTIONS FOR THE PREPARATION OF ICP BUDGET

GOP Classification
001-020-

030-050 Salary: Because all the 55 staff members will not have been hired by the end of 1985 the 1984 budgeted salary figure will have sufficient margin for salary increases. An overall salary increase of 15% has been allowed for in the subsequent years.

100. Rent: It is assumed that ICP will have to pay rent. Office space required 800 square meters at $12 per sq.m. per month.

140 Per diem: At the rate of $150 for Managing Director, Deputy Managing Director and Board members. At the rate of $100 for staff members when from AID funds.

150 Travel: Aircraft charter of a twin engine plane 25 times per year at a cost of $1000 each time (flying hour $350 per hour. On land $50 per hour).

U.S. 24 missions per year by two representatives and occasionally one case offices.

Total 30 man missions at $1,000 each = $30,000

Europe: 8 missions per year by one representative and occasionally one case offices.

Total 11 man missions at $2,000 each = $22,000

Far East. 4 Missions per year by one representative and occasionally one case officer.

Total 6 man missions at $2,000 each= $12,000

Latin America: 10 missions per year (3 to Latin America and 7 to Central America) by one representative and ocassionally one case officer. Total 14 man missions.

5 to L.A. x $750 =	$3,750.00
9 to C.A. x $250 =	$2,250.00
	$5,900.00

MD & Board. One trip a month.

Total 12 trips x $2,000	=	$24,000

Per diem costs related to above missions

U.S. 30p. x 7 d. x $150	=	$31,500
Europe 11 p. x 10 d x $S150	=	$16,500
Far East 6 p x 20 d x $150	=	$18,000
L.A. & C.A. 14 p x 5 d x $115	=	$ 8,050
M.D. & Board 12 p x 7 d x $150	=	$12,600

180 Maintenance & Repair: $20,000 per year for the computer.

200 Entertainment/Representation:

Domestic

6 trips per week x 50 weeks per year = 300 trips

300 trips x $125 for meals $37,500

One dinner for each group of investors.

5 groups per week x 50 weeks x $100 = $25,000

Group Entertainment: One a month for 20 investors at $30 per person + ICP staff = $10,000

Foreign

U.S. 24 missions x $300	=	$ 7,200
Europe 8 " x $300	=	$ 2,400
Far East 4 " x $900	=	$ 3,600
L.A. & C.A. 10 " x $300	=	$ 3,000

Reception at Panama City Airport: Of. 250 Investor groups 20% will receive VIP treatment at $75.00 each= $ 3,750

The residual 80% will receive special handling at $25 each = $5,000

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Recapitulation

	1984	1985	1986
Domestic	37,500	37,500	37,500
"	25,000	25,000	25,000
"	10,000	10,000	10,000
"	3,750	3,750	3,750
"	5,000	5,000	5,000
Foreign	7,200	7,200	7,200
	3,000	3,000	3,000
		2,400	
		3,600	
	91,450	97,450	91,450

310 Vehicles

One Van $15,000
One large car $12,000

340 Office Equipment: 10 typewriters X $1,300

350 Office Furniture:

30 desks x $500
60 chairs x $250
30 filing cabinets x $200
30 credenzas x $150

INVESTMENT COUNCIL OF PANAMA

Salary Budget for 1984

These estimates include payments for items 001, 020, 030, 050 in the government's classification of expenditures.

I. Office of Managing Director

1	Managing Director	$ 48,000	E.P.
1	Deputy Managing Director	$ 48,000	E.P.
1	Legal Council	$ 31,200	P.
1	Public Relations Advisor	$ 13,200	P.
3	Secretaries	$ 45,000	S.
7		$185,400	

II. Administration

1	Director	$24,000	E.P.
1	Accountant	$ 7,200	P.
1	Clerk	$ 7,200	S.S.
1	Secretary	$ 9,000	S.
1	Receptionist	$ 3,600	S.S.
2	Reproduction Room	$ 3,600	S.S.
1	Messenger	$ 3,900	S.S.
1	Tea Boy	$ 5,400	S.S.
2	Drivers	$ 9,120	S.S.
11		$73,020	

III. Research & Development

1	Director	$ 48,000	E.P.
1	Industrial Engineer	$ 24,000	P.
2	MBA/Financial Analyst	$ 36,000	P.
1	Programmer/Analyst	$ 18,000	P.
2	Entry Clerks	$ 12,000	S.S.
1	Research Assistant	$ 12,000	P.
2	Secretaries	$ 24,000	S.
10		$174,000	

IV. Marketing (Promotion)

1	Director	$ 36,000	E.P.
5	Representatives	$144,000	P.
10	Case Officers	$180,000	P.
6	Secretaries	$ 65,000	S.
22		$425,000	

V. Investor Services

1	Director	$ 24,000	E.P.
3	Coordinators	$ 36,000	P.
1	Secretary	$ 12,000	S.
5		$ 72,000	

Total:55 $930,000

E= Executive Management
P= Professional
A= Administrative
SS= Support Staff
S= Secretary

ATTACHMENT 4

ICP PERSONNEL AND SALARIES
BY ORGANIZATIONAL ENTITY AND FUNCTIONAL CLASSIFICATION
(U. S. $000)

	FY 83		FY 84		FY 85		FY 86		ALL YEARS 83/86
	EMPLOYEES	SALARIES	EMPLOYEES	SALARIES	EMPLOYEES	SALARIES	EMPLOYEES	SALARIES	TOTAL SALARY COSTS
ORGANIZATIONAL DIVISION									
A. Research & Development	1		10	174					
B. Marketing	12		22	425					
C. Investor Services	5		5	72					
D. Administration	7		11	73					
E. Executive Management	5		7	185					
TOTALS	30	300	55	930	55	1,070	55	1,230	3,530
FUNCTIONAL CLASSIFICATION									
A. Executive Management	4		6	228					
B. Administrative	1		1	7					
C. Professional	11		26	502					
D. Secretarial	6		13	155					
E. Other Support Staff	8		9	38					

1. It is assumed that the present number of staff, about 30, will reach 55 in early 1984. At this level ICP is fully staffed. No further increase of staff is anticipated during the project period.

2. An overall annual salary increase of 15% has been assumed.

3. 1983 number of employees reflects the actual at June.

4. 1983 Salary reflects estimated salary cost in the 2nd. 1/2 of the year.

INVESTMENT COUNCIL OF PANAMA
TRAVEL EXPENDITURES ($1,000)

Research & Development	1983	1984	1985	1986	Total
1. Market Identification (AID)	1.0	1.0	1.0		3.0
2. Economic Development Courses (AID)		2.5	2.5	2.5	7.5
Marketing (Promotion)					
1. Promotion Technique Training (AID)	2.8	5.0	3.4	3.4	14.6
" (AID)	5.6				5.6
" (AID)	5.0	5.0	5.0	5.0	20.0
" (AID)	1.0				1.0
2. Training Asian Staff (AID)		12.0	16.0		28.0
3. Training European Staff (AID)		9.6	9.6		19.2
4. Aircraft Charters (ICP)*		25.0	25.0	25.0	75.0
5. U.S. Market Promotion (ICP)		30.0	30.0	30.0	90.0
6. European " " (ICP)			22.0		22.0
7. Far East " " (ICP)			12.0		12.0
8. Latin American " (ICP)		9.8	9.8	9.8	29.4
Management					
1. M.D. and D.M.D. (Course) (AID)		4.0	4.0	4.0	12.0
2. M.D. and 3 Boards members to Far East (AID)		16.0	16.0		32.0
3. M.D. and 3 Board Members to Europe (AID)		9.6	9.6		19.2
4. M.D. or a Board members 12 trips in a year (ICP)		24.0	24.0	24.0	72.0
Evaluation (AID)		2.0	2.0	2.0	6.0
Total	15.4	155.5	191.9	105.7	468.5 1/

*25 Charters per year. Twin engine plane. $350 for each flying hour. $50 for each hour on land.

1/ Does not include travel cost under technical assistance for Asian and European Campaigns.

Investment Council of Panama
Per Diem Expenditure*
(US $1,000)

Research & Development	1983	1984	1985	1986	Total
1. Market Identification (AID)	10	10	10		30
2. Economic Development Course(AID)		1.7	1.7	1.7	5.1
Promotion					
1. Promotion Technique Training(AID)	4.8	8.0	6.0	6.0	24.8
" (AID)			11.2	11.2	22.4
" (AID)	36.0	5.6			41.6
2. Training Asian Staff (AID)		24.0	24.0		48.0
3. Training European Staff (AID)		24.0	24.0		48.0
4. U.S. Market Promotion (ICP)		31.5	31.5	31.5	94.5
5. European " " (ICP)			16.5		16.5
6. Far East " " (ICP)			18.0		18.0
7. Latin American " (ICP)		8.0	8.0	8.0	24.0
Management					
1. M.D. and D.M.D. (Course) (AID)		4.5	4.5	4.5	13.5
2. M.D. and 3 Boards members to Far East (AID)		9.0	9.0		18.0
3. M.D. and 3 Board Members to Europe (AID)		9.0	9.0		18.0
4. M.D. or a Board members 12 trips in a year (ICP)		12.6	12.6	12.6	37.8
Evaluation		8.0	8.0	8.0	24.0
	50.8	155.9	194.0	83.5	484.2 1/

*Per Diem for ICP Staff $100
" " M.D. and Board members $150.

1/ Does not include Per Diem under technical assistance for Asian European campaigns.

INVESTMENT COUNCIL OF PANAMA
RECAPITULATION OF TRAVEL AND PER DIEM EXPENDITURES
(US $1,000)

Travel	1983	1984	1985	1986	Total
Total	15.4	155.5	191.9	105.7	468.5
ICP	-	88.8	122.8	88.8	300.4
AID	15.4	66.7	69.1	16.9	168.1
Per diem					
Total	50.8	155.9	194.0	83.5	484.2
ICP	-	52.1	86.6	52.1	190.8
AID	50.8	103.8	107.4	31.4	293.4
Travel & Per diem					
Total	66.2	311.4	385.9	189.2	952.7
ICP	---	140.9	209.4	140.9	491.2
AID	66.2	170.5	176.5	48.3	461.5 1/

1/ Does not include travel and Per Diem under Technical Assistance for Asian and European Campaigns.

ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

Exhibit: 1: Institutional Analysis

Exhibit: 2: Presidential Decrees

Exhibit: 3: Legal Opinion

Exhibit: 4: ICP Office Functions

Exhibit: 5: Short Term Operational Plan

ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

EXHIBIT 1: INSTITUTIONAL ANALYSIS

INSTITUTIONAL ANALYSIS

I. Introduction

The ICP represents the institutionalization of new industrial policies which began to emerge in 1982. Major elements in the GOP recognized that export industry could provide the main motor of growth for the economy, and that foreign investment would offer the most efficient method of introducing such industry to Panama. The GOP commissioned Lazard Freres etc. to design an institution capable of promoting foreign investment in Panama, and of identifying policies and programs which would offer appropriate incentives to both foreign and commercial investors.

Unlike earlier sporadic, investment promotion efforts, which involved adding a program to existing institutions, the new institution and its program were designed specifically to reflect the following limited functional requirements:

1. Creation of a favorable business ambiance.
2. Promotion of the geographic, legal, and administrative ambiance as incentives for investment
3. Provision of simplified, timely, and effective services to investors.

These functions were implicit in Decree No. 79 of August 1982 (Exhibit 2) which provides the legal basis for the formation of the ICP. However, some of the policy responsibilities, explicitly laid down in the Decree overlap, or appear to overlap those which traditionally are charged to regular ministries of government, notably the Ministries of Planning, Industry and Commerce, and of Labor. In addition important data sources were under other agencies of government, and administrative responsibility for business and incentive laws, were also spread throughout a number of agencies.

The apparent overlapping of policy functions, the need to rely on other agencies to carry out its mis[illegible] required that the IC[illegible] begin to establish working arrangements with other agencies and to organize its own operations to reflect inter-institutional realities. This required modification of the original design of the ICP. The modifications were made, but unfortunately, agencies whose responsibilities appeared to be impinged upon by the ICP mandate had become reluctant to cooperate fully in completing inter-agency arrangements. The process of accomodation, nevertheless, continues and is receiving support from highest levels of the GOP.

II. Organization of the ICP

A. General

The organization, staffing and resource allocation of the ICP were designed to support a job creation effort which would in the first full year of operation induce the direct employment of about 1600 workers; and a minimum of 2000 per year thereafter. This implies new plants or plant expansion in the range of 16 to 20 per year. Workload estimates to meet such targets provided the basis for staff and other resource requirements. The organization of the ICP, shown in Table II.D.1, reflects discrete functional allocation to three specially designed units. A standard processing system links these units to provide for an orderly work flow among the units. The three operating units carry out specific duties as follows:

RESEARCH AND DEVELOPMENT OFFICE

Major function: Policy and Program Design.

Major Duties:
- Select realistic employment targets
- Develop data base
- Review businesss climate and recommend adjustments in policies, procedures.
- Carry out specific studies in support of promotion efforts.
- Select promotional targets

INVESTMENT PROMOTION OFFICE

Major function: Promote Panama to selected potential investors.

Major Duties:
- Prepare promotion materials
- Carry out promotional campaign in Panama and other countries.
- Receive, orient, and prepare additional data to service potential investors who visit Panama.

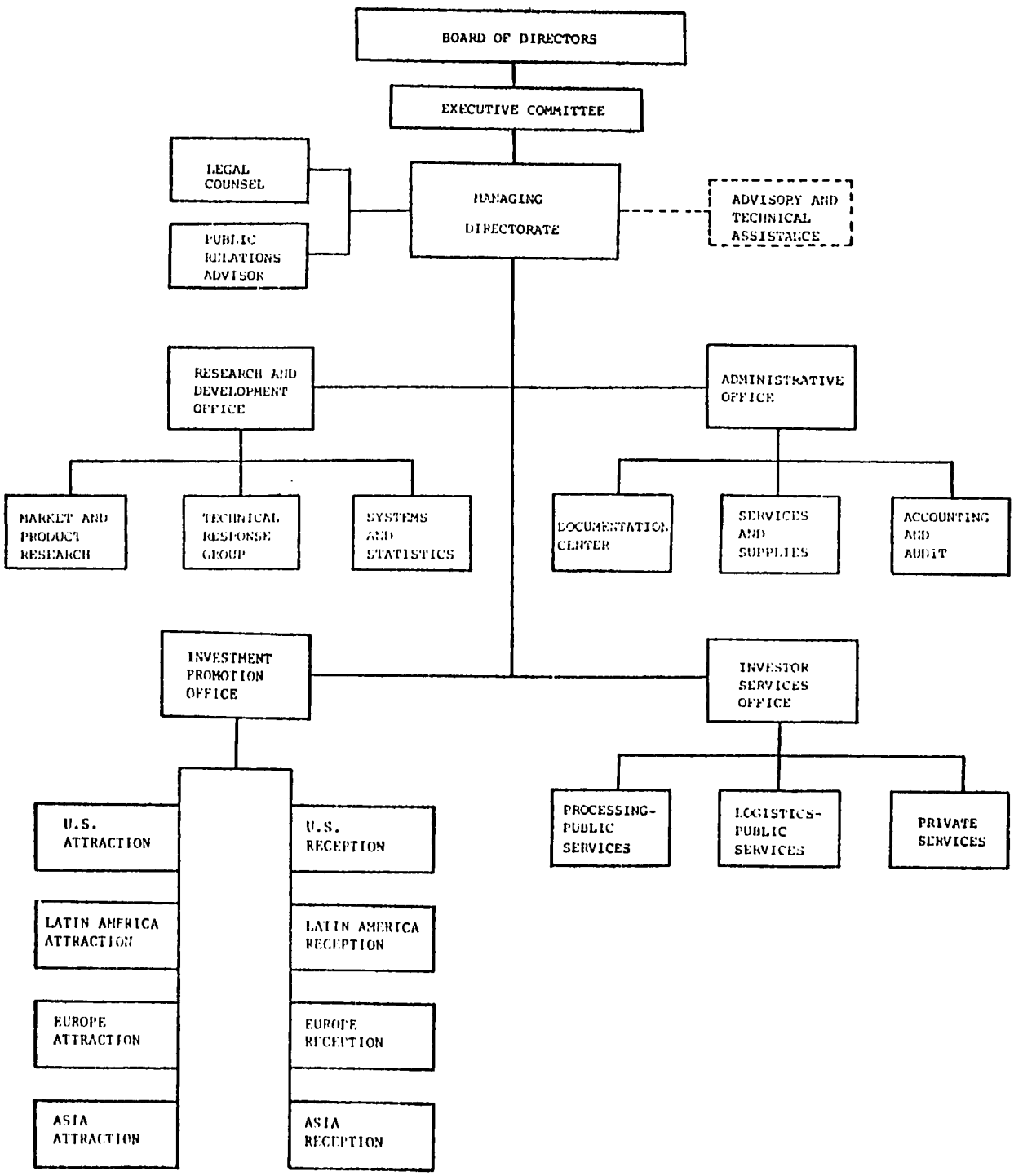
INVESTOR SERVICES OFFICE

Major function: Provide services to investors to facilitate their compliance with the corporate and incentive laws and to assist them in securing a range of services and facilities necessary for their operations.

Major Duties:
- Transact with various government agencies on behalf of the investor.
- Provide a directory of legal and technical services to the investor.
- Assist the investors in securing certain public and private services.

ORGANIZATIONAL CHART

OF THE INVESTMENT COUNCIL OF PANAMA



The organization as whole is essentially devoted to marketing industrial sites in Panama. In terms analagous to those of private business, the Research and Development Office is charged with product definition and product improvement. Its data collection and analysis function provides the basis for product description and comparison with other products, i.e. industrial location advantages and disadvantages of other nations. Its policy modification function corresponds to its product improvement function i.e. improving the attractiveness of the Panamanian business climate. Its market analysis function permits it to develop marketing strategies and thus direct the targeting of the Promotional Office. The Investment Promotion Office may be regarded as the sales department. The field staff operate as salesmen, the home staff as negotiatiors and closers. The Investor Services Office provides after-sales services, insuring that the promises made to investors are kept.

The organization and staffing respond to the perceived work and workloads implicit in the above. However, neither the market not the Panamanian business climate can expected to remain static. The functions of the organization will not vary, but the activities required to carry out those function may shift substantially in response to changes in markets, understanding of the changes and in response to targets of opportunity. Thus, the staffing and resource allocation to the various operating divisions will remain flexible and subject to change. Provision has been made for consultants to carry out standard operations while training ICP personnel. Similarly, resources will be provided to attend to special events, or to mount special campaigns.

In the following pages the organization, function and activities of each operating division are discussed in greater detail.

B. Research & Development Office (RDO)

A job description for the RDO manager is provided in Exhibit 4. As originally conceived, Research and Development would have encroached upon the economic planning function of MIPPE, the industrial policy setting function of MICI and would have duplicated the demographic studies and labor-related functions of the Ministry of Labor and the Social Security agency (CSS). To avoid these "turf" problems while exerting influence in the formulation of policies impacting Panama's investment climate, the Research and Development Office will maintain a close liaison with the policy units of the above-mentioned agencies, will bring policy issues to the attention of those agencies and where necessary provide funding for studies designed to contribute to resolution of those issues. The lack of a coherent Panamanian industrial policy, and the absence of systematic procedures to formulate rationale policies may, if not successfully remedeed, require that the RDO attempt to play a more dominate role in policy making.

The USAID plans to undertake a program of strengthening the planning and implementation capacity of MICI which would play a key role in industrial policy formulation. In the meantime two AID projects already functioning -- PARS and Development Administration -- will be able to support policy making and implementation functions of MICI.

The market and product research unit of the RDO is responsible for identifying the most promising activites for investor search, carrying out studies of production costs in Panama and in competing countries for targeted products, and making that data available in such a form that the technical response of the Promotion Office group can draw on it for multiple purposes. This is one area where experienced consulting firms could help to rapidly narrow the information and experience gap of the newly created research unit.

While the planning function is virtually unchanged from the original design, the present structure of research and development now includes two new functions which reflect the state of the art in investment promotion support: technical response capability and a statistical bank. Rapid and complete replies to investor inquiries will require the same kind of automated data processing which now supports executive decision-making in industrialized countries. In each step of the site evaluation process, the Investment Council will anticipate the information needs of the client company by drawing out of the country data base the statistics and other information which pertain to the project under consideration.

The technical response function is meant to be a highly sophisticated form of publicity, reference, and project evaluation service, all rolled into one. Once the investor has begun to seriously consider setting up operations in Panama, glossy photographs and attractive graphics will not maintain the company's interest in a Panama site as effectively as a tailor-made proposal for locating and producing in Panama. The technical response team will be able to put together such a proposal based on an outline provided by the company.

The systems and statistics unit provides data processsing service to all the offices of the Investment Council and is positioned in research and development as opposed to administration because of the primacy of the research function for successful promotion activities. It also will maintain computarized data banks. The extensive and detailed nature of the data which will maintained would make the bank valuable to other agencies of government, especially those with direct and indirect policy formulation responsibilities. The ICP will provide terminals in other appropriate agencies to facilitate their use of the data and for their data inputs.

Although policy formulation is a major function of this unit, the designers have not established a separate unit devoted to that function. This omission is deliberate. It is assumed that policy studies will be performed by consultants, either by direct contract or through other agencies of the GOP. The absence of a specific unit for policy formulation indicates the desire to avoid the appearance that it is attempting to duplicate policy making functions now vested in other agencies, although the manager of the office and his staff are expected to have the technical capacity to define policy issues and to see that they are effectively pursued. It remains to be seen whether this approach will permit rapid and effective reaction to problems of policy definition and resolution.

C. Investment Promotion Office (IPO)

Investment promotion is the operational heart of the Investment Council. The Investment Promotion Office Office concentrates on the attraction, reception, and follow up of potential investors in the areas of: export-oriented manufacturing, particularly light assembly, agriculture, and service industries. A job description for the manager of the IPO is provided in Exhibit 4.

The two major units of the IPO, the Investors Attraction Group (IAG) and the Investor Reception Group (IRG) have distinct yet interrelated roles. The IAG, responding to target designation made by the RDO, makes initial contact with a company and solicits its interest. The IRG deals with the interested company through technical information interchange, arranges for visits to Panama by company personnel and assists in securing local resources for company preliminary planning. The IRG maintains constant contact with the potential investor until a final investment decision has been made; after which, if the decision is positive, the company is turned over to the Services Office.

The responsibility for marketing Panama is squarely placed on the Promotion Office, but the auxiliary functions which support promotion are performed by other offices. When an investment promotor needs information, he turns to the technical response unit. When he wishes to include local entrepreneurs in a site visit, he asks the Services Office to tap their private sector "clientele."

The public relations function, interpreted as advertising and the design of targeted publicity materials, is nominally under the Manager of Promotion. The Managing Director of the ICP relies on the Promotion Manager to supervise advertising contracts, but important decisions regarding publicity strategies are made by the Executive Committee and the Public Relations Advisor. The latter position is held by an experienced public affairs officer who maintains close contact with the local press and media. He reports directly to the Managing Director.

The only important investment promotion activities not under ICP control are the concession of fiscal incentives, real estate (industrial sites, and reverted lands), and financing,. These decisions remain appropriately in the hands of COFINA, MICI, the BNP, private banks and a few other government entities. The participation of the ICP Managing Director or one of the office managers in the decision committees would, however, contribute to the success of the investment promotion program.

Following the recommendations of the Economic Development Division of the State of Florida, the establishment of permanent overseas offices will take place only when sufficient numbers of promotors have been fully trained to assume the responsibilities of running the "call programs" and will be executed in the form of promotion missions to particular markets in the United States and Latin America.

Preliminary comparative cost estimates indicate that promotion operations for the North American continent may be less costly if based at the ICP offices in Panama than if based in U.S. offices. The effectiveness of a Panamanian based operation will be tested during the first year of the project. The results of the test will affect decisions with respect to the placement of overseas offices in general and will be reflected organizational and staffing changes.

Similarly, the initial promotion effort in the Far East will be carried out by consultants. Later a feasibility analysis will be made of the desirability of maintaining offices in one or more for Eastern nations. Such a decision will have some effects on the ICP operational budget and on staffing, albeit these recurrent effects may be offset by decreases in consultant costs.

D. Investor Services Office(ISO)

The ISO provides a wide array of services to foreign and domestic companies which have been induced to invest in Panama through the efforts of the ICP or through independent initiatives. These services offered as a "one stop" package relieves investors of much of the burden associated with compliance with diverse regulations which are administered by several agencies; and assists the investors in accessing public and private services. A job description for the manager of the Investor Services Office is presented in Exhibit 4.

Once a company has decided to invest, it must establish a corporate identity in Panama, finalize the incentive package under a "Contract with the Nation," file papers with a host of government offices, build or remodel a production site, recruit workers, import machinery and raw materials, and finally, begin production.

Panama's private sector offers a complete range of professional services to assist a new company. Until the creation of the Investment Council, however, no single government office had the responsibility of orienting the investor and facilitating the process of starting a new industrial operation. The Private Services unit now has this function.

The Public Services Processing (PSP) unit of the ISO is devoted primarily to assisting investors with compliance with the corporate and incentive laws of Panama. The agencies which must approve investor application interrelate in a cumbersome and time consuming process -- a discouraging prospect for potential investors. The Public Services Processing unit acts as coordinator for this process. The actual coordinating process has been essentially an exercise in persuasion with mixed results to date. However, scheduled seminars between PSP unit personnel and personnel of the administrating agencies is expected to establish standard norms and guidelines for expediting the process. The organization and staffing of the PSP will undoubtedly be adjusted in light of the outcome of the seminars, and of proposed plans to simplify the systems.

Only in the case of investors operating under the "Maquila" (light assembly) laws does the PSP unit carry out regulatory and administrative functions. Even in this case, other agencies enter into the administrative process. As the number of companies, applying for incentives under the Maquila laws grow -- a likely assumption -- the organization and stafing patterns of the PSP unit will probably be adjusted.

The major problems confronting this office are derived from its lack of direct control over the processes which it must coordinate. This should be alleviated to some extent by the ICP-MICI Memo of Understanding required as an initial C.P. In the future the clear and specific allocation of all responsibilities to another agency or full authority for approval of investor application to be vested in the ICP may occur. In either case, minor organization and staffing changes in the ICP would need to be made.

E. Administrative Office

The Administrative Office is oriented to delivering the limited administrative services required by a 30-person office. A description of the organization and specific functions of the Administrative Office is provided in Exhibit 4. The budget categories, allowable travel costs, and personnel benefits were pre-established by the Ministries of Planning and Finance. Expenditures and accounting systems are monitored by the Controller General's office. Minor office systems (e.g., requisitioning of supplies, maintenance of personal files, and control of messengers and correspondence) were replicated from the Banco Nacional de Panama.

The Administrative Officer is expected to provide finance, operational "housekeeping" and material support to staff for the other offices. His control function is limited to monitoring expenditures. Management control is exercised by the Managing Director and his Deputy.

The Administrative Office has performed remarkably well considering the rapid turnover of administrative officers. In six months, two officers have come and gone, placing a heavy burden on the three administrative assistants to continue providing service and developing workable systems.

The Documentation Center was established upon the recommendation of an outside consultant who was contracted to design a central records management system. The Documentation Center has continued to provide services, but lacks a systematic classification for general files. A system of case files has been implemented and is working satisfactorily.

Staffing of the Administrative Office appears to be adequate. Once the flow of visiting investors increases, however, there may be need for another vehicle and driver, and a receptionist with a good command of English.

With additional staffing in the Administrative Office and other offices, the space provided by the Banco Nacional, now barely sufficient for current staff needs, will require expansion.

Currently, the internal administrative practices, conform to GOP internal regulations, with exception for those special provisions implicit in the enabling decree or those which were subject of special understandings between the Ministry of the Presidency and the ICP management. The exceptions pertain to more flexible hiring and contracting procedures, salary levels and travel arrangements. The exceptions are not formally and specifically codified and may present problems until the ICP's final legal status is established.

F. Management

The creation of the Investment Council was a watershed in GOP-private sector relations, not only for its explicit recognition of business community interests, but also for its attempt to utilize entrepreneurial methods within a government agency. The Presidential Decree specified that the majority of the Board of Directors and the Managing Director be selected from the private sector.

The imposition of a "private sector" mentality within a Government bureaucratic framework has raised interesting management problems. The management of the ICP, in its desire to move rapidly in accomplishment of its mandate, did not anticipate the roles which other other agencies directly and indirectly play in respect to the functioning of the ICP. The gradual appreciation of those roles has led to recognition of the need to better manage external relations - a task not anticipated in the original design.

Such recognition produced three results: (1) acknowledgement of additional duties for the Managing Director with subsequent diminishment of time available for internal management; (2) definition of additional roles of Board Members; and (3) adjustments in internal planning. In addition to the tasks imposed on the Managing Director by external relation problems, he has been requested to be involved heavily in issues of national importance, yet only peripherally to the duties anticipated in the ICP design. The additional duties substantially impinge on the time available for day-to-day management. The desirability of appointing a deputy director or operations officer who would be charged with day-to-day operations has been discussed for some time. The growing demands on the Managing Director now makes it essential that a such a deputy position exist Thus, the creation of a deputy director slot has been included as Condition Precedent.

The mixed nature of the enterprise colors all aspects of management. The key figure in overall management, the Managing Director, is formally responsible for all operations of the ICP, subject to overall authority of the Board of Directors. The Board, composed of 13 members, eight of whom are private sector members, has not played to date as full a role in ICP affairs as it might. While there is no open conflict on the board, the interests of the private sector members are not identical with those of public sector members. As a result, a real unity of purpose does not appear to be fully established.

This is exacerbated somewhat by the relative inactivity of the board, caused primarily by a lack of a proper operational definition of its functions and responsibilities. The technical advisor to the Managing Director contemplated under the project will, therefore, work on improving the operational participation and functioning of the Board of Directors. The members of the Board are highly distinguished and capable men of affairs and have on occasion assisted in the resolution of problems. Nevertheless, there is no regular and systematic method of utilizing this reservoir of talent and influence.

Provision for such utilization was made in organizational design which provided for an Executive Committee, drawn from board members, to work closely with the Managing Director and his key staff members. The committee was appointed; but after a short period, one of its members became inactive and the committee itself soon ceased to function. Two achievements however, are illustrative of the kind of role which it could play were (a) introduction of the ICP to the Florida Department of Commerce and arrangements for substantial technical assistance from that Department and (b) securing the cooperation of the American Chamber of Commerce which has subsequently initiated the first of several surveys in support of the ICP program. The success of the two efforts noted above were attributable to two factors: first, clear assignment to an individual board member and secondly, the existence of a known and effective relationship between the member and the cooperating agency. Such experience offers a formula for replication, which can be used as the executive committee is revived.

Another management group expected to play a major role is the Committee of Managers. This group which would consist of the respective heads of the Research and Development Office, the Investment Promotion Office, the Investors Services Office and the Deputy Director. The group would play a coordinative role between the three offices, insuring that schedules are met, quality of work maintained, work flow improved, and adaptations made as required. The group does not yet function because two key members, the head of the Research and Development Office and the Deputy Director have not yet been appointed. The industrial development advisor to the Managing Director should play a key role in orienting the proper functioning of this committee.

ICP management practices are still evolving and are conditioned by personnel changes, reactions to apparent targets of opportunity the frequent absences of the Managing Director, and problems arising from inter-agency frictions. A short term operation plan (see Exhibit 5) has been initiated. This sets forth specific activities to be undertaken during the remainder of 1983. Training of promotional personnel is scheduled for the same period. New operations plans will be required to accommodate training needs with operational needs. This has been addressed through plans to utilize "turn key" contracts, in which contractors will undertake specific operations while training.

Procedures for handling investor inquiries and response to external initiatives are focused first through the office of the Managing Director then allocated to staff members. The actions taken by staff members are seldom channeled back through the MD's office. Communications may be sent directly to other ministries without necessary regard for protocol or for evaluation of issues (at a managerial level) which might prove embarrassing for ICP management. Such practices may contribute to the eventual establishment of desirable informal inter-agency linkages; meanwhile these may exacerbate inter-agency frictions. Once all the office manager positions have been filled, and a Deputy Director has been hired, there is no need for the Managing Director to continue personally channeling routine correspondence.

New tasks will evolve develop from time to time as ideas are generated or proposals are made to the ICP. Because important staff positions remain unfilled, these tasks are allocated frequently to already burdened members. This results occasionally in abandonment of work schedules and (probably unintended) priorities. To the degree that such work falls on office heads or key subordinates, these heads lose control of their scheduled operations and the specialization upon which the organizational structure is predicated, becomes blurred and blunted. The management problems which beset the ICP are common to new agencies, and should not provide cause for alarm. They should however, cause enough concern to elicit continuing remedial actions.

ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

EXHIBIT 2: PRESIDENTIAL DECREES

DECREE No. 79

August 12, 1982

Whereby an institution for the Promotion of Domestic and Foreign Investment is established to be called THE INVESTMENT COUNCIL OF PANAMA.

THE PRESIDENT OF THE REPUBLIC

In use of the legal power invested in him

DECREES:

ARTICLE 1. THE INVESTMENT COUNCIL OF PANAMA is hereby established as an Institution affiliated to the Ministry of the Presidency, for the purpose of promoting domestic and foreign investments development policies established by the Executive Branch of the Government.

ARTICLE 2. This institution will be directed by a Board of Directors and an Executive Director. The Board of Directors will be composed of thirtheen members * who will be entitled to voice and vote:

A.- Eight members and an Executive Director selected from the private sector

B.- Minister of Commerce and Industry

C.- General Director of the National Finance Corporation.

D.- General Director of the Panamanian Tourism Institute.

E.- General Director of the Colon Free Zone.

The Chairman of the Board of Directors will be selected by the President of the Republic from members of the private sector.

The Executive Director cannot be Chairman of the Board of Directors.

* Membership was increased to 14, including Minister of Planning.

ARTICLE 3. The Board of Directors will have the following functions:

A.- To develop domestic and foreign private investment programs, and recommend the actions to be taken by the Executive Branch of the Goverment in the investment area.

B.- To make recommendations to the Executive Branch on incentive laws for private investment on any other legislation that may bear upon investment promotion.

C.- Fulfill and enforce any other duty assigned to it by the Executive Branch of the Government.

ARTICLE 4. The Board of Directors will approve the Budget proposal for the adequate operation of the Investment Council of Panama. The funds for its operation will be administered by the Executive Director and its disbursements will be countersigned by the auditor assigned by the Comptroller's Office.

ARTICLE 5. The Executive Director will implement the policies dictated by the Board of Directors and will be responsible for the administration and coordination of programs. The Executive Director of the institution is the Chief Executive Officer.

ARTICLE 6. With the purpose of assuring the implementation of the programs The Executive Director will be responsible for the following functions:

A.- Development of investment plans that would result in the creation of jobs.

B.- Identification of those specific sectors of the economy offering opportunities particularly attractive to investors, taking into consideration the needs and advantages of each region within the country.

C.- Identification of such industries that may help to enhance Panama's industrial base.

D.- Analysis and identifications of specific investment opportunities and presenting them to potential investors.

E.- Organize investment promotion activities in Panama and overseas.

F.- Advise investors on the development plans of new projects or the extension of the existing ones, facilitating the implementation of such plans.

G.- Administration and determination of investment incentive programs that could be implemented in Panama, recommendation and the review of such programs.

BE IT COMMUNICATED AND MADE PUBLIC

Done at the city of Panama this twelfth day of August of 1982.

RICARDO DE LA ESPRIELLA
President

GABRIEL CASTRO S.
Minister of the Presidency

Footnote: This is not an exact literal translation. To make it meaningful in some instances disgressions were inevitable.

EXECUTIVE DECREE No. 80

August 12, 1982

Whereby appointments are made to the Investment Council of Panama.

THE PRESIDENT OF THE REPUBLIC

In use of the legal power invested in him,

D E C R E E S :

ARTICLE 1. Doctor JAIME ARIAS CALDERON, Doctor FERNANDO CARDOZE FABREGA, Mister LARRY BERGER, Mister GABRIEL DE LA GUARDIA, Mister GABRIEL LEWIS GALINDO, Mister LUIS H. MORENO, Mister ALBERTO MOTTA, and Mister GARY MARTIN are hereby named to form the Board of Directors of the Investment Council of Panama.

ARTICLE 2. Mister GABRIEL LEWIS GALINDO is hereby named as President of the Executive Committee (of the Board of Directors) of the Investment Council of Panama.

ARTICLE 3. Mister FRANK KARDONSKI is hereby named as the Managing Director of the Investment Council of Panama.

BE IT COMMUNICATED AND MADE PUBLIC

Done in the city of Panama this twelfth day of August of 1982.

RICARDO DE LA ESPRIELLA
President

GABRIEL CASTRO S.
Minister of the Presidency

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ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

EXHIBIT 3: LEGAL OPINION

'83 JUL 12 [illegible]

República de Panamá

Panamá, 11 de julio de 1983

Procuraduría General de la Nación

Nota No. DPG-383-83

Señor
Frank Kardonski
Director Ejecutivo del
Consejo Nacional de Inversiones
E. S. D.

Señor Director:

Acuso recibo de su Nota de fecha 6 de julio de 1983, mediante la cual me consulta el status jurídico del ente conocido como Consejo Nacional de Inversiones. De acuerdo al punto consultado por usted, le manifiesto lo siguiente:

El Consejo Nacional de Inversiones es un organismo para la promoción de las inversiones nacionales y extranjeras que fue creado y reglamentado por el Organo Ejecutivo mediante Decreto No. 79 de 12 de agosto de 1982. Posteriormente, dicho Decreto fue reformado en su artículo 2, por el Decreto Ejecutivo No. 34 de 25 de abril de 1983. Afirmo que estos Decretos no han sido hasta la fecha reformados, subrogados, derogados o sustituidos por otras excertas jurídicas, por cuya razón afirmo también que tienen vigencia plena y estan surtiendo plenos efectos jurídicos. Es decir, el Consejo Nacional de Inversiones tiene existencia jurídica actual.

De usted con toda consideración,

Rafael Rodríguez
Procurador General de la Nación

REPUBLICA DE PANAMA
MINISTERIO PUBLICO
PROCURADURIA GENERAL DE LA NACION

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ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

EXHIBIT 4: ICP OFFICE FUNCTIONS

EXHIBIT 4: ICP OFFICE FUNCTIONS

RESEARCH AND DEVELOPMENT OFFICE

The Research and Development Office has five functions: Three of them correspond to organizational units: the Technical Response Unit, the Systems and Statistics Unit, and the Market and Product Research Unit. The other two functions, Operational Planning and Policy Analysis, are assigned to the Manager of Research and Development. He carries them out primarily by relying on outside resources to undertake long term studies, and by drawing upon the human resources of the other units to coordinate operational planning.

MANAGER OF RESEARCH AND DEVELOPMENT

The Manager of Research and Development supervises the three units under his authority and leads the inter or intra- departmental groups responsible for operational planning.

Operational Planning:

1. To coordinate annual planning in the Investment Council. Operational plans are based on estimated investment needed to create a specified number of jobs. The employment creation goal is set by the Managing Director on the recommendation of the Manager of Research and Development, following an economic analysis.

2. To assist the Managers of Investment Promotion and Investor Services to develop targets and verifiable goals for the next year of operations based on the guidelines set by the Managing Director of the Council.

3. To evaluate goal achievement by each office as an integral part of the planning responsibility.

Policy Formulation:

1. To commission independent studies of the investment climate of Panama in order to obtain an objective assessment of investment legislation and policy. The studies will cover topics such as transport costs, investment incentives, tariff structures, taxation policies, infrastructure and facilities for industry, labor laws, etc.

2. To make recommendations to the Board of Directors and the government based on the results of these studies and comparative analyses of investment policies in competing countries.

3. To coordinate with the PARS Unit of the Ministry of Commerce and Industry, and other government and international development agencies to obtain maximum benefit from the studies of investment climate commissioned by these organizations.

TECHNICAL RESPONSE UNIT

1. To provide information about Panama on demand to the other ICP offices, investors, and other government agencies. Most of the data on Panama' investment climate will eventually be available on-line for rapid retrieval.

2. To provide feasibility profiles with up-to-the-minute cost data and comparative reports demonstrating Panama's advantages over another country for particular project.

3. To evaluate the technical and financial financial viability of proposed investment projects at critical decision points for ICP support.

4. To provide a continuous management and industrial production consulting service for investor assistance (mediated by the Offices of Investment Promotion and Investor Services).

SYSTEMS AND STATISTICS UNIT

1. To create and maintain a computarized data base to be used in all ICP activities, but most heavily by the Research and Development Office.

2. To supervise consultant contracts for the acquisition of computer equipment and development of softtware programs.

3. To maintain and support the computer programs of each of the ICP offices for their activities:

   Accounting/Budgeting
   Project Tracking
   Mailing Lists
   Local Servic s Lists
   Industrial Site Compendium
   Access to and processing of foreign market data
   Access to and processing of local economic and demographic data

MARKET AND PRODUCT RESEARCH UNIT

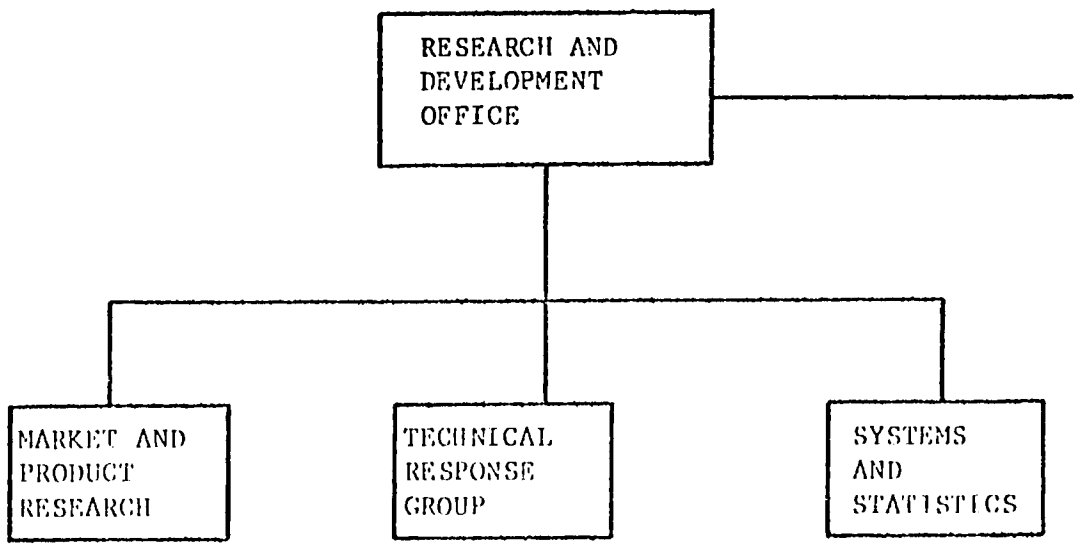
1. To identify high potential markets and product areas. This activity relies on practical strategies such as:

   (a) Cost-sensitive products
   (b) Twilight industries
   (c) Processing of raw materials prior to export
   (d) Transportation/manufacturing cost advantage for Latin America destined products
   (e) Quota opportunities
   (f) New products and technologies
   (g) Specific market studies

2. To supervise short term consultant contracts to quickly identify some of these investor prospects.

3. To conduct project development studies in conjunction with the United Nations technical assistance program.

RESEARCH AND DEVELOPMENT OFFICE



1 Manager
2 Secretaries

Market & Product Research Group

1 Market Analyst (MBA)
1 Research Officer

Technical Response Group

1 Industrial Analyst
1 Financial Analyst (MBA)

Systems & Statistics Group

1 Computer Programmer/Analyst
2 Entry Clerks
10 Staff Members

INVESTMENT PROMOTION OFFICE

INVESTMENT PROMOTION MANAGER

The Manager is the head of the entire Investment Promotion Office with the responsibility of directing and coordinating the recruitment of national and foreign investors.

Responsibilities:

1. To prepare the annual plan of the Office of Investment Promotion according to the guidelines provided by the Office of Research and Project Development within the general policy of the Investment Council of Panama.

2. To review and update the action plan on quarterly basis according to performance at headquarters and in the field.

3. To learn about and follow up the programs of other government agencies related to or affecting investment promotion.

4. To plan, coordinate, and manage the work performed by the foreign offices.

5. To provide liaison between the overseas offices and the support offices at headquarters.

6. To review each investor case with the responsible promotor on a periodic basis, and also when critical decisions are made regarding level of ICP support to a particular investor.

7. To coordinate and supervise the reception and assistance rendered to potential investors by the Reception Group.

8. To prepare periodic progress reports for the Managing Director.

9. To propose, direct, and supervise the development of promotional material by the ICP staff and contracted companies as follows:

- To design advertisements and articles for magazines and newspapers with internal resources or through contracted private companies.

- To design form letters to contact or answer investors (direct mail promotion) for the use of the Attraction Group.

- To design pamphlets and audiovisual presentations for promotors.

- To maintain an inventory of pictures of Panama and of advertising material of the ICP and of other entities.

To assist in the preparation of material (speeches, drawings) for the use of the Public Relations Office.

To maintain sufficient promotional material of the ICP and of other entities at all times to meet the requirements of the promotors.

ATTRACTION GROUP

The work of the attraction unit is performed primarily through the overseas offices of the Council, but the effort to attract investors may be aided by the cooperation of Panama's diplomatic corps and private individuals and companies contracted to represent the Council. Until overseas offices are opened, the Attraction Group will conduct missions out of Panama Headquarters or the Florida Office.

Responsibilities:

1. To establish and implement a system of investor search whereby the Council directs promotional action to carefully selected groups of companies.

2. To contact those potential investors in industries previously identified by the investor search plan, and those who have responded to the publications of the ICP.

3. To present current and accurate country data to potential investors, through promotional material and other information.

4. To present the investor with information about investment incentives under Panamanian law.

5. To present information related to possible sites, services, and infrastructure (through liaison with Research and Development) prior to his visit to Panama.

6. To prepare travel itineraries for potential investors coming to Panama in coordination with the head office.

7. To research and analyze the strategy of expansion or relocation of operations of the contacted and prospective investor companies.

8. To inform headquarters of economic and political trends affecting current programs and requiring a change of promotion strategy. These data must be submitted on a regular basis in order to allow timely adjustments.

RECEPTION GROUP

This unit is formed by a group of Investment Executives specialized by industrial sector, who orient the client upon his arrival in Panama, answer all his needs for information and keep in close contact until he has reached a decision regarding his investment project.

Responsibilities:

1. To coordinate schedules, interviews, and visits and to assist the investors during their stay in Panama.

2. To counsel the investors in selecting the incentive programs offered in Panama.

3. To answer questions and consultations of foreign investors by mail, telex, or telephone.

4. To provide the investor with all kinds of information and local contact with possible partners, possible sites, professional services, and local financial sources.

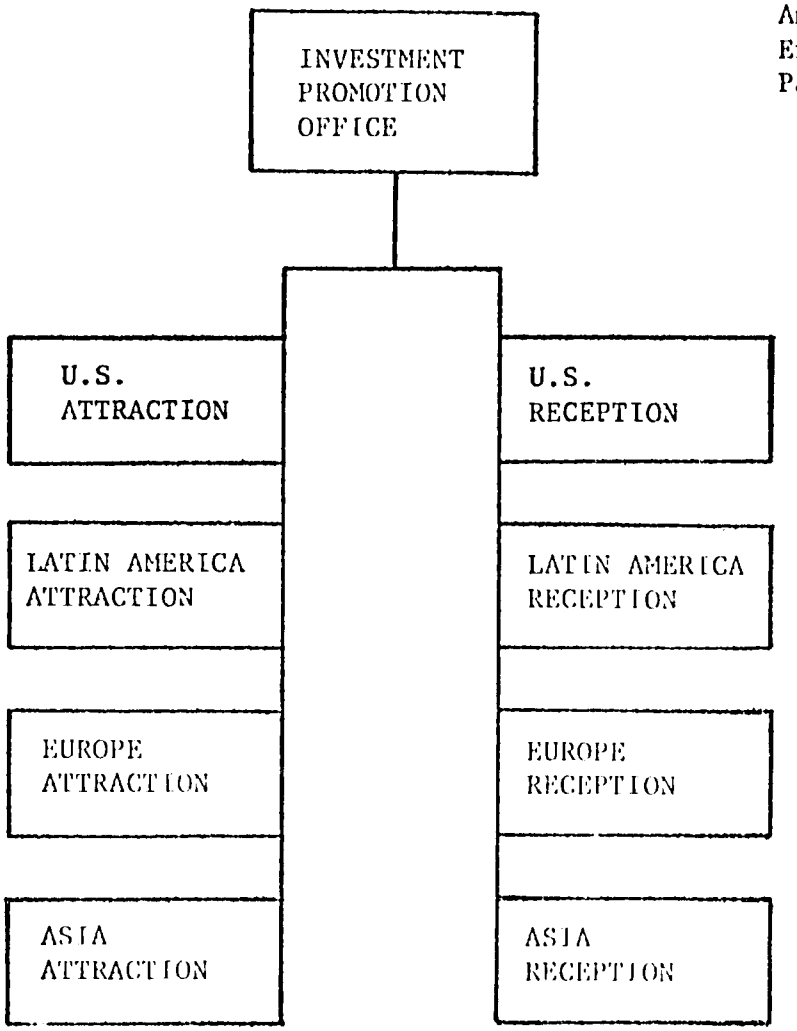
5. To coordinate and assist the investor's transactions on behalf of the Government.

6. To submit technical information to aid in the investor's evaluation of project feasibility (in coordination with the Office of Research and Development).

7. To follow up on the attended cases even in early stages before a decision and establish regular contacts with the clients.

8. To maintain a permanent control of records under each unit's responsability, making sure it has the correct information on the respective forms and that all the investigations regarding the client have been completed.

INVESTMENT PROMOTION OFFICE



Office of the Manager:

1 Manager
1 Secretary

U.S. Attraction:

2 Investment Executives

U.S. Reception:

4 Case Officers
2 Secretaries*

Latin America Attraction:

1 Investment Executive

Latin America Reception:

2 Case Officers
1 Secretary*

Europe Attraction:

1 Investment Executive

Europe Reception:

1 Case Officer
1 Secretary*

Asia Attraction:

1 Investment Executive

Asia Reception:

1 Case Officer
1 Secretary*

* Secretarial support for the Attraction Group comes from the secretaries of the corresponding regional team in Reception.

INVESTOR SERVICES OFFICE

MANAGER OF INVESTOR SERVICES

The head of Investor Services directs the assistance given to corporatio s being established in Panama. This assistance often begins at the promot .onal stages, nevertheless, the responsibility for handling the case will be passed to the Office of Services only after the investor has taken a firm decision to invest in Panama. Additionally, he will coordinate the permanent assistance to corporations already established.

Responsibilities:

1 To supervise a "complete service" to the investor through counseling, speeding up procedures, providing the information and personal contacts required.

2. To give logistical support to the Office of Investment Promotion and assist the investors' visiting missions when specific contacts are needed with the private sector or public offices.

3. To propose and direct a follow-up system for cases in progress.

4. To maintain close contact with liaison officers working in public offices.

5. To supervise the elaboration of Contracts with the Nation under the Maquila program.

6. To manage the Maquila program.

7. To propose and coordinate a follow-up program for operating companies promoted by the ICP.

8. To maintain friendly relations with professional associations offering assistance to investors.

9. To report to the ICP Managing Director the problems or deficiencies of industrial infrastructure in Panama.

10. To make recommendations to the Managing Director on simplifications of document processing.

11. To cooperate with and support the Office of Research and Development in the areas of information gathering on infrastructure, private services, or procedures.

13. To carry out a training program of personnel under his direction.

COORDINATION OF PUBLIC SERVICES:

It is the duty of this unit to assist the investor when soliciting benefits and services as well as when complying with regulations of government entities.

Responsibilities of the Logistics Coordinator:

The Logistics Coordinator interviews the investor to get acquainted with his needs once he has demonstrated his intention to invest in Panama. The investor shall receive assistance in solicting benefits , likewise he shall be informed on customs, migration, labor contracts requisites, etc. The Logistics Unit has complete and updated information on procedures and requisites for the following:

1. Rental Contracts and/or Real Estate purchases from the Nation.

2. Concessions of use, exploration, and exploitation of natural resources.

3. Visas and Naturalization

4. Presentation of Required Documents, Contracts with the Nation, Importation and Exportation.

5. Recruitment and training of Laborers

f. Mobilization

g. Public Services (INTEL, IHRE, IDAAN, etc)

h. Fees, requirements, and procedures for other public services

Responsibilities of the Processing Coordinator:

The Processing Coordinator has the responsabilities of expediting and reporting on applications filed by investors with the various government offices; maintaining a follow-up and consultation service for operating companies (especially Maquila); authorizing import and export of Maquila companies.

The coordinator maintains a close relationship to mid-level functionaries at the pertinent governement offices. His work begins after the Logistics Coordinator has assisted the client with the application, and the processing has commenced. Once a company begins operations under one of the incentive programs, he assumes primarily responsability for contact with the client. The Coordinator's activities are specified below in detail:

1. To research and compile information on application forms, requirements and processing steps of the Contract with the Nation, and other concessions, licenses, and permits.

2. To expedite the processing of contracts, concessions, etc., by tracking the movement and evaluation of investor's applications in MICI, IPAT, MIDA, etc.

3. To update an automated datafile for the tracking of cases.

4. To prepare a monthly report on the status of each investment case in each government office (by means of the automated system).

5. To respond to inquiries from clients on the status of their applications in process in government offices.

6. To periodically contact the officers operating companies recruited by the ICP or the old Maquila Program to learn about their needs in reference to the Customs Office, the Office of Price Regulation, the Ministry of Labor, etc. to provide consultation and assistance on government paperwork as needed by the companies.

7. To administer Maquila contracts under the supervision of the Manager of Investor Services:

8. To verify, register, and sign customs declarations of Maquila companies. The Processing Coordinator receives the Declarations of importation and exportation of material and verifies each category in the Maquila Contract. When the declarations are in accordance with the Contract they are registered, signed and stamped.

9. To monitor the training programs of Maquila companies with the Ministry of Labor, assuming responsibility for successive training contracts.

COORDINATION OF PRIVATE SERVICES

This unit has the responsibility to help the investor find the services offered by the Panamanian private sector to finance, construct, assess, design, insure, etc. his corporation. The Private Services Coordinator holds complete and updated information to assist the client directly or through promoters.

Responsibilities of the Private Services Coordinator:

1. Real Estate:
   To maintain updated information on office rent and sale prices, apartments, lots, warehouses and commercial sites, which will eventually might be required by investors. Each rent and/or sale property offer must include its location, specifications, value, etc.

2. Construction:

a To maintain a continuously updated database (as for real estate) for construction companies, contractors, decorators, engineers, architects, and others.

b. To develop a construction cost index in different locations (Panama, Chepo, Bayano, Tocumen, Chorrera, Colon, David, Aguadulce, Chitré, Las Tablas, Divisa, Santiago and others) for the different types of constructions (residential and industrial).

3. Transportation, Insurances, Freight and Financing:

a. To maintain a continuously updated database (as in real estate) for transporters (by air, sea and land), insurance and reinsurance, and banks.

b. To obtain transportation directories showing itineraries and schedules.

c. To develop the freight rate lists of the different means of transportation.

d. To develop the comparative fee list of port expenses and handling of cargo.

e. To develop the fee list for insurance of properties, etc.

f. To develop the list of financing terms and to up-date every month the costs for debt service and long term deposits.

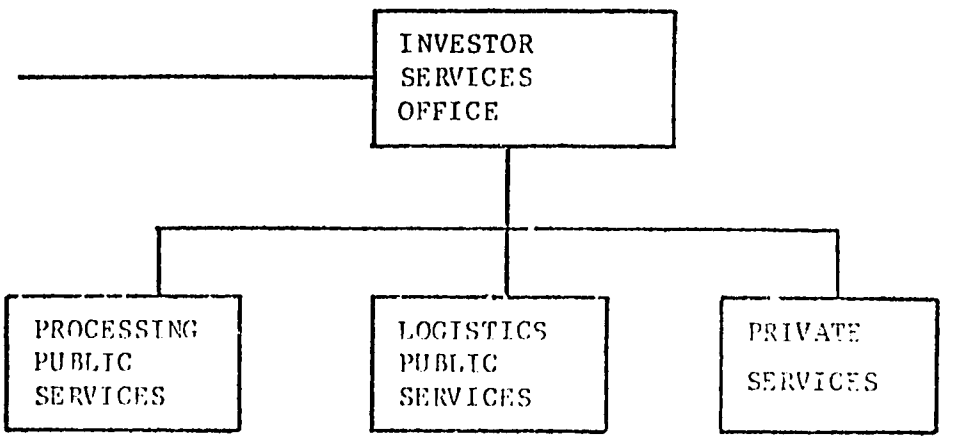
4. Professional Services:

To assist the investor/businessman in locating professional private services; preparing a list with names, addresses, telephones, etc., of the different available services, such as:

--lawyers
--authorized public accountants
--economic and financial consultants
--installation and maintenance services
--others (advertising, security, printers, etc.)

5. In addition, this unit must cooperate in providing attention to the investor missions, to help out with the logistics of the planned agenda. Therefore, it is necessary to maintain close communication with the different friendly institutions such as: Union of Industrialists, Chamber of Commerce, Business Executives Association, Banking Association, CAPAC, CONEP, etc.

INVESTOR SERVICES OFFICE



1	Manager of Investor Services
1	Secretary
1	Processing Coordinator
1	Logistics Coordinator
1	Private Services Coordinator
5	Staff Members

THE ADMINISTRATIVE OFFICE

Responsibilities of the Administrative Officer

The Administrative Officer provides full administrative support to the Office of the Managing Director as well as to all other offices, divisions and subdivisions of the Investment Council of Panama. He oversees the installation and efficient functioning of all administrative control systems needed to assure the efficiency and effectiveness of internal operations; the detailed preparation of an annual budget with periodic adjustments derived from regular financial statements and from analysis of expenditure rate compared to budgetary allocations; a periodically up-dated system of staff information and guidance on all matters pertaining to internal operations, management and administration; the timely provision supplies equipment and services; and the personnel records and payroll of the ICP.

As the Council increases in staff size and volume of business, these duties and functions will be shared and delegated to staff (on-board or added) who report to the Administrative Officer, but the Administrative Officer is ultimately responsible to the Managing Director for their discharge.

These duties and functions are applicable to the relationship to be established between the Administrative Office and overseas offices of the Council, with certain modifications as appropriate.

The Administrative Office is divided into three units. These functions are decribed below.

Responsibilities of the Services and Supplies Unit

1. To maintain an update inventory of furniture, equipment and supplies.

2. To supervise the use of the ICP's vehicles including the recording of mileage, daily reports from drivers, purchase of gasoline, and maintenance.

3. Periodic replacement of cafeteria supplies.

4. To make arrangements for the maintenance, repair, and replacement of equipment.

5. To expedite purchase orders and requests for services and supplies.

6. To implement decisions about office space made by the Administrative Officer,

7. Periodic replacement of foodstuff.

8. Petty Cash Control.

9. Travel Services for the Council personnel.

10. Assure that services like repairs, transportation, cars facilities, cafeteria, hotel and airlines reservations, airplane tickets, etc., are given on time.

11. Facilitate or arrange office space and supporting services for Advisors and consultants.

12. Coordinate messenger's work (outside and internal) and drivers.

13. Control of outgoing mail.

Responsibilities of the Accounting Unit

1. To provide support services and information to the Administrative Officer and other Senior ICP officials in the preparation of the annual budget.

2. To maintain the accounts of all ICP funds. The staff of this unit shall keep the bank account up-to-date on a daily basis, and shall prepare monthly financial reports.

3. To prepare checks, disburse advances, and to pay the expenditures of the ICP in accordance with the budget, and with the approval of the Administrative-Officer and the auditor of the Comptroller General's Office.

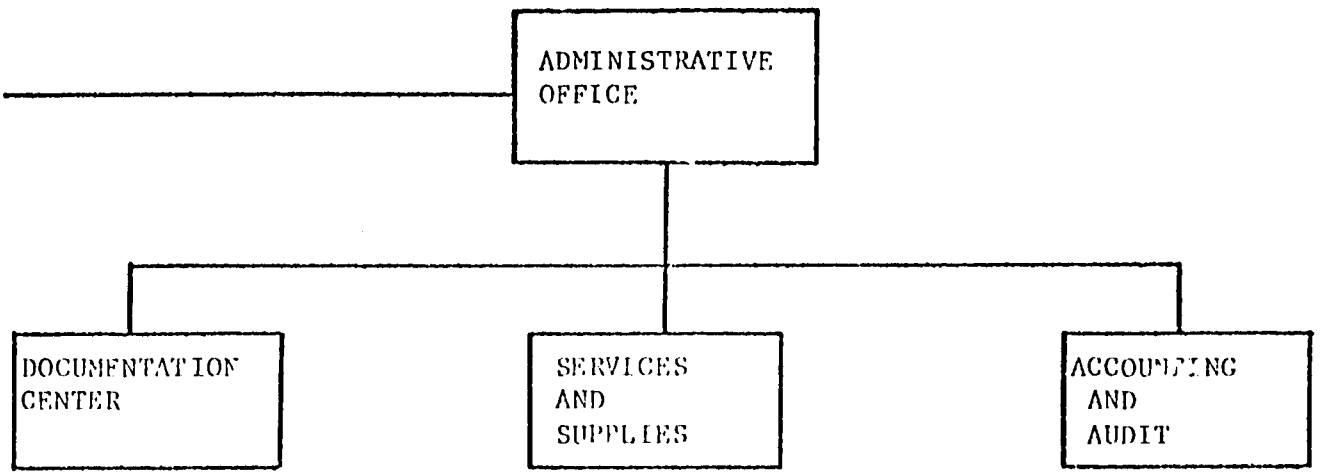
4. To prepare the payroll and distribute checks every fifteen days to all ICP staff members.

5. To maintain personnel records. The staff member in charge of this unit shall create a confidential file for each employee with his resume, social security information, attendence records, and employment contract.

6. To process requests for advance funds, or requests for reimbursements following travel in accordance with the report of expenses submitted by the ICP staff member.

7. To provide financial information to ICP Management as required.

ADMINISTRATIVE OFFICE



1 Administrative Officer

Documentation Center

1 Administrative Assistant
2 Clerks

Services & Supplies

1 Administrtive Assistant
1 Receptionist
2 Drivers
1 Messenger
1 Tea boy

Accounting & Audit

1 Bookeeper/Secretary
11 Staff Members

Responsibilities of the Documentation Center

1. To implement a general filing system. All office files of the ICP are kept in the Center under a numerical classification. The supervisor of the Center shall prepare the file classification code and coordinate with the various offices the integration of all documents into the coded system. The contents of each file, however, will continue to be the responsibility of the operations offices.

2. To implement and maintain a controled access to the files. The Center supervisor must know who has a file at any given time; when it was sent out and when it was returned.

3. To organize and maintain good order inside the Documentation Center.

4. To receive, open, register, and distribute the correspondence entering the ICP. To maintain a register with the origin, date, and disposition of each written communication received by the ICP.

5. To supervise use of the telex machine according to established procedures. To distribute copies of incoming telexes, and maintain a chronological master file of telex messages.

6. To supervise use of the photocopies by Center assistants or personnel of other offices, maintaining accounts of copies made for each office.

7. To receive and file the pre-codified documents of each office.

8. To maintain a chronological file of the outgoing correspondence of the ICP available for reference by other offices.

9. To main some office supplies within the Center, following the control procedures set up by the Services and Supplies Unit.

ANNEX II: PROJECT DEVELOPMENT

SECTION D: INSTITUTIONAL ANALYSIS

EXHIBIT 5: SHORT TERM OPERATIONAL PLAN OF THE ICP

GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

EXHIBIT 10

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DURACION	RESPONSABLE
I. INTEGRACION DE LA GERENCIA OID	A. Nombramiento de personal B. Organización		Marzo	Director Gerente
II. MEJORAMIENTO DEL CLIMA DE INVERSION PANAMA	A. Efectuar estudios de la situación actual en el país con recomendaciones de acción a nivel del Consejo, a nivel de la Presidencia, y al nivel de las leyes de la Nación.	1. Oferta actual de mano de obra 2. Incentivos de Inversión 3. Costo de Transporte 4. Sistema de Cuotas 5. Política Tarifaria 6. Política de Impuesto sobre la Renta 7. Facilidades e Infraestructura 8. Relaciones Laborales	2do. Trimestre	Gerente
	B. Efectuar estudios comparativos sobre ventajas y desventajas con países competidores.	1. El Caribe 2. Taiwan 3. Hong Kong 4. Korea 5. Singapore 6. America Central	2do. Trimestre	Gerente

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GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DURACION	RESPONSABLE
III. INVESTIGACION DE MERCADOS Y PRODUCTOS	A. Estrategias para la Identificación de Productos			
	• Identificación de productos sensibles a costos.	METODO: Por medio del Análisis de los últimos 7 años de estadísticas de importación de los E.U.A. y Europa se identifican los productos que han cambiado de país de producción. RESULTADO: Identificar principales empresas de productos sensibles a costos.	3er Trimestre	Gerente
	• Identificación de empresas agonizantes en los E.U.A., Europa y Japón.	METODO: Investigación de Programas del Departamento de Trabajo en E.U.A., y estadísticas de exportación de los E.U.A., Japón, Europa, y Canadá. RESULTADO: Identificar companías a las cuales Panamá les ofrece una alternativa real.	2do Trimestre	Gerente
	• Oportunidades para procesar o trabajar Insumos en Panamá antes de su re-exportación.	METODO: Análisis de estadísticas de re-exportación de Panamá. Análisis de carga registrada a través del Canal. Identificación de los principales exportadores y compradores desde la Zona Libre. RESULTADO: Identificación de los productos manufacturados de insumos exportados de Panamá.	2do Trimestre	Gerente

GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DURACION	RESPONSABLE
	• Productos exportados hacia América Latina desde los E.U.A. y otros	METODO: Analizar estadísticas de exportación de E.U.A. y Canadá hacia América Latina, y analizar movimiento de mercancía a través de la Zona Libre de Colón y el Canal. Listados UNSO/ITC de Ginebra. RESULTADO: Identificar empresas cuyos costos se vean reducidos al establecerse en Panamá.	2do Trimestre	Gerente
	• Cuotas de importación	METODO: Análisis de estadísticas de importación y estructura de cuotas vigentes por producto en E.U.A. y Europa principalmente. Identificación de los productos, país de producción, y las empresas. RESULTADO: Identificar productos (y empresas) que hayan copado su cuota de importación en los E.U.A. y Europa.	2do Trimestre	Gerente
	• Nuevos productos y tecnologías	METODO: Contratar una compañía consultora para identificar los productos, las empresas productoras, compañías de capital empresarial, y establecer un programa para el Consejo. RESULTADO: Identificar componentes de nuevos productos y/o tecnologías que puedan ser manufacturados en Panamá.	4to Trimestre	Gerente

GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DURACION	RESPONSABLE
	B. Preparación de Perfiles de Costos.	METODOS: 1. Se prepara un perfil de costos específicos por producto basado en los resultados de estudios comparativos de costos por país. (Materia prima, Mano de obra, Energía, Fletes.) 2. Análisis paramétrico de costos. Analizar el costo de producción para productos íntimamente relacionados con los previamente identificados y efectuar comparación con países competidores. RESULTADO: Los perfiles de costos sirven como material de promoción de primera clase para los promotores; ayudan a fijar prioridades de promoción, y son parte de los pérfiles de proyectos.	3er Trimestre	Gerente
	C. Análisis de Mercados.			
	• Análisis de factores externos en países de producción.	METODO: Hacer estudios del impacto de inflación, devaluaciones monetarias, y la inestabilidad política en países seleccionados. Simular el impacto en las empresas con potencial para Panamá. RESULTADO: Detección de empresas buscando una ubicación nueva.	4to Trimestre	Gerente

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GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DURACION	RESPONSABLE
	• Análisis de factores externos en países de domicilio.	METODO: Estudiar la estructura del sistema tributario en los países de domicilio de los inversionistas potenciales. RESULTADO: Detección de presiones o problemas que una ubicación en Panamá tiende a solucionar.	4to Trimestre	Gerente
	D. Desarrollo de proyectos através de los programas de asistencia técnica de las Naciones Unidas.	METODOS: 1. Evaluar las ventajas de Panamá. 2. Seleccionar unos proyectos en idea. 3. Desarrolar estudios de factibilidad. RESULTADO: Ofrecer al mercado de inversionistas identificados para su consideración.	3er Trimestre	Gerente
COORDINACION DE PLANIFICACION PARA EL CONSEJO.	A. Preparación del Plan Estratégico de CNI en coordinación con la Presentación del Presupuesto al MIPPE.	1. Recopilar datos de la oferta actual de mano de obra. 2. Fijar metas de creación de empleo para 1984. 3. Proponer lineamientos para la promoción de inversiones en en 1984.	4to Trimestre	Gerente

GERENCIA DE INVESTIGACION Y DESARROLLO DE PROYECTOS Y MERCADOS

PLAN DE OPERACIONES

META	ESTRATEGIA	TAREA	DUPACION	RESPONSABLE
V. APOYO INTERDEPARTAMENTAL	A. Proveer un Servicio de Información a las Gerencias de Promoción y Servicios por medio de los datos generados en todos los estudios.		Permanente	Gerente

G E R E N C I A D E P R O M O C I O N

CRONOGRAMA DE ACTIVIDADES
1 9 8 3

ACTIVIDADES DE 1983	1 TRIMESTRE			2 TRIMESTRE			3 TRIMESTRE			4 TRIMESTRE		
	ENE	FEB	MAR	ABR	MAY	JUN	JUL	AGO	SEP	OCT	NOV	DIC
1. ADMINISTRACION												
- Selección y Nombramiento de Personal												
- Entrenamiento												
- Evaluación de Personal												
- Evaluación de Resultados												
- Nombramiento de Oficina Exterior												
E. U. A.												
E U R O P A												
A S I A												
P A N A M A												
- Elaboración de Términos de Referencia para Firmas Consultoras												
2. IDENTIFICACION DE INVERSIONISTAS LOCALES Y EXTRANJEROS												
- Locales												
- Extranjeros												
3. CONTACTAR PROSPECTOS LOCALES Y EXTRANJEROS												
- Elaboración de Correspondencia (Patrones)												
- Dirigirse a los prospectos por correspondencia directa o a través de eventos												
- Realizar Llamadas Personales												
- Efectuar Publicaciones Específicas												

*Actividad Esporádica

Actividad Permanente

Doc. Republica Dom.

G E R E N C I A D E P R O M O C I O N

CRONOGRAMA DE ACTIVIDADES
1 9 8 3

ACTIVIDADES DE 1983	1 TRIMESTRE			2 TRIMESTRE			3 TRIMESTRE			4 TRIMESTRE		
	ENE	FEB	MAR	ABR	MAY	JUN	JUL	AGO	SEP	OCT	NOV	DIC
4. ATRACCION DE INVERSIONISTAS LOCALES Y EXTRANJEROS												
- Visitas												
- Segundo Envío de Correspondencia (Patrones)												
- Llamadas Personales												
- Comunicación por Telex												
5. ATENCION DE INVERSIONISTAS LOCALES Y EXTRANJEROS												
- Preparación de Programa de Visita												
- Recibimiento y Acompañamiento												
- Investigación y Respuesta a las Consultas												
- Seguimiento												
6. INSTRUMENTOS PROMOCIONALES												
6.1. - Elaboración de Documento No. 1												
- Elaboración de Documento No. 2												
- Elaboración de Documento No. 3												
6.2 - Elaboración de Audio-Visual												
. General												
. Específico												
6.3 - Diapositivas y Fotografías												
6.4 - Eventos												
6.4.1 - Preparación y Participación Gira Europa (I.D.A.)												
- Selección, Preparación y Participación Gira Asia												

* Actividad Esporádica - - - Actividad Permanente ———

G E R E N C I A D E P R O M O C I O N

CRONOGRAMA DE ACTIVIDADES

1 9 8 3

ACTIVIDADES DE 1983	1 TRIMESTRE			2 TRIMESTRE			3 TRIMESTRE			4 TRIMESTRE		
	ENE	FEB	MAR	ABR	MAY	JUN	JUL	AGO	SEP	OCT	NOV	DIC
6.4.2 - Exposiciones Específicas												
. Selección												
. Participación E.U.A.												
. Participación ASIA												
. Participación Local												
6.4.3 - Convenciones y Conferencias												
. Selección												
. Preparación y Participación												
6.5 - Publicidad												
6.5.1 y 6.5.2												
- Identificación y Selección												
- Diseño de Material												
- Publicación												
6.5.3 - Relaciones Públicas												
. Preparación de Estrategia												
. Cabildeo con Grupos Empresariales												
. Ejecución												
6.5.4 - Letreros												
. Selección y Preparación de Ideas												
. Elaboración y Colocación												

*Actividad Esporádica

Actividad Permanente

CRONOGRAMA DE SERVICIOS AL INVERSIONISTA

ACTIVIDADES DE 1983	1 TRIMESTRE			2 TRIMESTRE			3 TRIMESTRE			4 TRIMESTRE		
	ENE	FEB	MAR	ABR	MAYO	JUN	JUL	AGO	SEP	OCT	NOV	DEC
CABILDEO INTERINSTITUCIONAL												
-Enlaces interministeriales												
.ratificación												
.contacto personal												
.seminario Taller de Actualización (programa-ejecución)												
-Contactos mandos medios												
.fortalecimiento-relaciones personales												
-Comisión interministerial-reunión de alto nivel.												
Simplificación, agilización y normalización de trámites.												
-De importación temporal de productos perecederos (proced.)												
-Contratación formal de Inspectores de Aduana (proced.)												
-Liquidación de maquinaria y equipo.												
-Acuerdo para extensión de permisos-Zona Libre de Colón												
-Posición pública al programa desburocratizador												
-Posición privada al programa desburocratizador												
-Estudios técnicos (MIPPE, AID, MICI, etc.)												
-Propuesta de Conciliación (Asesoría Legal), público-privado												
-Actualización status de proyectos pendientes de tramitación.												
-Declaración de entrada y salida (Plan Maquila).												
Asistencia al Inversionista												
-Atención a empresas maquiladoras (problemas-soluciones)												
-Cuotas de importación a U.S.A.												
.redes												
.sweaters												
.ropa interior												
-Preparación y actualización de Servicios Privados (bancos, abogados, aseguradores, reaseguradores, CPA, servicios aduaneros, bienes raíces, etc.												

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CRONOGRAMA DE SERVICIO AL INVERSIONISTA

ACTIVIDADES DE 1983	1 TRIMESTRE			2 TRIMESTRE			3 TRIMESTRE			4 TRIMESTRE		
	ENE	FEB	MAR	ABR	MAYO	JUN	JUL	AGO	SEP	OCT	NOV	DIC
-Preparación y actualización de gastos por servicios privados												
-Preparación y actualización de tarifas y servicios públicos.												
-Estudio sectorial de industrias de soporte.												
Apoyo Interdepartamental-CNI												
Administrativos:												
-Nombramiento unidad de infraestructura												
-Patrocinamiento y actualización de capacitación												
-Informes de progreso												
-Desarrollo y ejecución de programas de control												
-Evaluación y modificación de plan de trabajo.												

ANNEX II: PROJECT DEVELOPMENT

SECTION E: TECHNICAL ANALYSIS

Exhibit 1:	Technical Considerations
Exhibit 2:	Incentive Laws
Exhibit 3:	Data Processing Recommendations
Exhibit 4:	ICP Operating Procedures

ANNEX II: PROJECT DEVELOPMENT

SECTION E: TECHNICAL ANALYSIS

EXHIBIT 1: TECHNICAL CONSIDERATIONS

TECHNICAL CONSIDERATIONS

Two sets of technical considerations will condition the degree of success of the ICP. The first set has two elements:

(a) Panama's position vis-a-vis protential competition in the Caribbean and in Asia.

(b) The extent, nature and intensity of motivation of firms in the U.S. Europe and Asia to seek new plant locations.

The second set has 4 elements:

(a) The ability of the ICP to identify firms which are considering re-location.

(b) The ability of the ICP to make initial high impact contact with the firms identified.

(c) The ability of the ICP to provide accurate, timely and relevant data to management of firms which show interest in Panama.

(d) The ability of the ICP and other GOP entities to facilitate the rapid organization, legal compliances, and start-up of new industrial or service operations.

Competitive Position of Panama

The major characteristics of Panama's competitive position have been evaluated by the Advisory Group to the Republic of Panama. Extracts of their report are shown in Exhibit F.2. Their findings were sufficiently positive to permit recommendation of the establishment of an investment promotion agency. Much more detailed competitive analysis has been carried out by a U.S. consulting firm which specializes in international re-location of garment and electronic plants. In extremely detailed cost, labor, transport, energy, shipping, site and ambient analysis done for one of its clients, and which was made available to ICP and AID personnel, the consultants concluded that a major investment in Panama was justified. (The analytic report is privileged information and not available for reproduction.) In their analysis the consultants had already removed Far Eastern nations for further consideration and had narrowed the choice of sites to Panama and one other Caribbean Basin Country.

Projections of operation costs, and shipping costs, and revenues (calculated on delivery to the same U.S. port) were made. Every cost factor was precisely determined and applied to the entire production process. Panama showed slightly higher profitability and was substantially higher on non cost factors.

Recognition of the favorable competitive position of Panama has been implicit in the foreign investment for export production, already made in Panama, the number of foreign and domestic investments now in process through the ICP, and the number of inquiries and visits made by investment groups from Latin America, the U.S., France, Spain and Japan.

Detailed and quantified comparisons of the advantages and disadvantages of Panama vis-a-vis its apparent competitors will be carried out by qualified consultants in the summer of 1983. In the meantine, a survey of domestic and foreign investors and managers is being conducted on behalf of the ICP by the American Chamber of Commerce. This is expected to throw light on operating conditions and the competitive elements which entered into original decision to invest in Panama.

Plant Relocations and New Facility Outlook

Cost pressures have already prompted the movement of many labor intensive companies from Europe, U.S and Japan to countries of South East Asia, Mexico and Central America. The continuation of the major cost differentials and the record of success which has attended the firms that have already moved, have heightened awareness of the overseas opportunities. The Caribbean Basin Initiative has further heightened this awareness; as have the recent spate of books and articles which, predict a high-tech future for the U.S. with a consequent shift of fabrication and assembly operations to lower cost areas.

According to Peter Drucker, seven to nine million U.S. jobs will move offshore during the next twenty years. Some $3 billion in off shore labor value added is now imported into the U.S. and the rate is growing at 20% per year.

Strategically positioned States of the U.S. are predicating their own industrial development plans the on above mentioned assumptions. Florida, for example, is developing a plan for acquisition of corporate headquarters and research and development operations in that State on the assumption that assembly work for those firms will be carried out in the Caribbean Basin and South America. Similarly, Chambers of Commerce, notably Chicago, have stepped up their participation in foreign investment related activities, indicative of the quickening of interest in foreign based operations. The ICP has seen rising evidence of the U.S., Japanese and European and Latin American interest, even before a campaign to attact companies from those areas has commenced.

Identification of Re-location Prospects

The ICP will use five main techniques for identification of potential investors. The first draws opon import statistics of major market areas. This permits identification of products whose source of origin is undergoing change. The shifts in production generally indicate that the products are cost-sensitive and likely to be labor intensive. Producers of the products identified, or similar products are then identified from standard reference sources.

The second technique is based upon computer runouts of families of products whose fabrication characteristics are particularly suited for low cost production in Panama. The ICP has contracted with a leading U.S. based firm specialized in industrial re-location, who possesses the data and the computer software required to carry out this technique.

The third technique is based upon general and specially targeted advertising. This follows the standard practice of most investment promotion agencies. However, most of the special advertising will be directed through publications whose readers are expected to be officers of companies classified under each of the "industrial families" identified by the second technique.

The fourth technique encompasses a number of possibilities which are expected to present themselves. These include direct contact with groups of companies, or companies in certain geographical areas who are experiencing special problems.

A fifth technique which will be used primarily in Latin america is based on determination of market growth and source of origin in selected Latin American and Central American countries. It will seek to identify firms which could better serve several Latin American countries by setting up production facilities in Panama, or those companies which want to expand into international markets by using Panama as a production or distribution base.

These methods, which will be used selectively by the ICP, represent and advanced state of the art. Consultant personnel will carry out the early work while training ICP personnel in methods and procedures and strategies.

Contacts with Identified Potential Investors

Initial and follow-up contacts with potential investors are critical to the overall process and can be costly and unproductive if improperly carried out. The ICP has drawn on experience and guidance of the Florida Department of Commerce, and will use an improved version of the Florida System. The improvement lies in greater use of technical data by the Representatives who make the initial contact and by the case officers who carry out follow-up contacts.

Other features of the system to be used by the ICP involve mail contact, followed by telephone contact, followed by tightly scheduled visits concentrated in one city or locality during a period of week. Standard procedures for visits and visit preparation, permits a ICP Representative to call on 20 to 25 companies during one week of a four week cycle.

Follow up contacts are made by the case officers who provide hard technical and critical information to facilitate the potential investors analytic process. The contacts and information process continues when the investor or his representative visits Panama and is carried on until an investment decision is made.

Provision of Timely and Accurate Data to Potential Investors

The ICP plans call for installation of a computerized data banks, modeled after that used by the Florida Department of Commerce. Collection of data, by a contractor and by ICP personnel, has been started. The Computer, however, will not be fully functional for about 16 months. Therefore, conventional means of storing, classifying and retrieving data will be necessary in the meantime.

In addition to the thousands of sub-categories of data configurations which will be readily available from the data bank, the Research and Development Office will have the capacity to provide rapid response to inquiries for specialized information. Such information will be supplied to the case officers and/or discussed directly with the potential investors with members of the technical staff of Research and Development.

Facilitation of "Start-up & Succesful Operations

Companies, when willing to make investments abroad, are found frequently with bureaucratic and legal and procedural obstacles which can cause such discouraging and costly delays that the investment decision is cancelled. Perhaps worse, the expectation of such delays causes potential investors to avoid consideration of investment in countries which have a reputation for red tape and for unseemly delays in bureaucratic response to investor needs.

The ICP has attempted to set up a "one stop" center where an investor can fill out forms for all necessary government permits, incentive applications, etc. These would then be moved through the bureaucracy by personnel of the Services Office of the ICP with appropriate priority and dispatch.

Further, the need to locate legal services, buildings, transport, get cost estimates, determine availability of particular services at a particular place and time, get items cleared by customs etc. or may lead to costly delays and project abortion. The ICP through it's Services Officers is assisting investors in obtaining the needed information and in removing "bottlenecks" which may result from public sector on private sector response limitations.

Both of the above services functions are, at this time, being carried out at less that optimum circumstances and therefore with embarrasing delays. Remedial action has been initiated. The first has been arrangements for a seminar with the Ministry of MICI, the main agents for processing of Contracts with the Nation. It is expected that from the working seminar will come a systematic mutually agreed upon procedure for processing of the contracts, suggestions and plans for simplification of the process and the appointment of a MICI representative to act as facilitator and to play a role in the ICP management group. Success in this working seminar and subsequent activities is essential to the success of the ICP effort.

The "logistics" assistance program has been impeded largely by lack of information and the absence of working agreements between the ICP and the array of external entities which may be involved. These are being addressed through an intensive effort to collect information and to secure cooperative arrangements with the external entities.

The level of effort, and hence resource allocation is based upon the experience of the Florida Department of Commerce, the Irish Development Agency and other agencies and companies. An average of approximately 5% of potential investors respond positively to cold letter and telephone contact. Of these 10% may be expected to make site visits after follow-up contact by promotion officers. of the 10% who visit 50% of those may be expected to make positive investment decisions. Thus to produce one positive investment decision, approximately 400 firms need to be contacted by letter or phone, 20 representative visits must be made, and two visits by potential investors must be serviced.

The Panamanian investor search design is considered superior to that of Florida in that the research group is expected to pre-target potential investors with greater precision than does Florida. This should permit a better ratio of investment to contacts. However, until the ICP has at least one year of full operational experience, the ratios are at best informal estimates.

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EXHIBIT 2: INCENTIVE LAWS

INCENTIVE LAWS

Laws on the Promotion of Investment

Below the most important incentive laws are reviewed briefly with respect to the stated objectives and the industrial activities that are being promoted. The incentives provided by these laws are to be discussed in subsequent sections.

The Cabinet Decree No. 413 of December 30, 1970, modified by Cabinet Decree No. 172 of August 24, 1971 and Law No. 92 of December 12, 1976 (henceforth Manufacturing Decree) is the cornerstone of the legislation currently in effect for the promotion of industrial development. It especially encourages manufacturing industries that contribute to growth in exports and to substitution of imports by locally-produced goods. The Manufacturing Decree established three different incentive programs, and qualification for each program is based on meeting criteria on destination of output and location of the plant. The most advantageous incentive package is provided for companies that produce exclusively for export. The benefits are somewhat smaller for companies that produce for the local market but have facilities located in designated growth pole areas. Lastly, the advantages are smallest for companies that produce for the local market in plants located outside those growth pole areas. The Decree is applicable only to companies in the manufacturing industry, defined as transformation of raw materials and semi-finished or intermediate goods and assembly. Agriculture, forestry, fishing, exploitation of raw materials, and marketing of finished products are explicitly excluded. However, integrated companies can claim the benefits for the totality of their activity.

Law No. 108 of December 30, 1974 (henceforth CAT Law) established the Tax Allowance Certificates (Certificado de Abono Tributario - "CAT") to promote non-traditional exports. The excluded traditional exports are listed in the Law, and they comprise a number of agricultural products (sugar, bananas, coffee, meat, fishmeal, etc.), petroleum and its by-products, minerals, metals and their by-products, products sold from the Colon Free Zone and products sold under protection of bilateral free trade and preferential treatment agreements.

The Cabinet Decree No. 102 of June 20, 1972 (henceforth Tourist Decree) encourages companies in the tourist industry that locate facilities in specially-created tourist zones. The "tourist industry" is defined very broadly and includes activities such as development of land for construction of tourist facilities, operation of hotels and even agricultural production to supply to the restaurants.

The most recent incentive program - Decree No. 5 of January 19, 1979 (henceforth Light Assembly Decree), is addressed specifically to light assembly industries. The second article of the Decree reads as follows: "Assembly plants are defined as those that transform components of various kinds into finished products by means of assembly of those components".

Tax Incentives

a. Income Tax Incentives

i. Standard Corporate Income Tax Regime

The Panamanian income tax regime imposed on corporations and individuals is different from the income tax regimes in industrialized nations mainly in its liberal exclusion from the tax base of income generated outside the country and of income in other ways associated with activities outside the country. The tax provisions inspired by this basic characteristic have contributed heavily to Panama's growth as a tax haven. As far as the treatment of locally-generated income is concerned, the normally applicable Panamanian corporate income tax regime is not particularly generous when compared with the regimes in most industrialized countries. Nearly all foreign investment is made through Panamanian corporations; and hereafter, only corporate income tax provision will be reviewed.

The definition of the tax base in the Panamanian fiscal code is founded upon concepts of revenue and expense that do not differ in substance from those used in fiscal laws of most industrialized nations. A very uncommon feature, however, is the exclusion from income of interest received on savings on time deposits in banks located in Panama. Interest payments are considered a deductible expense.

For tax accounting purposes, companies may choose among the straight-line, double-declining-balance and sum-of-the-years'-digits methods of depreciation of income-producing fixed assets. Limits are placed on the maximum depreciation rates as follows:

Assets	Maximum Annual Depreciation Percentage	Equivalent in Minimum Number of Years
Buildings	2½	40
Machinery	from 5 to 8½	from 20 to 12
Transportation Equipment	15	7
Office Furniture and Equipment	from 7 to 10	from 15 to 10
Tools and Small Equipment	from 10 to 50	from 10 to 2

As in many other countries, there are some differences between tax and financial accounting rules regarding timing of the recognition of certain revenues and expenses. The fiscal code has no provision for operating loss carryforwards. The code is emphatic about not allowing deduction of the expenses incurred in years prior to the tax declaration.

Capital gains are included in taxable income, but the law allows for a 7 percent annual addition to the original cost of the asset for each year lapsed between acquisition and sale.

Corporate income after adjustment for allowable expenses is currently subject to the following tax:

Range (Balboas)	Rate (Percentage)
Up to 30,000	20
30,000+ - 100,000	30
100,000+ - 500,000	45
500,000+ - and more	50

Dividends, whether paid in cash, stock or kind, are subject to a 10 percent withholding tax, but dividend income is not included in the individual recipient's taxable income. Dividend payments are not subject to dividend tax when a company is merely passing on dividends on which the tax was already withheld by another corporation.

ii. Income Tax Incentives

Tax holidays are available to investors that can claim this advantage under any of three incentive laws, Manufacturing Decree, Tourist Decree and Light Assembly Decree, and have signed a Contract with the Nation. Under the Manufacturing Decree, income generated from export sales is totally exempt from income tax during the duration of the Contract with the Nation. The maximum duration of this Contract is normally 15 years, but companies that establish facilities in growth pole areas can enter into 20-year Contracts. As for income generated from sales to the local market, two different regimes are applicable. Income derived from production in plants outside the growth pole areas is exonerated from income tax if the funds are invested in productive fixed assets but the exemption is applicable only to amounts in excess of 20 percent of taxable income. The advantage is available during the duration of the Contract. Income derived from production in plants in the growth pole areas is fully exempted from income tax during the first five years of production and exempted by 50 percent during the three subsequent years.

Under the Tourist Decree, companies can benefit from a 100 percent tax holiday for 13 years, starting from the date of signing of the Contract with the Nation.

Under the Light Assembly Decree, companies can claim full exemption from income tax for 15 years. The 10 percent withholding tax on paid-out dividends remains in effect; however, when no dividends are paid, the 10 percent complementary tax is reduced to 4 percent and is considered an advance payment toward the dividend tax.

More advantageous depreciation calculations than those allowed by the depreciation schedules in the fiscal code have been made available in two decrees. The Manufacturing Decree states that companies producing for the local market and with facilities outside the growth pole areas can opt for either of two extraordinary depreciation methods:

> An annual 12.5 percent depreciation rate for machinery and equipment during 8 years, where the normal rates are mostly within the 5 percent to 8½ percent range.
>
> Application of a fixed and constant percentage to the decreasing net book value without deduction of the residual value.

The percentage chosen, however, should not be more than double the corresponding percentage stated in the depreciation schedule of the fiscal code. In an effort to stimulate the economy during the 1976 recession, the Government introduced extremely advantageous depreciation schedules for new net additions to the stock of fixed assets. For buildings, ten-year straight-line depreciation or 60 percent depreciation utilized in one year or spread over a period of up to five years after completion was made available. Fixed assets other than buildings can be depreciated in one year or over a period of up to five years after acquisition. Strict dates, which have now passed, were set for application to benefit from the program and for commencing the execution of the investment plan.

Tax loss carryforward provision are included in the Manufacturing Decree and in the Tourist Decree. Under the Manufacturing Decree, companies producing for the local market may apply a three-year loss carryforward. The deduction can be applied totally or partially in any of the three years. The Tourist Decree contains a similar provision.

b. Indirect Tax Incentives

i. Import Tax Reduction and Exemption

The Romanian fiscal code establishes the customs regime for the country, specific charges on imports are set by tariff laws ("[illegible] reyes especiales de [illegible]neeles"). Details on the ad valorem and specific taxes need not be reviewed here, however, since the incentive laws cover most of the imported inputs and allow total exemption.

Import tax exemptions are available under the Manufacturing, the Tourist and the Light Assembly Decrees. The exemptions apply not only to taxes, but also to duties, contributions, levies and rights of whatever nature that are charged when goods are imported under ordinary import situations.

The Manufacturing Decree provides exemptions that vary slightly for the three groups of companies (defined in Section 3 above). For all companies imports of machinery, equipment and spare parts, fuels and lubricants are exempted from taxes. However, construction materials, vehicles, office furniture and equipment are subject to import taxes. Raw materials, semi-finished products and other inputs, and packaging materials are imported free of tax. Companies with plants in the growth pole areas, however, pay tax on the imports of packaging materials.

The Tourist Decree grants an import tax exemption for machinery, equipment and spare parts. When not available in sufficient quantities, building materials, furniture, furnishings and other items used in tourist facilities, vehicles and other means of transportation may also be imported free of tax.

The import tax exemption used in the Light Assembly Decree is based on the free trade zone concept. Semi-finished products, parts and other inputs are viewed as temporary imports and are consigned to the assembling company until they are re-exported. Import duties are consequently not levied.

ii. Export Tax Reduction and Exemption

Similar to the import tax exemption, the export tax exemption includes exoneration of whatever contribution, duty, levy or right charged when goods are exported. The Manufacturing Decree and the Light Assembly Decree allow total export tax exemption for all exported goods produced by qualifying companies.

iii. Tax Allowance Certificates

The CAT Law of December 30, 1974, established the "Tax Allowance Certificates" to promote non-traditional exports, as explained above. The CAT is a tax payment certificate with a value equal to 20 percent of the Panamanian value added of exported goods. In order for a company to qualify for CAT's, the local portion of the production cost and of the value added of the exported goods must be at least 20 percent. If, however, the goods are produced outside the metropolitan area, the only requirement is a 10 percent minimum local share of total production cost. The CAT is issued by the Ministry of Finance and Treasury, it is a non-interest bearing negotiable instrument, except of all taxes and it can be used for payment of any direct or indirect tax within a period of four years from its issue date. It should be noted that exporters that enjoy benefits under a program such as the one provided by the Manufacturing Decree do not qualify for CAT.

iv. Other Indirect Tax Incentives

In the Manufacturing Decree and the Tourist Decree, there are a number of exemptions of indirect taxes other than import and export taxes.

Under the Manufacturing Decree, sales taxes are not levied on sales by companies that produce exclusively for export. Current Panamanian Law imposes a 5 percent sales tax.

The Manufacturing Decree also exempts companies that produce exclusively for export from taxes on capital and assets - if these were to be introduced - but not from taxes on patents and real estate. The Tourist Decree also includes an exemption from taxes on capital and assets but excludes the tax on commercial and industrial licenses.

Real estate taxes are normally levied according to a progressive scale, with rates ranging from 1.40 percent to 2.10 percent, based on the assessed value of the property. The Manufacturing Decree exempts companies that locate facilities in the growth pole areas while the Tourist Decree exempts companies that locate facilities in the designated tourist areas.

Companies that operate under the Tourist Decree provisions are also exempted from all taxes and levies on the use of docks and airports that are built or rebuilt by those same companies.

INDUSTRIAL TAX INCENTIVES

	Category of Industry				
	PRODUCTION FOR EXPORTS	PRODUCTION FOR DOMESTIC MARKET	LOCATION IN GROWTH POLES	LOCATION IN FREE ZONE	MAQUILA
Exemption from import taxes and duties on machinery, equipment spare parts, raw and semi-processed materials, fuels and lubricants	100%	100 1/	100%	100%	100%
Exemption from income tax on earnings	100%	-	-	-	100%
Exemption from export taxes	100%	-	100%	100%	100%
Exemption from sales taxes	100%	-	-	100%	100%

Exemption from tax on capital assets, except property taxes	100%	-	-	100%.	100%
Exemption from income tax on net reinvested profits	-	100%	-	-	100%
Three year carry back of looses as deduction from taxable income	-	Yes	-	-	-
Accelerated depreciation	-	Yes	-	-	-
Exemption from income tax on revenues from domestic sales	-	-	100%	-	-
T.B.C. (Tax Bonus Certificate) on exports 2/	100%	100%	100%	100%	Renounced

1/ Must have contract with the nation to be eligible.

2/ Value of T.B.C. equals 20% of the domestic value added to exports. Certificates are acceptable at face value for all tax payments, negotiable and transferable.

Non-Tax Incentives

a. Financial Assistance

The only investment promotion law that contains specific financial assistance incentives is the Manufacturing Decree. Companies that produce exclusively for export may forego the exemption from income tax and opt for a five-year Government-subsidized loan from the Banco Nacional de Panama. The maximum amount of the loan is equal to the amount of taxes the company would have paid in the two preceeding years and is granted at a rate which is not higher than 50 percent of the market rate at the date of the approval of the loan. Under this same Decree, all companies can benefit from export credits at advantageous rates, pre-export financing, credit insurance and even outright subsidies for exports if the case for these can be substantiated.

The "Corporacion Financiera Nacional" ("Cofina") is a Government-owned development corporation established to foster productive economic activity within the framework of the Government's socio-economic plan through lending at concessionary terms, participating in risk capital ventures and providing technical assistance to companies. Cofina is a not-for-profit and tax-exempt corporation with a substantial capital endowment and access to funding by international financial institutions at rates which are often advantageous.

b. Infrastructure Facilities

Through the Manufacturing Decree the Government is committed to promote the development of industrial parks, where land, buildings and other facilities would be made available at a "reasonable price" and under "convenient terms of payment".

About six months ago the Directorate of Special Projects was created in the Ministry of Commerce and Industry. The Director and five qualified technical professionals (in architecture, engineering and economics) will work full time on the development of Government-sponsored industrial parks. The 1981 budget allocates about B/180,000 in operating funds to the activity.

Projects for two industrial parks have now reached the stage where funds have been approved for the development. About B/1.0 million is available for development of a park of 14 hectares in Chitre (Provincia de Herrera) and approximately B/1.4 million for a park of 22 hectares in David (Provincia de Chiriqui). Two-thirds of the financing is funded for by a 40-year AID loan at a very low interest rate, and one-third of the funds is provided by the Government of Panama. Land will be purchased and the planned infrastructure includes roads, lighting, sewage, water and supply of electricity of low and high voltage. Although no firm decisions have been taken, it is currently the

intention not to build ready-to-use facilities and to sell sites to prospective industrial investors at prices that will hopefully cover the development costs. The public bidding for execution of the infrastructure work will be organized in the first quarter of 1981.

Studies to use some of the areas returned under the Torrijos-Carter Panama Canal Treaties as industrial parks are in their initial stages. Large areas near each end of the Canal such as the Albrook Airport area on the Pacific side (150 hectares near Balboa) and several areas near Colon and Cristobal on the Caribbean side (including Telfers Island) offer excellent possibilities in this respect due to location and existing infrastructure.

The recently-completed fishing port of Vacamonte includes facilities for modern handling of all fishing products, including a 3,000 ton cold-storage plant. Land is available for industrial plants in the 400 hectare area administered by the National Port Authority. The price for long-term leasing of sites varies with the location and some investors have started construction of plants.

The industrisl park under public auspices that so far has reached the furthest stage of development is the industrial park in the Colon Free Zone (to be reviewed in the section on Colon Free Zone).

In recent years, some contiguous sites were sold by private owners for industrial development and these clusters became known as "Parques Industriales". These areas were not provided with infrastructural facilities at the time of the sale. They vary in size and are all located in the metropolitan area of Panama City: the Industrial Park of Herbruger and the Industrial Park of Los Angeles, both in Los Angeles, have a combined area of about 2½ hectares, the Industrial Park of San Miguelito has an area of about 5 hectares, and the Industrial Park of "Ojo de Agua" on the Carretera Transistmica has an area of about 30 hectares. Near Tocumen Airport some land has also been sold as industrial sites.

c. Employment of Expatriates

Panama's Labor Code favors the employment of Panamanians by placing quotas on the employment of foreign nationals. At least 90 percent of the workers, except specialists and technicians, in commercial or industrial companies must be Panamanian or foreigners that meet specific conditions, e.g. foreigners married to Panamanians or foreigners with ten years of residence. In addition, 90 percent of total wages and salaries must be paid to Panamanians or specified groups of foreigners. Foreign specialists

and technicians may not exceed 15 percent of the total number of employees, but authorization may be requested from the Ministry of Labor and Social Welfare to exceed the 15 percent limitation.

Panama's labor laws are generally considered to be favorable to the employees with respect to job security and guarantees for full-time work. The only exception to standard legislation is granted by the Light Assembly Decree. The companies are allowed to enter into temporary work contracts that contain provisions allowing the guaranteed amount of employment to fluctuate in accordance with the needs of the company.

d. Restrictions on Competition

Companies that sign a Contract with the Nation according to the provisions of the Manufacturing Decree can be protected against foreign competition by tariff laws as soon as production meets local needs with respect to quantity, quality and price. Furthermore, an import quota system is available:

- to protect local infant industries (quota for the normalization of imports),

- to shield against unfair foreign competition (dumping) when tariff protection proves to insufficient (quota for international protection), and

- to supplement the local supply when it cannot meet local demand (quota for a proportioned market).

e. Other Forms of Government Assistance

Through the Manufacturing Decree the Government is committed to several other measures and programs to complement the tax and other incentives described thus far. The Government has promised market studies, measures to facilitate contacts with foreign importers, assistance for the participation in trade fairs and exhibitions. The cost of feasibility studies can be shared and education geared to the requirements of industrial development will receive additional Government support. A special program for the tax-free import and financing of capital goods for small manufacturing companies in the outlying provinces has also been established. Without specifically referring to companies that sign a Contract with the Nation under this law, the Government obliges all official entities to buy locally-produced goods when they are comparable to foreign products in quality and price. With respect to the price standard, a locally-produced good must be bought when its price is less than the CIF price of the foreign good augmented by 20 percent for industrial goods and by 40 percent for agricultural goods.

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EXHIBIT 3: DATA PROCESSING RECOMMENDATIONS

(Conclusions of CompuData Evaluation
contained in Supplementary Exhibit F.5)

Conclusions

1) The computer system required to set up an information system similar to that of the Florida Department of Commerce, but taking into account the specific requirements of the ICP would be:

A small mainframe/super-mini computer of type IBM S/38
Wang VS-100
NCR I-9050

This should be configured initially with 1,000 MB of disk storage and not more than 6 local terminals.

2) The applications software which is required to set up a similar system to that of Florida Department of Commerce should be contracted to a software company. Further software should be developed in-house.

3) Additional personnel required to staff the computer facility consist of 1 programmer/analyst and 2 terminal operators

4) Estimated total costs are: $ 420,000 initial cost
plus $ 4,850 monthly.

5) Time required to the availability of the computer for:

Limited use : 8 months from purchase order date.
Full use : 12 to 14 months from purchase order date.

6) Word Processing facilities are provi'ed through the operating systems of all the computers discussed in this report. However, letter quality printers are required to make use of these facilities.

7) Spreadsheet facilities are available for all the computers discussed here.

8) Remote computing facilities can be provided to other government institutions, as there will be a considerable amount of unused computer power available. This will involve an additional cost per remote terminal of between $400 and $2,000 for the modems and other equipment required.

7) Remote access to the ICP data bases can be provided through communications facilities. This will involve an additional cost per remote terminal of between $400 and $2,000 for the modems and other equipment required.

8) On-line access to U.S. data bases can be made through Lockheed Dialog Info. Services. This has a total cost of from $ 2 to $ 5 per minute of connect time. This can be done now. It is not necessary to have a computer, just a terminal and modem (approx. cost $3,000).

9) Dun and Bradstreet international company information data bases are available on magnetic tape. Cost is approximately $700 per 1,000 companies per year.

We have not made an explicit recommendation with regard to equipment selection. We feel that the IBM and Wang computers described here would both be excellent choices. The IBM is slightly stronger in the data base area, wheras the Wang has rather better WP facilities. Their prices are very similar. The NCR is a strong computer technically, but we do not see any obvious benefit in return for the appreciably higher price.

In Appendix A-1 we include a more formal description of the technical requirements which we have applied to the equipment discussed in this report. These could be used as the basis for a Request for Proposal and a more detailed evaluation made on the basis of the received proposals.

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EXHIBIT 4: ICP OPERATING PROCEDURES

OPERATING PROCEDURES

During the first few weeks after the Investment Council was established, contacts between Investment Council personnel and prospective investors were patterned on the procedural legacy of earlier investment promotion programs: the Maquila program, DICOMEX of the Ministry of Commerce and Industries, and the Public Relations Office of the Colon Free Trade Zone. Reflecting the experiences and orientations of their prior jobs, the employees of the new Investment Council held divergent views on the degree of documentation and administrative control appropriate to handling investment cases. They soon recognized, however, the need for establishing uniform procedures and a minimum of management control.

The operating procedures which emerged in the first six months were developed by the Promotion and Services Offices with the assistance of the AID consultant on Organization and Methods. They were created with fairly modest goals. The first was to establish some uniformity in the treatment of investment clients and a normal sequence of investment development, starting in the Promotion Office, and terminating in the Services Office. The second objective was to prepare provisional documents which would be modified and refined as the Council personnel were trained, and as automated systems were developed. Thirdly, the procedures and forms were created to begin the paper history which is required of all government agencies.

Steps in the Investment Process

The flow chart which appears in Attachment (1) graphically presents the twelve steps in the investment process, which is described below. The first six are all the responsibility of the Promotion Office and take the case from first contact to the decision to invest. The degree of contact with the investor may vary considerably and alter the amount of assistance rendered by the Investment Council, but the investor always goes through a predictable evaluation sequence before deciding on an industrial site.

The sequence of operations in Services (steps 7 to 12 in Attachment 1), is not as predictable. Each investor who wishes to take advantage of Panama's fiscal incentives is required to have a Contract with the Nation, and the Council's participation in Contract processing is expected. However the role of facilitating financing and installation services is quite variable.

1. Investment Prospect:

The investment prospect is identified by the investor search process, or through responses to advertising. The Promotion office initiates contact with the company by mail, telephone, or a personal visit, and makes a very rough evaluation of the companies needs and interest vis a vis Panama. Many of the companies contacted are dropped as "not interested".

2. Potential Investors:

Once a successful contact has been made with the firm (and this will be primarily personal visits by promotors in the future), the Promotion Office tries to find out what kind of new investment or factory re-location is under consideration; and provides the potential investor with detailed information about doing business in Panama. (A case file is created at this stage.)

3. Interested Investors:

Once the company has defined the kind of activity they would like to set up in Panama (the ICP is currently adapting the Florida questionnaire for this purpose), and the Promotion Office has checked the company's references, the two parties begin to plan a visit to Panama. A schedule is developed for site visits, interviews with entrepreneurs and government officials. The Promotion Office sets up appointments and coordinates the entire visit. (In the future, a detailed proposal will be presented by the ICP during this step.)

4. Prefeasibility:

Encouraged by the site visit and the business environment of Panama, the company collects data from which it can estimate profitability of operating in Panama. The Promotion Office plays a very active role at this stage, and must coordinate timely provision of information by the Research Office, the Services Office, and a multitude of government agencies.

5. Feasibility:

When the results of the prefeasibility study performed by the company are positive, and the company is still planning to re-locate or expand, the next step is an elaborate study of all factors which would affect an investment in Panama. Feasibility studies also require assistance from the Investment Council, but at this stage the participation is more likely to be facilitation of evaluations and decision-making within other government agencies.

6. Decision:

The Promotion Office's work is completed at this stage, and the company officers must decide whether or not to invest in Panama.

7. Legal Counsel:

The company has decided to invest, and responsibility for the investor passes to the Services Office. Since the foreign company must establish a corporate identity in Panama, legal representation by a Panamanian firm is required. The Services Office provides lists of legal and professional firms, as well as counseling on how to fill applications for the Contract with the Nation.

8. Contract and Concession Processing:

The processing of Contracts with the Nation takes place in the Ministry of Commerce and Industry, bu the Services Office of the ICP provides follow-up and liason services. Contracts must be signed by the Minister of Commerce, the Comptroller General, and the President. Some "facilitation" is required during processing, evaluation and approval to keep the contract moving.

9. Financing:

Although the ICP rarely becomes directly involved in securing financing for investors, this step represents the period of time after the Contract with the Nation has been solicited, and before installation of the plant, when local financing arrangements are made, it necessary.

10. Public and Private Services:

Once the paperwork has been initiated the Investment Council helps the investor to prepare the facility for production. The ICP facilitates contacts with public entities, helps secure permits, and provides lists of contractors and service companies.

11. Manpower Training:

When the plant is almost ready to go into operation; the selection and training of workers begins with the assistance of the Ministry of Labor. The training contracts are implemented at this stage, but they are negociated and drawn up in steps 7 and 8.

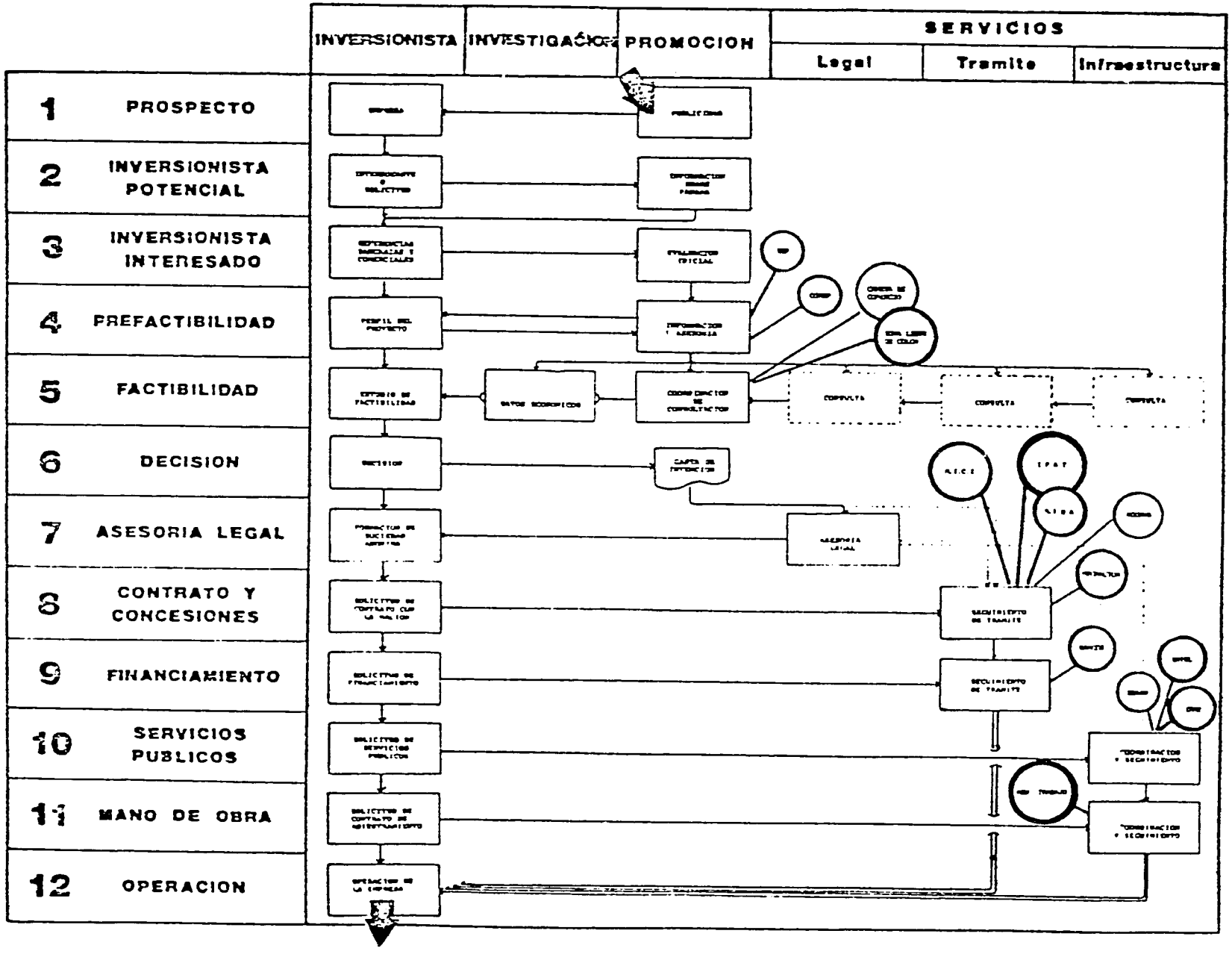
12. Operations:

Once a new company goes into operation, the ICP continues to provide liaison and follow-up services s needed. In case of Maquila companies, the ICP role continues to be quite active as the Services Office has an administrative function in the import and export of goods from these companies.

The forms which document and track investment cases are presented in Attachments 5 through 18.

ATTACHMENT	TITLE OF FORM	STEP WHEN INTRODUCED	PURPOSE
5	TARJETA (Card)	Prospect (1)	To track correspondence and maintain a mailing list.
6	HOJA DE VISITA (Visitor's List)	Potential Investor (2)	To facilitate preliminary interviews with clients
7	GUIA DE PROMOCION (Promotion Guide)	Potential Investor (2)	To provide a checklist for the promotor
8	INDICE DEL EXPEDIENTE DEL CASO	Potential Investor (2)	To list the contents of a case file
9	SEGUIMIENTO DEL CASO (Case Record)	Potential Investor (2)	To record actions taken relating to an investment case.
10	INVESTOR'S REFERENCES	Interested Investor(3)	To obtain and evaluate references
11	PERFIL DE PREFACTIBILIDAD	Prefeasibility and Feasibility (4+5)	To summarize a feasibility study
12-15	PASOS DE TRAMITACION (Processing Steps)	Contract Processing (7)	Checklist for tracking contract evaluation and approval
16	SOBRE EL FINANCIAMIENTO	Financing (9)	Guide for Financing Facilitation
17	APOYO PARA INSTALACION	Public Services & Installation (10)	Guide for Installation
18	TRAMITACION DOCUMENTARIA DE EMPRESAS MAQUILADORAS (Processing Maquila Documents)	Operation (12)	Procedures and Forms for Customs Declaration of Maquila companies

FLUJO DE DESARROLLO DE UNA INVERSION



ATTACHMENT 1

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CONSEJO NACIONAL DE INVERSIONES

ATTACHMENT 2

DICCIONARIO DE CONCEPTOS Y DEFINICIONES

1. ESTUDIOS SECTORIALES:

Investigación o trabajo relacionado con los efectos y desarrollo de una rama de actividad económica, caracterizada por tener una variable o característica en común (por ejem. Diagnóstico de la Industria Manufacturera; Análisis de las Cuotas de Exportación de Textiles y su Efecto en la Industria Maquiladora de Brasieres.) Los estudios sectoriales permitirán identificar nuevos projectos de inversión o fijar las prioridades de promoción de proyectos en un sector determinado.

2. PROYECTO EN IDEA:

La conceptualización descriptiva de una empresa para producir un producto o servicio específico.

3. PERFIL DE PROYECTO:

El detalle resumido de un proyecto que contiene suficiente información básica y cálculos para que puedan tomarse decisiones, ya sea para profundizar los estudios (técnicos, de factibilidad, etc.), o para llevar a efecto el desarrollo del proyecto en forma inmediata, dependiendo del tamaño y del tipo de proyecto de que se trate en cada caso, los mismos no contienen información incluída en los estudios de factibilidad sobre la situación económica del país, descripción del sector en su totalidad, implicaciones socio-económicas del sector, análisis internacionales, estructura organizacional y administrativa del proyecto y/o estudio detallado del efecto del proyecto en la economía nacional, etc. Estos perfiles de proyectos son de suma utilidad, ya que permiten la identificación de oportunidades que son pasos previos a la realización de los estudios de factibilidad, y en muchos casos constituyen base suficiente para que los empresarios industriales tomen decisiones sobre nuevas líneas de producción e inversión.

4. PROSPECTO DE INVERSIONISTA:

Es aquel que resulta de una labor de promoción impersonal y cuyo interés se ha desarrollado escalonadamente, y se ha dirigido más hacia el país que hacia un proyecto de inversión (por ejem. listado enviado por McMay, Griffin & Assoc.). En este rubro también se agrupan aquellos individuos o empresas que sabemos tienen inversiones en ultramar (por eje. ACF Industries, Akzo, Fedaert, RCA, Siemans, Solvay, VW, etc.), o bien aquellos que están proyectando nuevas inversiones en el exterior (por ejem. empresas de Hong Kong, etc.).

5. INVERSIONISTAS POTENCIALES:

Son aquellos que resultan de una labor de promoción más personal (a través de una nota o visita), y que se interesan en conocer áreas específicas que afecten futuras inversiones (leyes, incentivos, restricciones, estadísticas, etc.), como una etapa de identificación de áreas para el desarrollo de sus programas de

expansión de inversiones en el exterior (por ejem. Ertl Toys, Mattel, Sprague Electric, GTE, General Motors, Mitsubishi, Nissan, etc.). También los inversionistas potenciales pueden resultar de los efectos o respuestas de una comunicación inicial con los prospectos de inversionistas, o bien de una primera acción con intereses más definidos (por ejem. Schoenfeld Industries, Grupo de la Continental National Bank of Miami, The North American Coal Corp., J. Royal Parker Associates Inc., Grupo de Empresas MTE, Canadian Industrial Consortium, etc.).

NOTA: Los inversionistas potenciales se caracterizan por su muestra de interés y motivación por algún sector (turismo, pesca, agroindustria, educación, metalmecánica, electrónica, confección, etc.), sin mantener claramente un proyecto específico de inversión.

6. INVERSIONISTAS INTERESADOS:

Inversionistas en el proceso de definir un proyecto de inversión en Panamá (serán los futuros casos.) Recaban información específica del sector de su interés con el propósito de evaluar la posibilidad de justificación de un próximo estudio de prefactibilidad o viabilidad económica. (Por ejem. Japan Tuna Fish, Kendall Aquafoods, Guillette, Nova University, etc.). Los inversionistas interesados pasan al nivel de "caso" cuando el Consejo ha efectuado una evaluación de sus referencias y ellos han comenzado su investigación de prefactibilidad.

7. CASOS:

La unión de un inversionista con un proyecto específico de inversión para el cual se realizan estudios (prefactibilidad o viabilidad económica), para decidir tentativamente su desarrollo en Panamá (ejem. Bali Corp., Orilla, Gurgel, etc.). Se consideran cuatro (4) etapas que son:

(1) Prefactibilidad
(2) Factibilidad
(3) Para toma de decisión
(4) Decisión final (Sí-No)

ATTACHMENT 3

OFICINA DE PROMOCION - CONSULTAS E INTERROGANTES

1. Las cartas entran primero al Centro de Documentación dónde se las abren, se les asignan un número, y luego, se las distribuyen a las oficinas de acuerdo con el asunto de cada carta. La única excepción son cartas marcadas "personal" o "confidencial." Las consultas generales y cartas de prospectos son enviadas a la Oficina de Promoción.

2. En la Oficina de Promoción, un promotor asistente tiene la responsabilidad de leer y clasificar la correspondencia de primer contacto. La publicidad del CNI atrae consultas e interrogantes de índole diversa: inversionistas potenciales, personas buscando trabajo o negocio con el Consejo, solicitudes de información de oficiales de entidades gubernamentales, y empresas privadas.

3. El asistente separa los prospectos de la correspondencia general por medio de un breve análisis de la carta. Trata de identificar:

a) el individuo quien escribió la carta.

b) la empresa o entidad.

c) el propósito de la empresa.

d) el título o la posición de la persona.

e) cualquier cosa adicional que se puede adivinar acerca de la persona, su interés en Panamá, o de la entidad.

Si se puede identificar a, b, y c, y si se trata de una empresa que pueda estar interesada en invertir en Panamá, es un prospecto. Si no se puede identificar a, b, y c, o si no es empresa, es correspondencia general.

4. Correspondencia General:

a) El asistente, o la persona que tiene la responsabilidad de responder a la carta, escribe una respuesta o anota en la carta interrogante cual de las cartas modelos se debe usar. También indica si se debe mandar un folleto u otro material adjunto. Pasa la carta a la secretaria.

b) La secretaria mecanógrafa la contesta o prepara la carta modelo, sacando 2 copias de carbón. Después sigue el procedimiento usual de preparación de correspondencia y archivo de las copias por asunto y por fecha.

5. Prospectos:

a) El asistente llena una Hoja de Visita, fija nivel de promoción (frío, tibio o caliente) y un número que se deriva de un registro de prospectos manejado por Promoción.

Número	Fecha	Empresa	País	CIIU	Nivel de promoción
00001	82/1/20				

En la Hoja de Visita, el asistente saca la máxima información de la carta. De acuerdo con el nivel de promoción, basado en grado de interés y las posibilidades del prospecto, escoje una carta modelo, añade otra información requerida, o redacta una carta nueva.

b) La secretaria mecanógrafa dá respuesta según las instrucciones en la hoja de visita, busca el material publicitario, y prepara todo el paquete para despacho, haciendo 2 copias de carbón.

c) El promotor revisa las cartas y respuestas cada día, pidiendo cambios si no ve una respuesta adecuada.

d) Se envían las respuestas al correo lo más pronto posible.

6. Carpetas, Tarjetas y Archivo:

a) Correspondencia General:

- Se adjunta una copia carbón al original de la carta interrogante y la secretaria de Promoción indica en la esquina derecha de la hoja donde archivarla (cuál carpeta).
- La otra copia carbón es para un archivo cronológico, y se escribe "Crono" en la esquina de la copia.
- Las copias se las mandan al Centro de Documentación donde están archivadas.

b) Prospectos:

- Después de preparar y mandar la respuesta al correo, la secretaria adjunta:

Hoja de visita + carta + copia de respuesta -------> Carpeta de Prospectos

Copia de respuesta----------> Carpeta Cronólogica

Antes de mandar las copias al Centro de Documentación, la secretaria prepara 2 tarjetas de referencia cruzada. Estas tarjetas tienen la misma información en el mismo formato que lleva el registro - mas la actividad económica, el nombre de la persona, y la dirección.

Una tarjeta se guarda en la Oficina de Promoción en un tarjetario alfabético por nombre de empresa. La otra se manda al Centro de Documentación para un tarjetario ordenado por país.

PROJECT STATUS REPORTS

ATTACHMENT 4

CONSEJO NACIONAL DE INVERSIONES

MES/AÑO	INVESTIGACION Y DESARROLLO			PROMOCION DE INVERSIONES											SERVICIO AL INVERSIONISTA						
	PROYECTOS		ESTUDIOS SECTORIAL	PROSPECTO	POTENCIALES		INTERESADOS								ASES. LEGAL	TRAMITACION			INFRAEST.	ADIEST.	OTR
	IDEA	PERFIL			NOTA	VISITA	NOTA	VISITA	PREFAC.	FACT.	DECIS.	ST	NO			FIN.	C/N	OTRO			
TOTAL 1982	73	2	0	1445	4	20	1	33	5	2	2	3			-0-	291	49	7	3	1	
ESTIM. 1983	100	50	10	2000	500		200		100			20									
ENERO	75	10	0	1448	6	29	1	39	8	3 (a)	3 (b)	3 (c)			-0-	273	7	11	6	1	
FEBRERO																					
MARZO																					
ABRIL																					
MAYO																					
JUNIO																					
JULIO																					
AGOSTO																					
SEPTIEMBRE																					
OCTUBRE																					
NOVIEMBRE																					
DICIEMBRE																					
% LOGRO																					

(a) Barbizon, Gurgel, Inpesca
(b) Orilla, Bali, Los Angeles
(c) Leopan, Hayward, Cartotécnica

OFICINA DE PROMOCION AL INVERSIONISTA

NOMBRE DEL CASO	FECHA	ACTIVIDAD	MONTO DE LA INVERSION TOTAL	MANO DE OBRA GENERADA	FUENTE DE LA INVERSION				UBICACION	NIVEL
					LOCAL	J.V.	EXT.	PAIS		
CARTOTECNICA	Ago.1982	Art. Escritor.	B/. 616,000	30		X		ITALIA	PANAMA	4
ORILLA,S.A.	Oct.1982	Shipbreaking	1,250,000	200-400			X	USA	TELFER	3
BALI CORP.	Oct.1982	Confección	3-5.000,000	425			X	USA	CHITRE	3
CONFECCIONES LOS ANGELES,S.A./ IND. MODERNAS	Junio 1982	Confección	250,000	40-150		X		USA	PANAMA	3
BARBIZON/INDUSTRIA MODERNA	Dic.1982	Confección	500,000	200		X		USA	PANAMA	2
GURGEL/PANABRAS	Oct.1982	Ensamb.autos	4-6,000,000	400		X		BRAZIL	PANAMA	2
DIPESCA		Proc. atún				X		Canada		2
SUNNY HOPS, INC.	Nov.1982	AGroindustrias	1,500,000	100			X	RFA/USA		1
PROYECTO EMERY	Sept.1982	Pulpa y papel	23,500,000	65			X	Canada	CHEPO	1
KENDALL	Dic.1982	Mat. de Curac.	1,000,000	50-100			X	USA	PANAMA	1
AMFCO CORP.	Dic.1982	Art. de Invier.	1,000,000	150			X	Finlan	PANAMA	1
WEST POINT PEPPERELL	Dic.1982	Confección	1,000,000	100			X	USA	PANAMA	1
CORP. IND. DE DISTRIBUCION										1
DIPESCA		Proc. atún				X		ESPAÑA		1
[illegible]		Gasif. de carbón					X	USA		1
NIVEL:										
(1) En estudio de prefactibilidad										
(2) En estudio de factibilidad										
(3) En espera de toma de decisión										
(4) Decisión favorable										

PROYECTOS PENDIENTES Y/O EN TRAMITACION EN LAS ENTIDADES GUBERNAMENTALES - OSI

MES/AÑO	TOTAL		FINANCIAMIENTO				T R A M I T A C I O N																		
							CONTRATO CON LA NACION						LICENCIAS, PATENTES, PERMISOS Y CONCESIONES												
	TRAM.	FDOS.	BANCO NAL.	COFINA	MICI	B.D.A.	CNI	MICI	CONT.	PPES.	SALUD SI	SALUD NO	RMIN	RMAR	OTRO	IMA	RENARE	CUATENT	OTRO	IPAT	APN	ORP	DEPAT	SALUD	ZLC	CTRO
TOTAL 1982	347	18	201*	31*	59**	-0-	2	38	3	6	18	1	4	-0-	-0-	1	0	-0-	-0-	0	-0-	-0-	-0-	-0-	1	1
ESTIM. 1983																										
ENERO			191	23	59*	-0-	1 [a]						4 [b]	-0-	-0-	1 [c]	1 [d]	0	1 [e]	1 [f]	-0-	-0-	-0-	-0-	1	1 [g]
FEBRERO																										
MARZO																										
ABRIL																										
MAYO																										
JUNIO																										
JULIO																										
AGOSTO																										
SEPTIEMBRE																										
OCTUBRE																										
NOVIEMBRE																										
DICIEMBRE																										

(*) Actualizado hasta el mes de noviembre de 1982.
(**) No incluye las solicitudes en trámites de las Proviencias de Colón y Los Santos.

(a) HAYWARD
(b) CONTRATOS PARA EXPLOTACION MINERA
(c) CUEROS VACUNOS (GRUPO CERPI - CUOTA DE ASIGNACION)
(d) NORMALIZACION DE IMPORTACION DE PIELES (PANAMINDO)
(e) SHARK PANAMA PRODUCTS - MIDA
(f) PROYECTO DE PLAYA AMADOR
(g) PANAMINDO Y CORP DE DESAR DEL BAYANO

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OFICINA DE SERVICIO AL INVERSIONISTA

NOMBRE DEL CASO/EMPRESA	ASESORIA LEGAL				TRAMITACION									INFRAESTRUCTURA							FEC
					CONTRATO CON LA NACION					FORMAT.		PERMISOS Y CONC.		SERV. PUB.		INSTALACION			ADEN. M.C.		INI
	LAB	FIS	COM	OTRO	CNI	MICI	CONT	PRES	FDO	EST	APROB	INVEST	APROB	SOL	INST	COMPRA	ALQ	CON	DNIC	FD.	CF
MIRAMAR ZONA LIBRE	X	X	X	X	SET 1979	X	X	X	ENE 1982	X	X	X	X	X	X	-	X	X	-	X	EN 197
REDES DE PANAMA S.A.	X	X	X	X	FEB 1980	X	X	X	MAR 1982	-	-	-	-	X	X	-	X	X	-	X	MA 198
TEXTILES LA CHORRERA, S.A.	X	X	X	X	JUN 1980	X	X	X	ABR 1982	-	-	-	-	X	X	-	X	X	X	X	EN 198
PAVIMENTO INDUSTRIAL, S.A.	X	X	X	X	DIC 1980	X	X	X	DIC 1981	-	-	ENE 1983	-0-	X	X	X	-	X	-	X	MA 1982
TABACOS DE COCLE, S.A.	X	X	X	X	-0-	-0-	-0-	-0-	-0-	ENE 1983	-0-	-	-	X	X	X	-	X	-	X	NO 198
WIDEL CORP.	X	X	X	X	JUL 1982	JUL 1982	DIC 1982	-0-	-0-	-	-	-	-	X	X	-	X	X	-	X	SE 198
LEOPAN INTERNACIONAL, S.A.	-	-	-	-	AGO 1982	AGO 1982	OCT 1982	NOV 1982	DIC 1982	-	-	-	-	X	X	-	X	X	-	X	EN 198
HANGARES DE PANAMA, S.A.	X	X	X	X	AGO 1982	-0-	-0-	-0-	-0-	-	-	DIC 1982	-0-	X	X	-	X	X	X	X	EN 198
Pesquera Industrial Pmena	X	X	X	X	-0-	-0-	-0-	-0-	-0-	ENE 83	-0-	NOV. 82	FEB 83	-0-	-0-	-	-0-	-0-	-0-	-0-	
CARTOTECNICA, S.A.	X	X	X	X	-	DIC 1982	-0-	-0-	-0-	-0-	-0-	-	-	-0-	-0-	-	-0-	-0-	-	-0-	-0-
INTESCA, S.A.	-	-	-	-	-0-	-0-	-0-	-0-	-0-	X	X	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
SHARK PANAMA PRODUCTS	-	-	-	-	-0-	ENE -83	-0-	-0-	-0-	ENE 1983	-0-	ENE 1983	-0-	-0-	-0-	X	-0-	-0-	-0-	-0-	-0-
CALZADOS PLASTICOS	-	-	-	-	—		ENE 1983	-0-	-0-	-0-	-0-	X	X	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

OTROS: OPIC
AITN
M. Ch.
M. JAP

ATTACHMENT 5

Número	Fecha	Empresa	País	Código

RESPONSABLE CNI: _____

PROCEDENCIA: _____ ACTIVIDAD ECONOMICA: _____

MONTO: _____ EMPLEOS: _____ UBICACION: _____

REQUERIMIENTO ESPECIALES: _____

CONTACTO: _____

EMPRESA: _____

DIRECCION POSTAL: _____

TELEX: _____ TELEFONO: _____

NIVEL	ACCION	FECHA	RESULTADO	OBSERVACIONES
PROSPECTO	COMUNICACION 1 ☐	_____		
	COMUNICACION 2 ☐	_____		
	COMUNICACION 3 ☐	_____	RECHAZADO ☐	
POTENCIAL	INV. CONTESTA O SOLICITA INFO. ☐	_____		
INTERESADO	PROYECTO DEFINIDO ☐	_____		
	ENTREGA REFERENCIAS ☐	_____		
	EVALUACION REFERENCIAS ☐	_____	POSITIVA ☐ NEGATIVA ☐	
CASO	RESULTADO PREFACTIBILIDAD ☐	_____	POSITIVO ☐ NEGATIVO ☐	
	RESULTADO FACTIBILIDAD ☐	_____	POSITIVO ☐ NEGATIVO ☐	
	TOMA DE DECISION ☐	_____	SI ☐ NO ☐	

FECHA	ACCION

ATTACHMENT 6

CONSEJO NACIONAL DE INVERSIONES

HOJA DE VISITA

número	fecha	empresa (razón social)	país	código

○ VISITA ○ TELEFONO ○ FERIA
○ NOTA ○ RESPUESTA PUBLICIDAD ○ OTROS

referido por

ACTIVIDAD ECONOMICA: PRODUCTO FINAL:

DESCRIPCION DEL PROYECTO:

MERCADO:

MONTO DE INVERSION APROXIMADO: FINANCIAMIENTO:

PARTICIPACION LOCAL (JOINT VENTURE):

NECESIDADES DE INFRAESTRUCTURA:

UBICACION (LOCAL, TERRENO):

MANO DE OBRA:

OBSERVACIONES:

presidente o representante

empresa

dirección postal

telex teléfono

RESPUESTA CNI fecha: _____ carta: _____ material: _____

SEGUIMIENTO 1 fecha: _____ carta: _____ material: _____

SEGUIMIENTO 2 fecha: _____ carta: _____ material: _____

OFICIAL DE CNI: _____ NIVEL DE PROMOCION: _____

ATTACHMENT 7

CONSEJO NACIONAL DE INVERSIONES

GUIA DE PROMOCION

número	fecha	empresa (razón social)	país	código

ACTIVIDAD ECONOMICA: _____ UBICACION: _____

INVERSION TOTAL: _____ EMPLEOS GENERADOS: _____

ETAPA	ACCION
☐ 1. PROSPECTO	CONTACTO INICIAL: __ Nota __ En el Exterior (Lugar) _____ FECHA: _____ __ Visita al CNI
☐ 2. POTENCIAL	INFORMACION SOBRE PANAMA: __ Fact Sheet __ Leyes __ Otras Publicaciones _____ INFORMACION SOBRE LA EMPRESA: __ Informe Anual __ Descripción del Proyecto __ Otro _____
☐ 3. INTERESADO	ENTREGA DE REFERENCIAS __ FECHA: _____ INVESTIGACION DE REFERENCIAS __ FECHA: _____ VIABILIDAD DE LA IDEA __ PRESENTACION DE PROYECTOS ALTERNOS __
☐ 4. PREFACTIBILIDAD (DESARROLLO DEL PROYECTO)	EVALUACION DE INCENTIVOS __ ESTUDIO DE MERCADO __ CONSULTA LEGAL __ CONSULTA MANO DE OBRA __ CONSULTA TARIFAS __ CONSULTA CONCESIONES __ CITA SOCIO LOCAL __ RESULTADO: CONSULTA FINANCIAMIENTO __ UBICACION FISICA __ LUGAR: INFRAESTRUCTURA ESPECIAL __ PRESENTACION PERFIL DE PREFACTIBILIDAD __ FECHA: _____
☐ 5. FACTIBILIDAD	CONSULTAS ADICIONALES __ RECOPILACION DE DATOS ADICIONALES __ PRESENTACION ESTUDIO DE FACTIBILIDAD __ FECHA: _____ FORMACION DE SOCIEDAD ANONIMA LOCAL __ FECHA: _____
☐ 6. DECISION	TOMA DE DECISION SI __ NO __ FECHA: _____ CARTA DE INTENCION __ FECHA: _____

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ATTACHMENT 8

CONSEJO NACIONAL DE INVERSIONES

INDICE DEL EXPEDIENTE DEL CASO

número	fecha	empresa (rázon social)	país	código

FECHA	DOCUMENTO	OBSERVACIONES

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ATTACHMENT 9

CONSEJO NACIONAL DE INVERSIONES

SEGUIMIENTO DE CASO

Hoja No. ____

número	fecha	empresa (razon social)	pais	código

ACCION / CONSULTA / PASO	FECHA

ATTACHMENT 10

INVESTMENT COUNCIL OF PANAMA

PROSPECTIVE INVESTOR'S REFERENCES

number	date	company	country	code

COMPANY NAME: _____

ADDRESS: _____

_____

_____

TELEX: _____ TELEPHONE: _____

PRINCIPLE PRODUCTS OR SERVICES: _____

_____

BANK REFERENCES:

Bank Name and Address	Account Number	Officer
1.		
2.		

COMMERCIAL REFERENCES:

Company Name and Address	Account Number	Officer
1.		
2.		
3.		

PLEASE ATTACH THE COMPANY'S LAST TWO AUDITED FINANCIAL STATEMENTS. SEND THE SIGNED FORM TO: Consejo Nacional de Inversiones, Apto. 2350, Corregimiento de Ancón, Republic of Panama.

_____
Signature of a legal representative of the company.

_____
Name

_____
Title

_____
Date

ATTACHMENT 11

PERFIL DE PREFACTIBILIDAD

1.- TITULO DEL PROYECTO: _____

2.- DESCRIPCION Y USOS DEL PRODUCTO: _____

3.- CAPACIDAD DE PRODUCCION: _____

4.- NUMERO TOTAL DE EMPLEADOS: _____
OBREROS: _____

5.- JUSTIFICACION Y NECESIDAD DEL PROYECTO: _____

6.- IDENTIFICACION DE LA CLASE Y VOLUMEN DE LAS PRINCIPALES MATERIA PRIMA Y AUXILIARES (ANEXO A):

	NOMBRE	UNIDAD	CANTIDAD	VALOR	ABASTECEDOR
a)					
b)					
c)					
d)	AGUA	M3			
e)	ELECTRICIDAD	KWH			
f)	LUBRICANTE	GALON			
g)	COMBUSTIBLE	GALON			

7.- DESCRIPCION DE LA PLANTA, UBICACION Y FLUJOGRAMA DEL PROCESO DE PRODUCCION (ANEXO B):

8.- TIPO Y CALIDAD DEL PRODUCTO FINAL:

	PRODUCTO	ESPECIFICACIONES
a)		
b)		
c)		
d)		
e)		

9.- IDENTIFICACION DE LAS AREAS DE MERCADO Y COMPRADORES POTENCIALES PARA CADA PRODUCTO (ANEXO C, D, E):

Producto	País	IMPORTACIONES			PRODUCCION LOCAL
		Año	Kilo Neto	FOB/CIF	

10.- INFORMACION SOBRE PRECIOS ACTUALES DE EXPORTACION PARA CADA PRODUCTO (ANEXO F):

PRODUCTO	COTIZACION INTERNACIONAL				OBSERVACIONES
	VALOR	UNIDAD	FECHA	OFERENTE	

11.- INFORMACION SOBRE LA INVERSION REQUERIDA (ANEXO G):

RUBRO	VALOR
MAQUINARIA Y EQUIPO	
CONSTRUCCIONES	
TERRENOS	
CAPITAL DE TRABAJO	
OTROS	
TOTAL	

12.- RENTABILIDAD ESTIMADA DEL PROYECTO:

a)	Ventas Netas	B/.	100%
b)	Costo de Producción		
c)	Ganancia		

INCLUIR ANEXOS:

+ ANEXO "A" = DETALLE DE LOS COSTOS DE PRODUCCION.
+ ANEXO "B" = PROCESO DE PRODUCCION.
+ ANEXO "C" = DETALLE DEL CONSUMO APARENTE DE LOS MERCADOS (PRODUCCION LOCAL + IMPORTACIONES-EXPORTACIONES).
+ ANEXO "D" = LISTADO DE EMPRESAS IMPORTADORAS.
+ ANEXO "E" = MEDIDAS ARANCELARIAS PARA IMPORTACION DEL PRODUCTO EN LOS MERCADOS PRINCIPALES.
+ ANEXO "F" = ESTADISTICAS DE COMERCIO EXTERIOR.
+ ANEXO "G" = DETALLE DE LA INVERSION REQUERIDA Y NOMBRE DE LAS EMPRESAS ABASTECEDORAS.

DECRETO DE GABINETE No.5

PASOS DE TRAMITACION DEL CONTRATO CON LA NACION

INDUSTRIAS MAQUILADORAS

RAZON SOCIAL: _____
ACTIVIDAD ECONOMICA: _____
DESCRIPCION DEL PRODUCTO FINAL: _____
MONTO DE LA INVERSION: _____

FECHA DE ENTRADA: _____
EMPLEOS GENERADOS: _____

ENTIDAD	DESCRIPCION	OFICINA/DEPTO.OPERATIVO	ENLACE	CHECK	Fecha Sal	OBSERVACION
C.N.I.	Evaluación	Servicio al Inversionista	I.R.A.	☐		
"	Mecanografía	" " "	I.R.A.	☐		
"	Firma del Interesado	" " "	I.R.A.	☐		
M.I.C.I.				☐		
"	Firma del Ministro	Despacho Superior	Dr. Arturo Vallarino	☐		
C.GR.Rep.	Revisión	Dir. Consular Comercial	Juan B. Delgado.	☐		
"	Verificación	Asesoría Legal	Lic. César Tovar	☐		
"	Firma del Contralor	Despacho Superior	Lic. Efrain Berrocal	☐		
M./Pres.	Verificación	Asesoría Legal	Lic. Troyano	☐		
"	Asignación	Despacho Superior	Lic. Ricardo Paredes	☐		
"	Firma del Presidente	Presidencia	Lic.Ricardo Paredes	☐		
M.I.C.I.	Publicación	Propiedad Industrial	Abdiel Jiménez.	☐		

FECHA DE SALIDA _____

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ATTACHMENT 12

ATTACHMENT 13

FORMULARIO 7-B

DECRETO GABINETE No: 413

PASOS DE TRAMITACION DEL CONTRATO CON LA NACION

INDUSTRIA MANUFACTURERA

RAZON SOCIAL: _____
ACTIVIDAD ECONOMICA: _____
DESCRIPCION DEL PRODUCTO FINAL: _____
MONTO DE LA INVERSION: _____

FECHA DE ENTRADA _____

EMPLEOS GENERADOS: _____

ENTIDAD	DESCRIPCION	OFICINA/ DEPTO. OPERATIVO	ENLACE	CHECK	FECHA ENTREGA	OBSERVACION
M.I.C.I.	Evaluación	Evaluación Económica	Lic. Lucía de Ferguson			
-	Normalización	C.O.P.A.N.I.T.	Lic. Ramón García			
-	Verificación de Materia Prima	Fiscalización Industrial	Lic.Nicómedes Batista.			
-	Mecanografiado	Contratación Industrial	Lic. Doris Moreno.			
-	Revisión	Asesoría Legal	Lic. Kaliope de Arjona			
-	Firma del Interesado	Dir.Gral.de Industria	Lic.Rita Mariela Peréz			
-	Firma del Ministro	Despacho Superior	Dr. Arturo Vallarino			
C.C.Rep.	Revisión	Div.Consular Comercial	Lic. Juan B. Delgado			
-	Verificación	Asesoría Legal	Lic. César Tovar			
-	Firma del Contralor	Despacho Superior	Lic.Efraín Berrocal			
M.Pres.	Revisión	Asesoría Legal	Lic. Troyano			
-	Asignación	Despacho Superior	Lic. Ricardo Paredes			
-	Firma del Presidente	Presidencia	Lic. Ricardo Paredes			
M.I.C.I.	Publicación	Propiedad Industrial	Lic. Abdiel Jiménez			

FECHA DE SALIDA: _____

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ATTACHMENT 14

FORMULARIO 7-C

DECRETO GABINETE:26-102

PASOS DE TRAMITACION DEL CONTRATO CON LA NACION

INDUSTRIA DE TURISMO
[CENTRO TURISTICOS/ HOTELEROS]

FECHA DE ENTRADA:_____

RAZON SOCIAL:_____
ACTIVIDAD ECONOMICA:_____
DESCRIPCION DEL PRODUCTO FINAL_____
MONTO DE LA INVERSION:_____

EMPLEOS GENERADOS:_____

ENTIDAD	DESCRIPCION	OFICINA/DEPTO.OPERATIVO	ENLACE	CHECK	Fecha Ent.	Fecha Sal.	OBSERVACION
C.N.I.	Verificación	Servicio	I.I.R.				
M.I.C.I.	Presentación	Asistencia Empresarial	Lic. de Nuñez	☐			
I.P.A.T.	Evaluación Económica	Asesoría Económica	Lic.Ovidio De Freitas	☐			
-	Evaluación / Planos	Diseño	Sr.Luis Vargas	☐			
-	Revisión	Asesoría Legal	Lic.Sara Sánchez	☐			
-	Aprobación Preliminar	Junta Directiva	Lic.Gabriel M. De La Guardia	☐			
M.I.C.I.	Aprobación Final	Consejo de Gabinete	Dr. Arturo Vallarino	☐			
-	Mecanografiado	Contratación Industrial	Lic. Doris Moreno.	☐			
-	Firma del Interesado	Dir.Gral. de Industria	Lic.Rita Mariela Pérez	☐			
-	Firma del Ministro	Despacho Superior	Dr. Arturo Vallarino.	☐			
C.Gral.Rep.	Revisión	Dir. de Ingenieria	Ing.Manuel G.Castillero	☐			
-	Revisión	Dir.Consular Comerial	Lic. Juan B. Delgado	☐			
-	Verificación	Asesoría Legal	Lic. César Tovar	☐			
-	Firma del Contralor	Despacho Superior	Lic. Efrain Berrocal	☐			
M.Pres.	Verificación	Asesoria Legal	Lic. Troyano	☐			
-	Asignación	Despacho Superior	Lic. Ricardo Paredes	☐			
-	Firma del Presidente	Presidencia	Lic. Ricardo Paredes	☐			
M.I.C.I.	Publicación	Propiedad Industrial	Lic. Abdiel Jimenez	☐			

FECHA DE SALIDA:_____

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CODIGO MINERO:

PASOS DE TRAMITACION DE CONTRATO CON LA NACION

EXPLORACION Y EXPLOTACION MINERA

RAZON SOCIAL _____

ACTIVIDAD ECONOMICA: _____

DESCRIPCION DEL PRODUCTO FINAL: _____

MONTO DE LA INVERSION: _____

FECHA DE ENTRADA: _____

EMPLEOS GENERADOS: _____

ENTIDAD	DESCRIPCION	OFICINA/ DEPTO OPERATIVO	ENLACE	CHECK	Fecha Ent.	Fecha Sal.	OBSERVACION
C.N.I.	Verificación	Servicio.	I.I.R.				
M.I.C.I.	Evaluación	Dir.Recursos Minerales	Lic. Mérida	☐			
"	Revisión	Asesoría Legal	Lic. Kaliope de Arjona	☐			
"	Concesión	Consejo de Gabinete	Dr.Arturo Vallarino	☐			
"	Mecanografiado	Contratación	Lic.Doris Moreno	☐			
"	Revisión	Asesoría Legal	Lic. Kaliope de Arjona	☐			
"	Firma del Interesado	Dir.de Rec. Minerales	Lic. Mérida.	☐			
"	Firma del Ministro	Despacho Superior	Dr. Arturo Vallarino	☐			
C.Gral.Rep.	Revisión	Dir.Consular Comercial	Lic. Juan B. Delgado	☐			
"	Verificación	Asesoría Legal	Lic. César Tovar	☐			
"	Fma. del Contralor	Despacho Superior	Lic. Efraín Berrocal	☐			
M./Pres.	Verificación	Asesoría Legal	Lic. Troyano	☐			
"	Asignación	Despacho Superior	Lic. Ricardo Paredes	☐			
"	Firma del Presidente	Presidencia	Lic. Ricardo Paredes	☐			
M.I.C.I.	Publicación	Propiedad Industrial.	Lic. Abdiel Jimenez	☐			

FECHA DE SALIDA: _____

FORMULARIO 7-D

Annex II.E
Exhibit 4
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ATTACHMENT 15

FORMULARIO 8

ATTACHMENT 16

CONSEJO NACIONAL DE INVERSIONES

SOBRE EL FINANCIAMIENTO

Hoja de Seguimiento Forma: _____

RAZON SOCIAL: _____ CONTROL No. _____

ACTIVIDAD ECONOMICA: _____ EMPLEOS ~~GENERADOS~~ ESTIMADO: _____

DESCRIPCION DEL PROYECTO: _____ INVERSION TOTAL: B/ _____

VALOR DEL PRESTAMO A LARGO PLAZO: _____ VALOR DEL PRESTAMO A CORTO PLAZO B/ _____

OBJETIVO DEL PRESTAMO: _____ OBJETIVO DEL PRESTAMO: _____

FECHA DE ENTRADA: _____ FECHA DE SALIDA: _____

A. ENTIDAD FINANCIERA:

BANCO NACIONAL;..... ☐ GERENCIA: _____

C.O.F.I.N.A..... ☐ GERENCIA: _____

BANCO DE DESARROLLO AGROPECUARIO:.... ☐ GERENCIA: _____

O T R O S : _____ ☐ GERENCIA: _____

_____ ☐ GERENCIA: _____

_____ ☐ GERENCIA: _____

B. E T A P A:

DETALLE:	_____ ☐ C/P ☐ L/P	_____ ☐ C/P ☐ L/P	_____ ☐ C/P ☐ L/P
Idea	☐	☐	☐
Precalificación	☐	☐	☐
Evaluación/Análisis	☐	☐	☐
Cómite Técnico	☐	☐	☐
Garantías	☐	☐	☐
Cómite de Crédito	☐	☐	☐
Junta Directiva	☐	☐	☐
Legal Registros	☐	☐	☐
Desembolso.	☐	☐	☐

OBSERVACIONES:

_____

_____

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ATTACHMENT 17

FORMULARIO 9

CONSEJO NACIONAL DE INVERSIONES

APOYO PARA INSTALACION

HOJA DE SEGUIMIENTO FORMA:_____

RAZON SOCIAL:_____ CONTROL No._____

ACTIVIDAD ECONOMICA:_____

DESCRIPCION DEL PRODUCTO:_____

INVERSION TOTAL B/_____ EMPLEOS GENERADOS:_____

A. LOCALIZACION:

1. Ubicación Propuesta:_____

2. Entrega de listado de Empresas Bienes y Raices: ☐

3. Inspección Física ☐ SI ☐ NO FECHA:_____

4. Comentarios/Evaluación:_____

5. Contratación: Compra ☐ Alquiler ☐ concesión ☐

6. Fecha de Inicio de Negociación:_____ Fecha de Resolución_____

B. CONSTRUCCION Y REMODELACIÓN:

1. Entrega de listado de constructores, Decoradores y/o Contratistas: ☐

2. Elaboración de Planos ☐ Empresa: ☐

3. Autorización de planos y Permiso de Construcción: ☐ ☐

4. Fecha de Inicio de Construcción_____ Fecha de entrega de Obra:_____

Empresa Contratista:_____

C. INFRAESTRUCTURA DE ACCESO Y SERVICIOS PUBLICOS

1. Ministerio de Obras Públicas: Infraestructura requerida:_____

2. I.D.A.A.N. - Instalación de Agua ☐

Fecha de Solicitud: _____ Fecha de Instalación:_____

Nombre del Enlace_____ Telefono:_____

3. I.R.H.E. - Instalación de Electricidad. ☐

Fecha de Solicitud:_____ Fecha de Instalación:_____

Nombre del Enlace:_____ Telefono:_____

4. I.N.T.E.L. - Instalación de Telecomunicaciones: ☐

DETALLE	TELEFONO	TELEX	CABLE
Fecha de Solicitud	_____	_____	_____
Fecha de Instalación	_____	_____	_____
Nombre del enlace	_____	_____	_____

5. CORREOS NACIONALES - Apartado Postal ☐

Fecha de Solicitud_____ Fecha de Asignación:_____

Nombre del Enlace._____ Telefono:_____

TRAMITACION DOCUMENTARIA DE EMPRESAS MAQUILADORAS

El Programa Maquila establece la utilización de los formularios "Declaración de Entrada" y "Declaración de Salida", para la internación de maquinaria y materia prima para la exportación del producto final ensamblado, respectivamente.

DECLARACION DE ENTRADA:

Una vez llegue al país materia prima ó maquinaria a ser utilizada en el proceso de producción de la empresa, la empresa deberá completar la Declaración de Entrada, la cual deberá estar acompañada por los originales de:

--factura comercial
--conocimiento de embarque
--factura consular
--otros documentos requeridos (resueltos, certificados,etc.)

Esta Declaración, conjuntamente con los documentos mencionados, debe ser llevada a la Oficina de Servicio al Inversionista del Consejo Nacional de Inversiones, en donde un funcionario autorizado firmará, sellara y asignará un número de formulario a dicha Declaración de Entrada. En el caso de tratarse de una empresa ubicada en Colón, la Declaración deberá ser llevada a la Sub-Gerencia General de la Zona Libre de Colón, quien firmará y sellará dicho formulario, previa consulta con el Consejo Nacional de Inversiones, el cual informará al enlace en Colón el número que se le asignará a la Declaración.

En elcaso de empresas ubicadas en el Interior de la República, se coordinará con otras entidades estatales para que sirvan de enlace con el CNI para estas tramitaciones.

Luego que el CNI haya firmado y sellado la Declaración de Entrada, el interesado llevará ésta, a la Oficina Central de Liquidaciones de la Dirección General de Aduanas, Calle 50, a fin de que un inspector firme y selle la Declaración y le asigne un número de control aduanero al formulario. En elcaso de que la empresa se encuentre ubicada en Colón, el interesado deberá llevar la Declaración a la Oficina Central de Liquidaciones de la Aduana de Colón, quienes realizarán el mismo trámite de sellar, firmar y asignar un número de control aduanero al formulario.
Una vez cumplidos ambos pasos, el interesado se dirigirá a la aduana (puerto de entrada) respectiva a reclamar la mercancía.

Al llegar el embarque a la empresa, el inspector residente en la empresa deberá inspeccionar la entrada del embarque y cotejerá con lo declarado. Al finalizar este procedijmiento firmará igualmente la "Declaración de Entrada", lo cual hará constar que lo anotado en la Declaración fué lo que efectivamente entró a las instalaciones de la empresa. En caso de haber diferencias, se procederá de acuerdo a las normas establecidas por la Dirección General de Aduanas (excepciones, alcances,etc.).

DECLARACION DE SALIDA:

En cuanto a las "Declaraciones de Salida", el interesado completerá ésta cuando realizará exportación del producto final ensamblado. Esta Declaración deberá estar acompañada por la Factura que la empresa confecciona a su comprador y llevará a la Oficina de Servicio al Inversionista del CNI ambos documentos para que sean firmados y sellados. En el caso de tratarse de una empresa maquiladora ubicada en Colón, se utilizará el mismo procedimiento que con la Declaración de Entrada. (Se coordinará con otras instituciones estatales para el caso de empresas ubicadas en el interior de la República).

Luego que la Declaración de Salida ha sido firmada y sellada por el CNI ó por la Sub-Gerencia de la Zona Libre de Colón (en caso de que la empresa esté ubicada en Colón), la Declaración de Salida deberá llevarse a la Oficina Central de Liquidaciones de la Dirección General de Aduana, Calle 50, ó a la Oficina Central de Liquidaciones de Colón (para el caso de empresas ubicadas en Colón).

Una vez realizados ambos trámites, la empresa procederá a sacar el embarque de su depósito, con la supervisión del inspector residente en la empresa, quein después de cotejar lo que sale con lo declarado, firmará igualmente la "Declaración de Salida", con lo cual hace constar que todo está en orden.

Seguidamente el embarque se llevará al puerto de salida respectivo para efectuar la exportación, con todos los documentos requeridos adjuntos.

DISTRIBUCION DE COPIAS DE LAS DECLARACIONES DE ENTRADA Y SALIDA:

Ambos tipos de declaraciones constan de original y 5 copias. La Oficina Central de Liquidaciones de la Aduana es la encargada de distribuir las copias así:

Original:	Interesado
Duplicado:	Dirección de Aduana
Triplicado:	Contraloría General de la República
Cuadruplicado:	Aduana de Salida
Quintuplicado:	Depósito
Sextuplicado:	Coordinación del Programa Maquila

PMDE-1

REPUBLICA DE PANAMA
MINISTERIO DE HACIENDA Y TESORO
DIRECCION DE ADUANA
DECLARACION DE ENTRADA
EMPRESAS DE ENSAMBLAJE

FORMULARIO No. 1502

CONTROL ADUANERO No. _____

PANAMA, _____ de _____ 19 _____

_____
CONSIGNATARIO

_____
EMPRESA EMBARCADORA

_____
VAPOR O CIA.

_____
PUERTO DE DESEMBARQUE

_____
No. DE CONOCIMIENTO O GUIA AEREA

_____
PAIS DE PROCEDENCIA

_____
No. DE FACTURA

_____
FIRMA DEL CONSIGNATARIO

BULTOS		DESC. DE LA MERCANCIA	UNIDAD	CANT.	PESO		VALOR F.O.B.
CANT.	CLASE				NETO	BRUTO	
		TOTALES					

_____
Firma del Funcionario Aduanero que
Revisa y Aprueba

SELLO Y FECHA

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