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

PANAMA

PROJECT PAPER

AGRICULTURAL POLICY FORMULATION AND MANAGEMENT

AID/LAC/P-190

Project Number:525-0247

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number	DOCUMENT CODE 3
2. COUNTRY/ENTITY Panamá		3. PROJECT NUMBER 525-0247		
4. BUREAU/OFFICE Latin America/Caribbean <input type="checkbox"/> 05		5. PROJECT TITLE (maximum 40 characters) Agr Policy Formulation and Management		

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 15 89		7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 84 B. Quarter 4 C. Final FY 89		
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 84			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(210)	(90)	(300)	(4,225.8)	(774.2)	(5,000.0)
(Loan)	()	()	()	()	()	()
Other U.S.						
1. Host Country		50	50		3,053.9	3,053.9
2. Other Donor(s)						
TOTALS	210	140	350	4,225.8	3,828.1	8,053.9

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	180	053				300		5,000	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 052	11. SECONDARY PURPOSE CODE 280
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code							
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

To improve capability within the Ministry of Agricultural Development to analyze, design and implement sound, coherent agricultural policies, as well as to manage and coordinate programs and projects aimed at increasing overall agricultural production and efficiency.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim	MM YY	MM YY	Final	MM YY	<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify)
	04 86	10 87		11 89			

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

17. APPROVED BY	Signature 	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title Acting Director, USAID/Panamá	

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PROJECT AUTHORIZATION

Name of Country: Panama

Name of Project: Agricultural Policy Formulation
and Management

Number of 525-0247

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961 as amended, I hereby authorize the Agricultural Policy Formulation and Management project for Panama (the "Cooperating Country") involving planned obligations of not to exceed Five Million United States Dollars (\$5,000,000) in grant funds ("Grant") over a five year period from date of authorization, subject to the availability of funds in accordance with A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 5 years from the date of initial obligation.

2. The project ("Project") consists of support to the Government of Panama (GOP) to improve the capability of the Ministry of Agricultural Development (MIDA) to analyze, design and implement sound agricultural policies and improve its capability to manage and coordinate programs and projects that will increase overall agricultural production and efficiency.

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

a. **Source and Origin of Commodities, Nationality of Services**

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

b. Conditions Precedent to Disbursement For Project Activities

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any Project activity except for the contracting of technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) a time-phased implementation plan which describes Project activities to be carried out through calendar year 1985, including a description of all policy studies to be executed and a budget for such Project activities.
- (2) evidence that MIDA will provide adequate space for Project personnel and equipment.

c. Conditions Precedent to Disbursement For Information Support Component.

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activities under the Information Support Component, except for the contracting of technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the following personnel are employed at MIDA:

- (1) a statistician with a master of science degree or equivalent in statistics.
- (2) a computer programmer/analyst with a master of science degree or equivalent in computer science.
- (3) a computer programmer/analyst with a bachelor of science degree or equivalent in computer science.
- (4) two computer programmers with at least four years of combined technical training and work experience in computer programming and operations.
- (5) a library scientist with a bachelor of science degree or equivalent in library science.

d. Conditions Precedent to Disbursement for Office Facilities Support Component.

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activity under the Office Facilities Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) a valid title or long term lease for the property to be renovated and remodeled under the Project.
- (2) detailed construction documents for the property to be renovated and remodeled under the Project.

e. Recurring Conditions Precedent to Disbursement.

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement to finance any new Project activity each year after calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) a time phased implementation plan which describes the Project activities to be carried out in the calendar year, including a description of all policy studies to be executed.
- (2) a budget.

f. Covenants

The Cooperating Country shall covenant that, unless A.I.D. otherwise agrees in writing, it will:

- (1) Issue a progress report on the Project each year of the Project which will cover Project activities for the preceding 12 month period.
- (2) Provide adequate support and information to evaluation teams conducting evaluations of the Project during the life of the Project and at the end of the Project.
- (3) Hire a suitable replacement for each long-term trainee under the Agricultural Policy Analysis Support Component within three months of departure of such trainee.

✓

(4) Make reasonable efforts to retain personnel trained under the Project in positions related to agricultural policy formulation and management.

(5) Make all reasonable efforts to assure the continuity of the organizational units selected for the Project and their respective personnel.

(6) Make reasonable efforts to provide salaries at a level adequate to retain highly qualified personnel participating in Project activities.


Acting Mission Director

7/25/84
Date

ACRONYMS

AID/W	Agency for International Development/Washington, D.C.
BDA	Banco de Desarrollo Agropecuario (Agricultural Development Bank)
CALV	Corporación Azucarera La Victoria (La Victoria Sugar Corporation)
CAN	Consejo Agropecuario Nacional <u>1/</u> (National Agricultural Council),
CAR	Consejo Agropecuario Regional (Regional Agricultural Council)
CCA	Consejo Consultivo Agropecuario <u>2/</u> (Agricultural Consultative Council)
CCAR	Consejo Consultivo Agropecuario Regional (Regional Agricultural Consultative Council)
CIMIDA	Centro Informática de MIDA (Information Center of MIDA)
CNA	Consejo Nacional Agropecuario <u>3/</u> (National Agricultural Council)
COAPRHA	Corporación Agropecuario Rio Hato (Rio Hato Agricultural Corporation)
COBANA	Corporación Bananera del Atlántico (Atlantic Banana Corporation)
CODEIBO	Corporación de Desarrollo Integrado Bocas del Toro (Bocas del Toro Integrated Development Corporation)
CONAC	Confederación Nacional de Asentamientos Campesinos (National Confederation of Collectivized Farm Settlements)

1/ The CAN (formed by Law No. 12, January 25, 1973) is occasionally referred to as Comité Agropecuario Nacional, the National Agricultural Committee. The CAN should not be confused with the CNA.

2/ The CCA will serve as an advisory group to the Minister of Agriculture. As of March 1984, such a group did not legally exist although its functions were assumed by the CNA.

3/ The CNA was formed by Executive Decree No. 12, January 31, 1984. It serves as an advisory body to the Minister of Agriculture.

CORP. BAYANO	Corporación de Desarrollo Integrado del Bayano (Bayano Development Corporation)
CITRICOS	Cítricos de Chiriquí (Chiriquí Citrus Company)
DEC	Dirección de Estadística y Censo (Statistics and Census Directorate)
DNPS	Dirección Nacional de Planificación Sectorial (National Directorate of Sectoral Planning)
ENASEM	Empresa Nacional de Semillas (National Seed Enterprise)
ENDEMA	Empresa Nacional de Maquinaria Agrícola (National Agricultural Machinery Enterprise)
GOP	Government of Panama (Gobierno de Panamá)
IDIAP	Instituto de Investigación Agropecuaria (Institute for Agricultural Research)
IMA	Instituto de Mercadeo Agropecuario (Agricultural Marketing Institute)
INA	Instituto Nacional Agropecuario (National Agricultural Institute)
IPACOOOP	Instituto Panameño Autónomo de Cooperativas (Autonomous Institute of Panamanian Cooperatives)
ISA	Instituto de Seguro Agropecuario (Agricultural Insurance Institute)
MICI	Ministerio de Comercio e Industria (Ministry of Commerce and Industry)
MIDA	Ministerio de Desarrollo Agropecuario (Ministry of Agricultural Development)
MIPPE	Ministerio de Planificación y Política Económica (Ministry of Planning and Economic Policy)
ORP	Oficina de Regulación de Precios (Price Regulation Office)
USAID	United States Agency for International Development

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Agricultural Policy Formulation and Management

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Project Number: 525-0247

July, 1984

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I. SUMMARY AND RECOMMENDATIONS

A. Recommendations

It is recommended that a grant be approved in the amount of \$5,000,000, to be funded incrementally over the five-year life of the Project.

B. Background

In contrast to other developing country economies, the economy of Panama has always had a remarkable degree of contact with world markets. Even before the completion of the Panama Canal in 1914, the country served as a major transshipment center for products produced outside its borders -- a role that the Canal only accentuated. Until the early 1970s, the income and employment generated by Canal activities contributed in large measure to the nation's economic growth. Somewhat ironically, growth of agriculture and industry was fueled not by production for export but, rather, by a conscious strategy of import substitution. More recently, economic growth has resulted principally from an expansion in international banking, commerce, tourism, as well as public sector investment. In the mid-1970s, the economy was stimulated by heavy government investment in infrastructure, social services, and state enterprises. During this period, in fact, the government became the major creator of new jobs and the employment ranks of the public sector literally swelled.

The initial years of the 1980s have not been nearly so buoyant as previous decades. Indeed, a period of stagnation has set in. Cheap commercial bank credit is no longer available to finance public investment programs; public sector deficits here reached unmanageable proportions, and the government's strategy of import substitution has essentially run its course. As the stagnation has deepened, it has become increasingly clear that the interventionist and protectionist policies of the past can no longer be sustained. Rather, a basic shift in orientation is required. Specifically, the need is now recognized for a growth and development strategy that stresses reliance on market mechanisms and a dynamic, export-oriented private sector.

Although agriculture contributes only about ten percent to Panama's GDP, it is still a key sector in the economy. It employs more than one-fourth of the economically active labor force and more than one-half of the force outside the country's metropolitan corridor. As Panama makes the transition to creating a favorable environment for private producers, agriculture will play a critical role. Indeed, one of the challenges of the transition will be to marshal the initiative of both the large commercial agricultural sector, which has become accustomed to artificially high prices for its products, and the asentamiento sector, which benefited substantially from the social programs of the administration of General Omar Torrijos but has failed to be a dynamic contributor to the performance of the sector at large.

C. Problem, Rationale, and Strategy

The Agricultural Policy Formulation and Management Project is a direct response to the GOP's need for analytical and management support in reversing its policies of the past and in creating a favorable environment for private sector initiative and agricultural export growth. It recognizes that sound agricultural policymaking is essential to sector performance and, consequently, attaches high priority to the need for solid analysis of policy alternatives and the formulation of policy in a clear and consistent fashion. This Project is guided by lessons of past experience and recognizes that policymaking does not take place in a vacuum. Rather, it views policymaking as only one stage in the overall process of agricultural sector management -- a stage that cannot be divorced from other stages of the process.

The principal constraints that Panama faces in making its transition to a market-oriented economy for agriculture are:

- Policy formulation is fragmented among ministries and various policy-specific commissions. There is no institutional mechanism that is currently capable of seeing the forest rather than the trees and assessing the overall coherence of agricultural policy alternatives.
- There is a lack of agricultural policy analysis and defined policy options, as well as systems and mechanisms for setting and administering agricultural policy.
- Technical capability in policy analysis is embryonic. Most analyses are descriptive and provide no assessment of policy alternatives.
- There is little monitoring or evaluation of policies, programs, and projects. Thus, there is no systematized attempt to learn from past experience, to take corrective action when needed, or to plan responses to future, predictable needs and problems.
- There is practically no central coordination to assure that the left hand is aware of what the right hand is doing. The semiautonomous institutions of the sector set programming priorities and execute programs in virtual independence of each other. Systems of program and project selection, design, budgeting, and implementation are fledgling in nature.
- The management skills required to coordinate and implement agricultural sector programs are sorely lacking.
- Data exist, but there is considerable room for improvement in quality and scope. More importantly, it is difficult to access and use data.

- Relationships between the public and private agricultural sectors are typically adversarial and issue-specific. As a rule, public debate on agricultural policy is uninformed by solid analysis of alternatives. There is limited opportunity for the private sector to become adequately informed regarding policy options or potentials within the sector, or to contribute constructively to policy formulation.

The Agricultural Policy Formulation and Management Project sees these various constraints as interlocking pieces of the overall problem of formulating and implementing agricultural policy in a period of economic transition. The Project design recognizes explicitly that policy formulation and policy implementation are two sides of the same coin and that neither makes sense without the other. Furthermore, the Project is innovative -- and, presumably, more realistic than other projects of a similar nature -- in that the private sector is not seen as a passive appendage to the policy formulation and management process. Among the constraints to be addressed by the Project are constraints that affect the participation of the private sector, not only in the execution of policy, but in its formulation as well.

In addition to taking an integrated, holistic approach to policy formulation and management, the Project builds directly on the lessons of a recent comprehensive evaluation of agricultural sector planning activities in Latin America and the Caribbean over the last decade. ^{1/} The key finding of the evaluation is that lack of demand for data and analysis to support sound policy formulation is a critical bottleneck that often frustrates attempts to promote effective agricultural policy analysis, formulation, and implementation. In light of this finding, the design of the Agricultural Policy Formulation and Management Project has paid particular attention to assessing the current demand for policy analysis in Panama. Intensive review suggests that demand is definitely there, and Project design has consciously incorporated mechanisms to stimulate additional demand in the future.

In sum, the Project is designed in such a way as to lay the basis for development and implementation of coherent agricultural policy in Panama. It will support the high priority that the GOP attaches to the establishment of a coherent policy framework for agriculture, the improvement of management practices in the sector, and forging linkages with the private sector. It will do this by meeting and expanding demand for information and analysis for agricultural policymaking, making information more accessible for policy analysis, improving the capacity of the GOP to conduct policy analysis, upgrading the management practices of the sector, expanding professional talent, and involving private producer organizations in analyzing the pros and cons of policy alternatives. The Project does not attempt to address the full gamut of constraints to effective policy formulation and management but, in the judgment of the Project Development Committee, does attack what appear

^{1/} Abt Associates, Inc., Evaluation of Agricultural Sector Planning Activities in Latin America and the Caribbean (Cambridge, MA, 1982).

to be the key bottlenecks. Moreover, it is complementary to support being provided by other donors, particularly the World Bank.

D. Project Description

The goal of the Agricultural Policy Formulation and Management Project is to increase overall production and efficiency in Panama's agricultural sector. The purpose of the Project is to improve the capability of the Ministry of Agricultural Development to analyze, design, and implement sound, coherent agricultural policies, and to improve its capability to manage and coordinate programs and projects aimed at increasing overall agricultural production and efficiency. The Project purpose will be achieved through:

- Meeting current demand and stimulating increased demand for information and analysis for agricultural policymaking.
- Upgrading the capacity of the GOP to conceive and assess the pros and cons of agricultural policy alternatives.
- Improving the information base for agricultural policymaking.
- Strengthening the capacity of the public agricultural sector to perform its mandated functions efficiently and effectively.
- Broadening the human resource base of analytical and management talent in the public agricultural sector.
- Centralizing and consolidating MIDA/Panama City offices so that a supportive work environment, conducive to quality work performance is created.
- Creating mechanisms for effective, systematic participation of the private sector in the policy formulation process.

The Project will consist of five interrelated components, which are:

1. Agricultural Policy Analysis Support

A permanent, capable Agricultural Policy Analysis Group will be established in the Ministry of Agricultural Development. The Ministry, through the Group, will exercise leadership within the government in the development and assessment of alternative short-, medium-, and long-term agricultural sector strategies and policies.

2. Agricultural Programming and Management Support

Personnel will be trained and administrative mechanisms will be established to enable the Ministry of Agricultural Development to perform its mandated functions effectively. Mechanisms will be institutionalized to identify and resolve management problems. Capacity will be expanded to

select, design, budget, implement, monitor, and evaluate agricultural sector programs and projects.

3. Information Support

An Information Center will be established within the Ministry of Agricultural Development as a service unit to both the public and private agricultural sectors. The Center will consist of three functioning divisions: a Statistical Unit, a Computer Unit, and a Documentation Center.

4. Office Facilities Support

MIDA offices in Panama City will be centralized and consolidated so that policy analysts, administrative and management personnel have ready access to the Minister, senior management, and needed support networks. These office facilities will provide sufficient space, in an atmosphere conducive to quality work performance.

5. Private Sector Support

This component will be separately funded under a Specific Support Grant with non-525-0247 Project funds. An Agricultural Policy Unit will be established in the private sector. The Unit will be a mechanism for raising the level of public debate on agricultural policy; a center to inform the private sector of future opportunities in the sector; a conduit for diffusion of information and analysis on issues of policy importance; and a sponsor of studies on agricultural policy issues. It will encourage private sector participation in a policy formulation process which responds to the realities of world and domestic markets and seeks to make a smooth transition toward a development strategy consistent with comparative advantage. It will provide information and analysis on issues of policy importance, potential opportunities within the agricultural sector, and facilitate access to technical assistance to explore possibilities for new or improved activities, technologies, or marketing strategies.

E. Summary Financial Plan

Table I-1

Summary Financial Plan
(Thousand US\$)

	AID	GOP	TOTAL
<u>1. Agricultural Policy Analysis Support</u>			
A. Technical Assistance	945.0	33.0	978.0
B. Local Contract	300.0	45.0	345.0
C. Training, Workshops, Seminars	717.0	15.0	732.0
D. Equipment and Materials	6.0	16.0	22.0
E. Operational Expenses	<u>-</u>	<u>946.0</u>	<u>946.0</u>
Sub-Total	1,968.0	1,055.0	3,023.0
<u>2. Programming and Management Support</u>			
A. Technical Assistance	1,455.0	-	1,455.0
B. Local Contract	-	-	-
C. Training, Workshops, Seminars	154.0	34.8	188.8
D. Equipment and Materials	51.0	15.2	66.2
E. Operational Expenses	<u>-</u>	<u>657.6</u>	<u>657.6</u>
Sub-Total	1,660.0	707.6	2,367.6
<u>3. Information Support</u>			
A. Technical Assistance	378.0	2.8	380.8
B. Local Contract	181.0	53.0	234.0
C. Training, Workshops, Seminars	225.6	20.8	246.4
D. Equipment and Materials	130.4	16.6	147.0
E. Operational Expenses	<u>-</u>	<u>598.1</u>	<u>598.1</u>
Sub-Total	915.0	691.3	1,606.3
<u>4. Office Facilities Support</u>			
Evaluation	63.0	-	63.0
TOTAL	5,000.0 (62%)	3,053.9 (38%)	8,053.9 (100%)

NOTE: The Private Sector component will be funded separately under a Specific Support Grant with non-525-0247 Project funds.

F. Project Issues

A number of issues were raised at the time of the PID review in A.I.D./W and subsequently during intensive review in the Mission. Although each of these issues is addressed in the body of this Project Paper, it is useful to summarize briefly here how the major issues concerning the Project have been dealt with in final Project design.

Five major issues surfaced during the course of Project development. The five issues, together with the ways in which they are addressed, are as follows:

Issue 1. Achievement of Project objectives hinges directly on the degree of continued GOP commitment to improve its agricultural policies and to implement them effectively. Does adequate commitment exist at the current time and is there a reasonable expectation that such commitment will be maintained over the life of the Project?

Response. This was the principal concern raised at the PID review and has been a focus of attention during intensive review. As the GOP has begun to grope with the transition toward relying more heavily on market signals, reducing government intervention, lowering import protection, and increasing exports, agriculture has come to receive considerably higher priority attention than has been the case in the past. The intent to move agriculture in the indicated directions is clearly there, and a number of significant policy changes have already been made. The mechanics of making the rest of the transition are far from obvious, however, and the government is clearly looking for guidance, both on what further policy changes are required and on how it should go about implementing them. Furthermore, the concerns that are prompting changes in agricultural policy at the present time are structural in nature and, as such, will outlive the current administration. Consequently, the likelihood that the next administration will pay as much attention to improving agricultural policy can be expected to be high.

From this discussion, it is safe to conclude that GOP commitment -- in the sense of interest in improving agricultural policy formulation and management -- is present and is likely to continue into the future. The question remains whether this interest will be matched by financial and human resource allocations that will be adequate to translate good intentions into action. In the course of preparing this Project Paper, the counterpart requirements of the Project have been discussed and agreed upon with appropriate GOP personnel. As the project development process has gathered momentum, GOP enthusiasm for the Project has expanded as well. There is every indication that the financial and human resource requirements of the Project are fully understood and endorsed and that they can and will be met over the course of the Project's life. Institutionalization over the longer term is another matter, however, which leads to the second major issue addressed during intensive review.

Issue 2. Low salaries are a, if not the, major deterrent to the ability of the Ministry of Agricultural Development to attract and retain qualified personnel and to motivate high performance. Since the Project is premised on attracting and retaining such personnel, how sanguine can one be as to the Project's long-term institutionalization impact?

Response. Needless to say, the Agricultural Policy Formulation and Management Project, by itself, cannot effect a wholesale improvement in the entirety of Panama's public agricultural sector salary structure. This is particularly so in light of the fiscal austerity called for under current economic conditions. Nor can the Project simply put on "rose-colored glasses" and assume that things will gradually get better. The Project therefore takes a middle ground. In the short run, that is, over the first two years of the Project, the Ministry of Agricultural Development will secure qualified personnel for the key analytical and management positions called for under the Project through contracts at salary levels competitive with what is offered in the private sector. Proceeding in this way will have the obvious advantage of getting the Project off the ground, but it is admittedly only a stop-gap, temporary solution that cannot be sustained over the longer term. Contracting not only fails to offer job security to individuals concerned. It is also a point of contention for permanent Ministry staff and, the longer such a mechanism continues in force, can be expected to have an increasingly negative impact on overall staff morale, particularly the morale of employees who receive training under the Project but do not receive compensation comparable to what is offered contractors. For institutionalization of agricultural policy formulation and management capability over the long term, therefore, a basic overhaul of the Ministry's overall structure of compensation -- salaries, perquisites, etc. -- is required. Consequently, one of the major focal points of the management component of the Project will be the development of a set of recommendations for a long-term personnel management strategy, including a suggested phased implementation schedule. The core objective of the strategy will be to propose means by which order is introduced in what can now be described as an environment in which personnel decisions are perceived, at best, as ad hoc and idiosyncratic, and, at worst, as arbitrary and capricious. The strategy will relate personnel requirements directly to the mandated functions of the Ministry, define position descriptions accordingly, delineate position requirements, lay out appropriate salary scales, and systematize procedures for advancement, training, etc. A first draft of recommendations and a suggested implementation schedule for the personnel management strategy will be completed during the first 18 months of the Project. A.I.D. in-depth evaluations in months 18 and 36, and the impact evaluation in month 60 will assess progress in implementing these recommendations.

Issue 3. The National Sectoral Planning Directorate (DNPS) of the Ministry of Agricultural Development is proposed as the principal counterpart institution for the Project. Given its limited role in analysis and formulation of agricultural policies in the past, is it reasonable to expect DNPS to exert leadership in the future?

Response. DNPS's failure to have a major impact in agricultural policymaking in the past is largely attributable to its lack of policy analysis capability. Unfortunately, this is a shortcoming not only of DNPS but of the public sector at large. In deciding where it should allocate its resources to support improved agricultural policy formulation in Panama, therefore, A.I.D. must look to the institution in which responsibility for agricultural policy formulation officially lies. This is clearly DNPS. Although DNPS' ability to respond effectively to requests for policy analysis guidance has been limited in the past, the support to be provided by the Project is anticipated to permit DNPS to make a positive contribution in the future.

Issue 4. Panama holds a Presidential election in May. In addition, the World Bank is currently sponsoring two major studies of agricultural institutions and agricultural pricing policies. Would it not be wise, therefore, to postpone this Project until the new government is in place and the recommendations of the World Bank studies are known.

Response. The concerns that call for solid policy analysis capability will not die with the current administration. Indeed, authorization of the Project at this time will allow the next administration to deal more effectively with agricultural policy problems.

The World Bank studies are complementary to activities to be financed under the Project. They are not competitive. The study of agricultural institutions focuses on the semiautonomous institutions of the sector, not the Ministry of Agricultural Development itself. The study of agricultural pricing policies is being conducted in collaboration with DNPS and, as such, will be a learning exercise in which the Agricultural Policy Formulation and Management Project can build.

Issue 5. Private Sector Support. After intensive review in the Mission, a Project component not envisioned in the original PID was developed. The focus of this component changed during Project development from one emphasizing increasing and improving the capacity of the private sector to participate in the agricultural policy formulation process, to one of modifying the tone of such policy discussions through an educational process -- while facilitating access to analytical expertise. The

issue then emerged of the appropriate institutional mechanism to implement this Project component.

Response. During Project design, it was determined that one organization within the private sector should have responsibilities for supporting and directing the activities of this Project component. Among the desired characteristics to be embodied in such an organization would be a pluralistic, broad-based representation of a number of producers' interests, cutting across commodity lines, and spanning a range of farm sizes. Furthermore, it was viewed as advantageous if this organization included various perspectives represented in the political spectrum.

After intensive review, it was determined that no existing organization adequately fulfills the characteristics desired. Therefore, the decision was made to foster a coalition among different groups. During the first year of the Project, the initial activities of this component will consist of organizing and executing a series of seminars/conferences, termed encuentros, of private sector agricultural producers and intermediaries. Such seminars, to be run by an organization directly contracted by A.I.D., will begin a consciousness-raising process, and attempt to forge linkages among various groups. One of the principal outcomes of such meetings will be the identification of a single private sector sponsor of the Policy Unit to be formed under this component. This sponsor (likely to be a confederation, or secretariat, of existing groups) should be (or become) a legally constituted organization; representative of a broad range of producer interests, which cut across commodity lines, and span a range of farm sizes; independent of the government, with an identity integral with that of the producers, and preferably with strong support at the "grass roots" level. Among the principal purposes of this Secretariat will be the long-term development of the Panamanian agricultural sector.

G. Summary Findings

The Project Development Committee has reviewed all aspects of the proposed Agricultural Policy Formulation and Management Project. It has concluded that the Project is institutionally, financially, economically, technically, socially, and environmentally sound and consistent both with the development objectives of the GOP and with Mission strategy and objectives.

H. Project Development and Review Committees

1. U.S.A.I.D./Panama Project Development Committee

<u>Office of Agriculture:</u>	Robin Zeitz <u>1/</u> Armando Espinosa
<u>Office of Development Resources:</u>	Frank Miller
<u>Office of Development Programs:</u>	Juan Belt
<u>Office of the Controller:</u>	Vilma Jaén
<u>TDY Assistance - Abt Associates:</u>	James Riordan Rafael Diez James French Richard Simmons John Strasma

2. U.S.A.I.D./Panama Project Review Committee

<u>Office of the Director:</u>	Robin Gomez John Lovaas
<u>Office of Agriculture:</u>	D. Gale Rozell John Champagne
<u>Office of Development Resources:</u>	Michael Hacker
<u>Office of Development Programs:</u>	P. Thomas Cox
<u>Office of the Controller:</u>	Thomas Walsh
<u>Office of the Regional Legal Advisor:</u>	Annette Adams

1/ Project Coordinator and principal author of the Project Paper.

II. BACKGROUND

A. Country Setting

The geographic location of Panama has been the key determining factor in the economic development of the nation. Since colonial days Panama has been externally oriented, serving as a major transshipment center for products produced outside its borders. The Panama Canal (completed in 1914) further stimulated its role as entrepot. Until the early 1970s, the income and employment generated by Canal activities contributed in large measure to the nation's economic growth. More recently, economic growth has resulted principally from expansion in international banking and commerce, tourism as well as public sector investment. (Since the Panamanian local currency is the U.S. dollar -- the Balboa is issued only in coin form -- the nation has proven attractive to foreign commercial and banking interests.) Nevertheless, such developments have accentuated sharp differences between the metropolitan corridor and the rest of the country. In 1980 more than half of the population lived in the metropolitan area and generated over 70 percent of total value added.

In 1968 a government under the de facto leadership of General Omar Torrijos was installed. The revolutionary process that began in 1968 brought with it a new policy emphasis on the rural sector. Prior to that time, public sector attention and development resources had focused principally on the metropolitan corridor. Incentives were provided to the industrial and commercial sectors and high tariffs were provided to stimulate import substitution. The bulk of rural residents were either subsistence farmers or agricultural laborers. Slash and burn was the dominant technology. Most commercial agricultural income originated in foreign-owned banana plantations. As a rule, urban consumer foodstuffs were imported rather than supplied by domestic sources.

The Revolutionary Government embarked on an ambitious program to stimulate economic growth while promoting social equity. Hitherto neglected segments of the population -- principally in rural areas -- benefited from increased access to schools, health facilities, potable water, road systems, electric power, and other government services.

In the 1970s the Panamanian economy grew at a fairly sustained rate, stimulated by the rapid expansion of international banking and commerce and by heavy public investment programs. The availability of cheap commercial bank credit facilitated the expansion of public sector intervention in the economy. The government invested directly in infrastructure, social services, and state enterprises and the employment ranks of the public sector swelled as it became the major creator of new jobs. In the period 1970-79, 80 percent of new jobs created were in the public sector. The government's actions resulted in a significant narrowing of the gap in living standards between the more modern urban areas and the more traditional rural areas.

The surge in international banking and commercial operations had begun to reach its limit by the mid-1970s, however. By the end of the decade, cheap commercial bank credit was no longer available to finance public investment programs. As the worldwide recession of the late 1970s continued, the government came to recognize the inability of its past strategy to sustain economic growth and, as a consequence has taken measures to reorient Panama's economy.

Panama's best hope for renewed economic growth lies in the reversal of government interventionist and protectionist policies adopted in the past. Freeing markets to create a more conducive climate for private investment will complement the advantages Panama has by virtue of its dollar economy and its easy access to world markets, as well as the international financial resources of its banking community.

The necessity of reorienting its policies and programs to support increased economic activity in the private sector is fully recognized both by the government and by other influential elements in the country. The government is committed to employment creation through a reactivation of the private sector and a greater reliance on market mechanisms. The scope of public sector activities is being reduced and measures are being taken to improve the efficiency of operating programs. A World Bank structural adjustment loan is intended to assist in accelerating production, particularly of exports, by the private sector. An International Monetary Fund (IMF) standby agreement has imposed austerity budgets on the public sector, prohibited new commercial borrowing and, as a collateral effect, sharply reduced public investment in development activities. While no one underestimates the political difficulty involved in redirecting the economy, policy measures already implemented or announced by the government demonstrate that the will to undertake reform is not lacking. Nevertheless, the analytical, managerial, and technical capabilities to bring institutions and programs in line with new policy directions are limited. Such capabilities must be developed and reinforced, as must the capacity for ensuring that policies are consistent and effective in stimulating economic growth and employment in the private sector.

B. Project Setting

The structure of the Panamanian economy is quite different from that of a "typical" developing country. The agricultural sector, although an important, productive sector, accounts for relatively little of national production. In 1980, agriculture contributed roughly ten percent to GDP, compared to 79 percent by services. Nevertheless, the sector is important as an employer of more than one-fourth of the economically active labor force and more than one-half of the force outside the metropolitan corridor.

The philosophy of past agricultural policy, encouraging state intervention in factor and input markets as well as direct participation in production, is encapsulated in the Agricultural Incentives Law (Ley 19, passed in 1982). According to the Law, imports of foodstuffs are quantitatively restricted and annual percentage targets are established for their replacement

by domestically produced goods. Price controls on the family food basket are maintained. The present day GOP agricultural development strategy with its emphasis on increased private sector production and productivity, supported by government technical assistance, is at clear variance to the established law.

In the post-1968 period significant changes in institutions and their functional relationships occurred. The public sector began to actively and directly intervene -- as a producer, marketing intermediary, and supplier of inputs -- as well as through indirect measures by modifying or controlling input and product prices. Two basic agricultural policy objectives emerged, oriented towards (1) increased production and self-sufficiency in basic food products; and (2) wider distribution of the economic and social benefits resulting from an anticipated high rate of sectoral growth. The 1970s saw a tremendous expansion of the public sector in the roles of producer, employer, and investor.

The Ministry of Agricultural Development (MIDA) is the lead institution in the sector. ^{1/} Its mandate -- to improve the standard of living of the rural population by incorporating them in the market economy -- has been answered by providing extensive services to a relatively small portion of the rural population organized by the government into collectivized farm settlements, development corporations, cooperatives, and agrarian councils. These groups represent an estimated 5-10 percent of the rural population. Thus, in practice, MIDA has neglected the bulk of Panama's rural population, including most small- and medium-sized farmers. The public agricultural sector has failed to develop or provide support to these producers with improved technology, production techniques, or relevant marketing information. One consequence has been the lowest agricultural yields of Central America. Furthermore, MIDA has not developed the technical or administrative and managerial capacity to analyze policy, or to guide or coordinate related public sector institutions. The wholesale physical transfer in 1975 of the Ministry from Panama City to Santiago de Veraguas (a distance of 150 miles) made the task of constructively contributing to the formulation of national economic policy even more difficult as key staff of the Ministry were removed from the centers of political decisionmaking.

Other service institutions, designed to provide subsidies or transfer income to the rural sector, also were created. The Agricultural Development Bank (BDA), formed in 1973, provides agricultural credit at

^{1/} Not until 1969 was a Ministry of Agriculture created. Prior to that point, agricultural issues had been linked with those of commerce and industry. In December 1972 the public agricultural sector was completely reorganized. The role of the Ministry of Agriculture was significantly expanded. Various directly productive and social development functions were combined in the newly modified Ministry of Agricultural Development (MIDA, which replaced the former Ministry of Agriculture and Livestock).

concessionary rates to small- and medium-sized producers. The Agricultural Marketing Institute (IMA), established in 1975, is intended as a marketing and price support mechanism for basic foodstuffs. It administers pricing policies for rice, corn and other foodstuffs; it is the sole authorized importer for beans, corn, sorghum, onions and edible oils. The latter items are sold at prices in excess of the import price, profits of which are used to finance the organization's operations. The National Agricultural Machinery Enterprise (ENDEMA) and National Seed Enterprise (ENASEM) supply machinery services and improved seeds at subsidized rates. The Institute for Agricultural Research (IDIAP) until recently did not operate crop or livestock research programs targeted to the majority of small- and medium-sized producers.

In addition to its service activities, the state became a direct producer. The GOP made major investments in three new sugar mills, took over a financially weak citrus establishment, and opened new state enterprises in bananas. Unfortunately, these actions resulted in many unrecoverable loans, poorly managed state enterprises, and considerable drain on public financial resources. The most obvious example of these unfortunate results is the Victoria Sugar Corporation (a GOP state enterprise) which in 1982 required operating subsidies of \$37 million.

Some examples of Agriculture Policy Actions.

During the 1969-73 period, the government undertook an ambitious land reform program; more than 16 percent of Panama's land changed hands. By 1976, almost 7000 families were settled on 279 agrarian reform settlements (asentamientos). The Ministry of Agriculture was restructured to provide management and technical services to these groups, to the virtual exclusion of other private producers.

The GOP shifted its policy emphasis in 1974 away from agrarian reform concerns to achieving food self-sufficiency in basic grains, and other foodstuffs. The mechanisms used to promote the new objectives included price support programs, the establishment of new public institutions (such as IMA) to assist in commercialization and price stabilization, tariffs and quantitative restrictions. One of the results of such actions has been the establishment of rice support prices in excess of the world (border) price, subsequent overproduction, and export at a loss of surpluses. Price controls were established in 1969 under Law 60 which established the Price Regulation Office (ORP). The ORP establishes prices at the farmgate, wholesale and retail levels. Consultations occur with entities such as IMA, but a consistent formula for determining prices is lacking.

The establishment of price policies based on a goal of self-sufficiency of certain food crops, coupled with other government forays into the directly productive agricultural sector led to the misallocation of land resources, inefficient and subsidized state-run collectivized settlements and state agroindustrial enterprises, high cost products and a sector dependent on others to subsidize its inefficiencies.

Government policies followed since 1968 have contributed to a stagnant agricultural sector. Agricultural production increased at the rate of 1.2 percent during the 1969-72 to 1978-81 period in comparison to 5.7 percent during the 1960-62 to 1969-71 period. The agricultural sector has been the least dynamic of the Panamanian economy. Its average annual growth rate from 1970-72 to 1980-82 was only 1.7 percent, compared with 5.7 percent for non-agricultural GDP. This low growth occurred despite substantial investment of public resources. Presently, almost 7,600 persons, equivalent to 5 percent of the agricultural labor force, are employed by the public agricultural sector. The 1982 budget for the Ministry of Agriculture and other autonomous agencies operating in the sector approximated \$175 million, or more than 40 percent of agriculture's value added. It has become clear that the Government can no longer sustain the high costs associated with its (former) policies. It is now widely recognized that the reactivation of the agricultural sector requires new policy directions.

The development strategy articulated by the present administration implies a fundamental change in agricultural policy which would orient the sector towards higher productivity and output, increase productive employment, reduce the costs of basic foodstuffs and expand exports. The specific measures proposed to effect these changes include:

- Reducing price controls and subsidies to producers.
- Separating policies aimed at improving the social welfare of the rural poor from production policies.
- Revising the role of public institutions in agriculture to achieve these objectives.
- Reducing and eventually eliminating subsidies for state-owned agricultural corporations and enterprises, as well as converting some of them into private enterprises.
- Increasing productivity through more effective and selective research and technology transfer.

A number of reforms, which are important first steps toward reorienting the sector toward greater reliance on free markets, have already been carried out. For example,

- Export restrictions on beef have been eliminated.
- The high support price for rice has been reduced.
- One of the heavily subsidized state-operated sugar mills and state-operated banana companies have been closed.
- Grade classifications for milk have been introduced to allow for higher farmgate prices for higher quality milk.

- Subsidies for the citrus corporation and a state development corporation have been eliminated.
- MIDA recently has been reorganized; and an agricultural extension service which, in contrast to the past decade, will offer technical assistance to private, independent producers has been created.

C. Statement of the Problem

Panama's development strategy is in transition. The roles and relationships of the public and private sectors are also in transition. The performance of a variety of activities within the sector will be modified. For example, the State's role as a producer is changing as is the role of the State in providing services to individual producers. Private producers and intermediaries, in turn, will be affected by enunciated policies and by programs and projects implemented by public agricultural sector agencies.

It is important to distinguish between policymaking and programming. The former embodies a wide range of issues which do not necessarily become converted into concrete, programmed actions. Furthermore policies which affect the agricultural sector (and which merit consideration and analysis by agricultural sector institutions) include action areas outside the purview of the public agricultural sector institutions -- interest rates, tariff and non-tariff barriers, incentive laws, consumer price controls, etc. Once alternative policies and policy measures have been assessed and determined, means to operationalize sector policy objectives can be undertaken. Concrete actions expressed in terms of specific projects and grouped into program areas may be formulated. Such actions involve a commitment of human and financial resources for a specified period of time. They differ from broad policy pronouncements which establish the framework within which they operate and orient their actions by setting goals and priorities.

A general, though simplified, conceptual framework for the agricultural sector appears in the attached diagram. The framework in question encompasses both policymaking and programming. As shown in Figure 1, the public agricultural sector engages in a series of multifaceted and interrelated activities including -- the monitoring, evaluation, and identification of trends and problems; strategy formulation and identification of policies, programs and projects; making decisions, and implementing policies, programs, and projects. Central to the performance of each of these activities are capable personnel, clearly defined objectives, and supportive environments.

In an ultimate sense, the performance of the agricultural sector is a function of the behavior of agricultural producers, which in turn depends upon the socioeconomic setting, and consistency and continuity of policies. The public agricultural sector interacts with the socioeconomic environment through the formulation and implementation of policies which affect the performance of the private and public agricultural producers, and by reacting to various pressures exerted on it by individuals desiring specific changes in policy.

The effective performance of the public agricultural sector is critical to the achievement of national development goals or strategies. Yet, within Panama, there are serious constraints limiting the effectiveness of agricultural policy formulation, program and project development, implementation and management, and thus achievement of stated policy, program and project objectives. The principal constraints include:

- Policy formulation is fragmented among ministries and various policy-specific commissions. There is no institutional mechanism set up to facilitate seeing the forest rather than the trees and assessing the overall coherence of agricultural policy alternatives.
- There is a lack of agricultural policy analysis, defined policy options, as well as systems and mechanisms for setting and controlling agricultural policy.
- Technical capability in policy analysis is embryonic. Most analyses are descriptive, and provide no assessment of policy alternatives.
- There is little monitoring or evaluation of policies, programs, and projects. Thus, there is no systematized attempt to learn from past experience, to take corrective action when needed, or to plan responses to future, predictable needs or problems.
- Presently, the public agricultural sector has inadequate mechanisms to formulate, monitor, control, or evaluate programs and projects.
- There is practically no central coordination to assure that the left hand is aware of what the right hand is doing. The semiautonomous institutions of the sector set programming priorities and execute programs in virtual independence of each other. Systems of program and project selection, design, budgeting, and implementation are fledgling in nature.
- The management skills required to coordinate and administer agricultural sector programs are sorely lacking.
- Data exist, but there is considerable room for improvement in quality and scope. More importantly, it is difficult to access and use this data.
- Relationships between the public and private agricultural sectors are typically adversarial and issue-specific. As a rule, public debate on agricultural policy is uninformed by solid analysis of alternatives. There is limited opportunity for the private sector to become adequately informed regarding policy options or potentials within the sector, or to contribute constructively to policy formulation.

D. Project Rationale

The present administration is committed to redirecting the economy and the need for policy formulation and programming is clearly perceived. Furthermore, it is recognized that the internal capability of the public sector agricultural institutions will not allow them to realize such tasks without technical assistance and training. In other words, there is demand for the Project. The present administration also recognizes the importance of the private sector -- involving it in policy deliberations and offering unambivalent incentives. The Project consists of five interrelated components which address identified constraints relating to the formulation and implementation of improved agricultural policies. The first four components concentrate on improving capabilities within MIDA to analyze policy alternatives, formulate consistent policies, and implement and manage coordinated agricultural programs and projects within a physical plant providing a supportive work environment. The fifth component of the Project will directly contribute to efforts at a constructive policy dialogue between the public and private sectors by providing information on issues of policy importance and on potential opportunities within the agricultural sector; facilitating access to technical assistance to perform policy analyses and explore possibilities for new or improved activities, technologies, or marketing strategies.

While there will be a new administration elected in May, overall development strategy is unlikely to change. The constraints which inhibit successful execution of such a strategy will continue to exist as will the need for project assistance. The Project comes at an opportune time. It can help set the stage, both technically and institutionally, for the next administration. It will draw directly upon the analyses of ongoing World Bank financed studies on agricultural price and trade policy, and agricultural institutions.

E. Project Strategy

Sound agricultural policy formulation is essential to sector performance. This in turn requires a solid analysis of policy alternatives, a clear and consistent method for establishing investment and program priorities, and effective public sector management to implement, evaluate and modify programs and projects aimed at satisfying the agreed upon objectives.

This Project is guided by lessons of past experience in agricultural policy and planning projects as described in a recent comprehensive evaluation of A.I.D.-financed projects in Latin America. Salient features of that study include:

- A focus on meeting and expanding demand for information and analysis for agricultural policymaking.
- A conviction that the most effective mechanism for institutionalizing policy analysis capability is the creation of a

dynamic by which decisionmakers become increasingly convinced of the value of products of policy analysis.

- Pitching policy analysis products directly to decisionmaker concerns.
- A preference for fast turnaround, highly focused, problem-oriented studies rather than the construction of ambitious, all encompassing analytical frameworks.
- A preference for simple, rather than complex, analytical methods.
- Attaching higher priority to directly analytical work than to activities that are heavily dependent on primary data collection.
- Development of a small, critical mass of highly qualified technical personnel in the public sector, to be complemented, as needed, by reliance on analytical expertise in the private sector.
- Development of institutional mechanisms to assure that information and analysis get fed into the decisionmaking process.
- A recognition that policy formulation and policy implementation are two sides of the same coin and cannot be divorced from each other.
- Developing and strengthening operational linkages with private producers to assure that they are more than a passive appendage in the policy formulation process.

This Project does not attempt to address all problems with respect to agricultural policymaking and programming. Rather, the strategy is to attack the key bottlenecks to coherent formulation of the public agricultural sector objectives and programmed resolutions. The Project focuses on the key role of the National Sectoral Planning Directorate (DNPS) of the Ministry of Agricultural Development (MIDA) in policy formulation and programming. Since program implementation is a necessary and integral part of the policy formulation process, in addition to the DNPS, those operative units with the prime responsibilities for carrying out established policies will receive support through on-the-job training and short-term courses and workshops in project management and administration.

The importance of organizational and managerial capacities required for effective implementation cannot be overemphasized. Although research confirms that price distortions seriously impede economic growth, factors attributed to social, political or management problems offer greater explanatory powers. ^{1/} Among the recommendations/orientations proposed to

1/ World Bank, World Bank Development Report 1983 (Washington, D.C., 1984.)

address such problems, which are incorporated into the Project design, are actions designed to:

- Encourage governments to rely more on the private sector and its managerial resources for effective services delivery.
- Develop more effective planning, budgeting and management systems within government institutions.
- Encourage the development of more effective career management systems and on-the-job training for public servants.
- Support administrative reform to decentralize decisionmaking, improve coordination, and strengthen external accountability.

This Project will build MIDA's policy analysis and management capacity; improve MIDA's ability to program its own resources, to monitor progress, and to coordinate overall policy and programs of other agencies in the public agricultural sector. The Project does not propose to assist MIDA in directing or planning agricultural production per se, particularly as the Ministry is reducing its role in directly productive activities. Rather, it will assist the DNPS in establishing and clarifying the public agricultural sector's objectives to conform with the newly articulated development strategy, and help the DNPS design programs and projects which respond to these objectives. Furthermore, it will provide managerial assistance during MIDA's project and program implementation phases so that proposed actions and policy measures satisfy their established objectives. Finally, the Project will interface with the private sector by facilitating improved, informed policy dialogues between the public and private sectors.

The Project will provide the basis for development and implementation of coherent agricultural policy. It will support the high priority that the GOP attaches to the establishment of a coherent policy framework for agriculture, will improve management practices in the sector, and will upgrade professional capacity.

F. Relationship to U.S.A.I.D. Development Assistance Strategy

The Agricultural Policy Formulation and Management Project is directly related to other A.I.D.-supported activities and overall Mission CDSS strategy. It is a coordinated, integral part of the Mission's ongoing technical assistance program with the Ministry of Planning (MIPPE). This Project will continue the Mission's policy dialogue of the last year into the first stages of policy formulation and implementation.

The Project will have a positive influence on the direction and management of other ongoing U.S.A.I.D. agricultural projects. As part of A.I.D.'s strategy encouraging policy reform, U.S.A.I.D. is supporting such production oriented services as crop research and extension programs in IDIAP and MIDA. Improved and expanded agribusiness marketing (both domestic and export) opportunities must be developed and encouraged. Finally, an overriding concern of Panama's public agriculture sector must be conservation

of the country's natural resources. Improved capacity to formulate and implement sound agricultural sector policy will have a significant impact on the direction of future sector programs, and on the design and implementation of individual projects.

G. Relationship to Other Donor Activities

1. World Bank

The World Bank Structural Adjustment Loan (SAL) of \$60.2 million aims at creating new growth opportunities by re-orienting the economy towards accelerated production, by the private sector, of goods for export. The main areas covered include (1) greater efficiency in both the allocation of resources within the public sector and reduction of its scope; (2) a new agricultural policy geared towards greater efficiency and a higher volume of goods for export. Restructuring or reform of public sector enterprises, including those such as La Victoria Sugar Corporation (CALV), Chiriqui Citrus Company, the Bayano Development Corporation and banana producers, COBAPA and COBANA, in the agricultural sector will occur. To facilitate the process, a World Bank Technical Assistance Loan is being used to finance two studies -- one on agricultural price and trade policy and another on agricultural institutions. The first phase of these studies will cost \$831.0 thousand.

The first study is being conducted by a team from the University of Minnesota. A final report is expected by September 1984. The study team is reviewing price policies for representative products such as rice, corn, beans, sorghum, poultry, beef, and milk. Comparisons are being made between historical trends in real domestic prices and international prices. The costs, benefits, and beneficiaries of agricultural product and input price policies are being reviewed. Trade policies affecting agricultural products (such as import and export restrictions, quota systems, tariff policies) are being analyzed. Recommendations will be made regarding the types of policies needed to reduce present market distortions and to provide incentives for increased agricultural production and export in areas where Panama has the greatest comparative advantage. This study will serve as a basis from which to begin the analytical and policymaking institutionalization process of the first Project component.

The second study involves a review of the present role of principal public agricultural sector institutions. Personnel from the Management Analysis Center (MAC) offices in Buenos Aires, Argentina and Cambridge, Massachusetts will pay particular attention to Panama's state enterprises, autonomous institutions and collectivized farm settlements. They will explore and recommend ways to reorient the public agricultural sector to conform with the newly articulated development strategy. Means to improve management and administration of these institutions will be proposed. This study should be completed in October 1984, and directly complements programming and management activities supported in the second Project component.

DNPS/MIDA is coordinating these studies, in cooperation with MIPPE. In the short-term, DNPS personnel will be participating in the technical

capability and managerial skills engendered by this Project should facilitate the changes required. The proposed Agricultural Policy Formulation and Management Project will provide MIDA with the basis for the development and implementation of coherent agricultural policy in line with new directions.

2. Inter-American Development Bank (IDB)

Materials produced under the Inter-American Institute for Agricultural Cooperation (IICA) Institutional Strengthening Project (PFI) (financed by the IDB) provided critical background information during the development of this Project.

A new IDB project, currently in its initial development phases is directly relevant to the second and third Project components. This project involves establishment of project inventories, and methods by which consistent investment priorities can be established. Such activities are concentrated in MIPPE's pre-investment division and will be ongoing during Project implementation. Close cooperation is expected as this Project provides detailed agricultural project information required by the IDB project, and as methodologies and results on prioritization are shared.

3. Food and Agricultural Organization (FAO)

The project will draw directly on data bases and a nascent informational center established under the FAO irrigation project. Project activities will draw upon this resource to create an information and documentation center, further described below (III.C.3).

III. DETAILED PROJECT DESCRIPTION

A. Project Goal and Purpose

The Agricultural Policy Formulation and Management Project is a direct response to the GOP'S need for analytical and management support in reversing its interventionist and protectionist policies of the past and in creating a favorable environment for private sector initiative and agricultural export growth. It supports the need both for establishing a coherent policy framework for agriculture and for translating this framework into effective action. It is designed to meet and expand demand for sound agricultural policymaking, to strengthen the capacity of the GOP to conduct policy analysis, to improve the information base for such analysis, to upgrade the management capacity of the public agricultural sector, to expand the base of professional competency in the sector, and to forge effective links with the private sector in the policy formulation process.

The goal of the Project is to increase overall production and efficiency in Panama's agricultural sector. Its purpose is to improve MIDA's capability to analyze, design, and implement sound, coherent agricultural policies, and to improve its capability to manage and coordinate programs and projects aimed at increasing overall agricultural production and efficiency. The Project purpose will be achieved through:

- Meeting current demand and stimulating increased demand for information and analysis for agricultural policymaking.
- Upgrading the capacity of the GOP to conceive and assess the pros and cons of agricultural policy alternatives.
- Improving the information base for agricultural policymaking.
- Strengthening the capacity of the public agricultural sector to perform its mandated functions efficiently and effectively.
- Broadening the human resource base of analytical and management talent in the public agricultural sector.
- Creating mechanisms for effective, systematic participation of the private sector in the policy formulation process.

B. End-of-Project Status

The Project will result in a number of outcomes that, in combination, will indicate achievement of the Project pupose. These outcomes will be as follows:

1. Strengthened GOP capacity to conduct policy analysis

A permanent, capable Agricultural Policy Analysis Group will be established in the Ministry of Agricultural Development. The Ministry,

through the Group, will exercise leadership within the government in the development and assessment of alternative short-, medium-, and long-term agricultural sector strategies and policies.

2. Increased public agricultural sector management capability

Personnel will be trained and administrative mechanisms will be established to enable the Ministry of Agricultural Development to perform its mandated functions effectively. Mechanisms will be institutionalized to identify and resolve management problems. Capacity will be expanded to select, design, budget, implement, monitor, and evaluate agricultural sector programs and projects.

3. Expanded capacity to service information needs of the agricultural sector

An Information Center will be established within the Ministry of Agricultural Development as a service unit to both the public and private agricultural sectors. The Center will consist of three functioning divisions: a Statistical Unit, a Computer Unit, and a Documentation Center.

4. Centralized and consolidated office facilities in Panama City

MIDA offices in Panama City will be centralized and consolidated so that policy analysts, administrative and management personnel have ready access to the Minister, senior management, and needed support networks. These office facilities will provide sufficient space, in an atmosphere conducive to quality work performance.

5. Increased private sector participation in the formulation of agricultural policies

An Agricultural Policy Unit will be established in the private sector. The Unit will be a mechanism for raising the level of public debate on agricultural policy; a center to inform producers and intermediaries of potential areas for development within the agricultural sector; a conduit for diffusion of information and analysis on issues of policy importance; and a sponsor of studies on agricultural policy issues. It will encourage private sector participation in a policy formulation process which responds to the realities of world and domestic markets and seeks to make a smooth transition toward a development strategy consistent with comparative advantage. It will provide information and analysis on issues of policy importance, potential opportunities within the agricultural sector, and facilitate access to technical assistance to explore possibilities for new or improved activities, technologies, or marketing strategies.

C. Project Components

1. AGRICULTURAL POLICY ANALYSIS SUPPORT

a. Statement of the Problem: Evolution of institutional arrangements for policy formulation and analysis

The key figure in agricultural policy formulation until his accidental death in 1981 was General Torrijos. His absence left a power vacuum, and considerable political uncertainty.

Policy formulation currently is fragmented among ministries, autonomous institutions, and various policy specific (ad hoc) commissions. Greater than thirty commissions, addressing various agricultural policy issues, existed in March 1984. The Economic Cabinet which unites various ministers and the President of the Republic provides a forum where issues of national and intersectoral importance theoretically can be discussed. However, the Agricultural Minister lacks an analytical arm which can provide him with the necessary technical arguments to properly advocate one policy position or another within this forum. Furthermore, the sector lacks reliable data, and experienced personnel necessary to identify and provide assessments of policy alternatives as well as propose feasible and credible solutions to problems. Given the relatively low contribution of the sector to national production, and the likelihood that it will not play a key growth role in the near future, the importance and attention afforded the sector is considerably less than other segments of the economy.

Decisive leadership in the public agricultural sector has been lacking. A succession of agricultural ministers has nominally held the role as "rector" of the sector. Their insecure tenure and lack of continuity of leadership have inhibited efforts at coherent policy formulation and implementation.

Theoretically, the Minister of Agriculture has authority over the Ministry and all semiautonomous institutions operating within the sector. He serves as president of their Directive Boards, but does not appoint their heads; they are appointed by the President of the Republic. In practice, the administrative burdens of the office, complicated by the plethora of public agricultural sector institutions, and the lack of decentralized or designated authority (and power) provide the Minister with little opportunity for careful reflection on issues of broader and longer-term significance. The semiautonomous institutions of the public agricultural sector set programming priorities and execute programs in virtual independence of each other. There is practically no central coordination to assure consistent objectives, and actions.

Historically, agricultural policies have been formulated without due consideration of the differential effects of such policies on producers and consumers. There has been little monitoring or evaluation of policies, programs and projects. Thus, there has been no systematized attempt to learn from past experience, or to take corrective action when needed.

The GOP has recently announced sweeping changes in overall national economic policy which seek to move Panama toward a market economy, increased exports, lower import protection, far lower government subsidies and less government regulation. Many of these measures will have an impact on the agricultural and livestock sector.

Ironically, since the new guidelines should affect the agricultural and livestock sector dramatically, they appear to have been made with little or no input from DNPS, either directly or through any of the three Ministers of Agriculture serving in the last 18 months. Yet the new policy guidelines cannot be implemented, unless the Ministry of Agriculture takes a major role in preparing regulations, allocating human and budget resources, and designing and implementing detailed policy measures to facilitate increased production and productivity. There is little evidence to suggest that this process has even begun.

Technical capability in policy analysis is embryonic. Most analysis is descriptive, and frequently based on questionable assumptions. There is little experience in assessing systematically the pros and cons of policy options. Nor is there analysis of prospective problems and possible solutions or actions. Strategic planning in anticipation of future problems or opportunities does not occur. Efforts at developing a critical mass of talented persons to perform such policy analysis are complicated by the incentive structures existing in the Ministry. Salaries are low. Personnel are not rewarded for good performance, nor penalized for poor performance. Periodic salary reviews and adjustments do not occur. Salaries are not assigned in any rational way to reflect educational or work experience of the individual. Carefully defined job descriptions, scopes of work, or clear delineation of functional areas of responsibility are lacking. Personnel are not evaluated. All authority stems directly from the Minister. Line officers and department heads cannot directly hire or dismiss their subordinates.

Although agricultural policy is now seen as a priority item on the national policymaking agenda in Panama, there is almost no staff support for public or private sector persons who have a voice in policymaking decisions. As a result, policies are frequently debated in a vacuum, enacted with glaring inconsistencies, announced without critical details, and implemented partially or not at all.

The National Directorate of Sectoral Planning (DNPS) of the Ministry of Agriculture should, by its mandate, provide that staff support for policy decisions affecting the agricultural sector. Unfortunately, the DNPS today is a rather weak organization. A handful of competent, dedicated senior staff have no effective means of motivating the bulk of the staff, and appear to be totally absorbed in "putting out fires."

Part of the staff has some training and experience in drawing up annual and medium-run plans, but few have any rigorous training in policy analysis. Only a few have Master's level training; two have doctorates in economics (from Spain), and most of the remaining technical staff have only the basic undergraduate college degree from a local university.

b. Response to the Problem: Creation of an Agricultural Policy Analysis Group in the National Directorate of Sectoral Planning (DNPS) of the Ministry of Agricultural Development (MIDA)

The Government of Panama, spokesmen for the private sector, and the Mission are all persuaded that the revitalization of Panama's agriculture depends on the ability of the government to set sound agricultural policies, with clear market-oriented "rules of the game" and appropriate price incentives.

In addition, the size of Panama's external debt forces the GOP to pursue increased exports, encouraging producers to be efficient enough to compete in world markets. At the same time, the principal means to deal with the fiscal budget deficit is to cut public sector expenditures. Many of the more attractive targets for expenditure cuts are in the agricultural sector agencies.

In the short run, the University of Minnesota and the Management Analysis Center of Buenos Aires and Cambridge, Massachusetts (financed by a World Bank Technical Assistance Loan) will help advise the Ministry and the autonomous agricultural sector agencies on a strategy to implement the new policy guidelines in each agency's operations. One role of this Project is to institutionalize the capacity to analyze policy alternatives, so the DNPS and MIDA can design and implement appropriate policies in the future.

This Project component will establish an Agricultural Policy Analysis Group within the DNPS. In focusing on the creation of such a group within the DNPS, the Mission has been influenced by both previous consultant studies in Panama, and the recent regionwide evaluation of agricultural sector planning activities. ^{1/}

(i) Guiding Strategy. One key lesson of that evaluation is that if policy analysis and planning projects are to be effective, attention must be given to the demand for information and analysis by decisionmakers. The evaluation concludes that a lack of demand has been the central constraint to effective agricultural sector planning in the past, and suggests that A.I.D.-supported activities be geared explicitly to the generation of demand for such services. As a result of the macroeconomic crisis in Panama, there is considerable demand for information and analysis right now, and this should facilitate implementation of this Project. Also, the Project is designed consciously to stimulate additional demand in the future, by providing a superior service. Guiding principles for this activity which emerge directly from the regionwide evaluation, include the following:

^{1/} Abt Associates, Inc., Evaluation of Agricultural Sector Planning Activities in Latin America and the Caribbean (Cambridge, MA, 1982).

- A.I.D.'s conventional emphasis on institutional capacity building is generally well placed. Nevertheless, if conflicts emerge between the objectives of institutionalization of capacity and the production of outputs, it is recommended that the balance be tipped toward production. Decisionmakers will only come to "want" policy analysis if they see that policy analysis is useful. Furthermore, the dynamics of capacity building can be expected to go much more smoothly if decisionmakers are convinced of the need for it.
- Data-related activities have not proven to be an effective lever for triggering analytical work, nor for stimulating demand for analysis. Therefore, it is recommended that A.I.D. shift its support priorities toward more directly analytical work. A.I.D. support of data-related activities should be seen as buttressing the demand process, but not stimulating it.
- It is often through compliance with unappealing, short-term requests that analysts can establish their credibility and spark interest in more thorough, thought-provoking analysis. To the extent that A.I.D. can provide support in meeting these requests, it may contribute to the ultimate objective of demand generation.
- As a rule, agricultural policy analysis units should concentrate on fast turn-around, highly focused, problem-oriented studies. Long-term data-intensive activities are wont to run into technical difficulties and often cost far more than initially estimated. If and when agricultural policy analysis units engage in long-term studies, they should produce real, "live" findings on a periodic basis and engage in short-term analytical work as well.
- Analytical methods need to be kept simple. In technology transfer activities, the absorptive capacity of host-country technicians must be kept clearly in mind. There is a real danger that esoteric techniques may never be used after A.I.D. support ceases. Thus, as a rule, analytical methods should be kept simple.
- Effective agricultural policymaking requires leadership and continuity of technically capable personnel. Most countries have problems in attracting and retaining qualified people. Ideally, a critical mass of strong senior and middle-level staff must be created in agricultural policy analysis units.
- Many A.I.D. projects pay considerable attention to the number of counterpart personnel that host countries assign to policy analysis units. This emphasis on quantity may overshadow the question of quality. The key is to have a critical mass of well qualified people and, at least after a certain point, numbers may be relatively unimportant.

- Policy analysis cannot be divorced from politics. Internal and external political support is almost a precondition for the effectiveness of a policy analysis unit. A systematic "public relations campaign" can be critical to the maintenance of political support for agricultural policy analysis.

(ii) Group Activities. The Agricultural Policy Analysis Group will be working simultaneously on several levels at any given time. The DNPS Director will channel requests from the Minister for policy studies for immediate application. Such activities will normally have the highest priority, followed by other short-term needs of other DNPS and MIDA units. The remaining available staff time will be devoted to medium and longer-term studies of specific policy questions that the Director of the DNPS, in consultation with the Group Head, has identified as priority issues of importance in coming years. These latter outputs will normally be published as they are completed, but in many cases the Group's written products may become parts of other DNPS' documents, such as a strategy study or an indicative programming document for the next two or three years (produced by the Agricultural Policy Management Group).

The Agricultural Policy Analysis Group will strengthen the DNPS' advisory role to the Minister of Agricultural Development on matters of agricultural policy. For present purposes, "agricultural policy" includes all economic policies that bear on the performance of the agricultural and livestock sector. It is not limited to those policies within the purview of the Ministry and the autonomous agencies of the Sector, such as support prices, and interest rates on Agricultural Development Bank loans. The concept also includes policies in other sectors that have significant effects on agriculture, such as taxes, incentive laws, protective tariffs and nontariff barriers, restrictions on exports, minimum wage and other labor laws, consumer price controls, etc. For this reason, the Group will be expected to be familiar with activities occurring in relevant policy discussion forums. Furthermore, the Head of the Group, as the DNPS Director's representative will maintain close liaison with policy analysis units in the Ministry of Planning and Economic Policy (MIPPE), other ministries represented in the Economic Cabinet, and the private sector.

It is anticipated that initial Project activities in this component will concentrate on issues of a short-term nature -- helping to clarify new policy directives which may occur following the conclusion of the World Bank financed University of Minnesota price and trade policy studies, and the Management Analysis Center institutional study. A survey of existing policy directives and legislation, policy instruments used, intents and effects of such policies will be undertaken. Subsequently, priorities for studies of a longer term nature would be established. It is probable that subject areas to be studied will include:

- Domestic supply elasticities for principal agricultural commodities.
- Price support policies -- continued monitoring of domestic prices, compared to border prices.

- Consumer food policy, consumption effects of alternative agricultural policies.
- Analysis of farm profitability.
- Examination of alternate incentive programs which will promote efficiency, increase value-added, and stimulate export commodities.
- Clarification of the respective roles of public and private sector agencies in procurement, processing, and internal and external distribution of specific commodities and inputs. Specifically, those functional areas in which the public sector has a comparative advantage would be highlighted, with recommendations offered regarding means to enhance their effectiveness. Coincidentally, those areas which are best served by the private sector would be examined.
- Analysis of rural labor markets, off-farm employment opportunities.

(a) Commodity Specialist Program. To facilitate policy analysis, and begin a process of consistent reporting and rapid access to information, a "Commodity Specialist Program" will be introduced in the DNPS. Junior staff members (with economics training or degrees) will become specialists in a specific commodity or problem area, e.g. basic grains, sugar, beef products, natural resource conservation. The guiding concept of the program is that each individual becomes a primary reference or bibliographic source for individual commodities or special topics. This individual would become an obvious resource for others within the DNPS working on specific policy issues, project design or program development. The commodity specialist would be expected to visit appropriate agencies, commissions, producers, and agricultural research and extension workers, and become familiar with pertinent existing library resources, documentation, relevant agencies, private sector firms, and knowledgeable individuals within the public and private sectors. Rather than become the leading authority on a particular subject, the specialist would become knowledgeable on which resources in the public and private sectors can provide information. Such information would be recorded in a consistent manner so as to be accessible to successor specialists. In addition the individual will maintain routine information on domestic production, processing, commercialization, and consumption -- including price and trade statistics. Recording of such information will become systematized and coded for easy entry into DNPS computer files. The intent of this Program is to familiarize individuals with the problems and sources of information on specific products. It is intended as one phase in a career in public agricultural service, not as a permanent position. Therefore, after six months time, the specialists will rotate to another subject. A total of three to four rotations might be expected before subsequent assignment to the Agricultural Policy Analysis Group, the Agricultural Policy Management Group, the Information Center or another post.

(b) Agricultural Policy Workshops. During the first two years of the Project, a series of Agricultural Policy Workshops will be

conducted. Such workshops will draw on lessons of the regionwide sector assessment of agricultural planning and policy formulation projects. They will be geared to the needs of Panama's policy analysts and decisionmakers, and will serve to stimulate demand for policy analysis and improve presentation of such analyses so that the needs of decisionmakers are served. The workshop participants will consist of agricultural decisionmakers (including those outside MIDA), and those technicians (in MIDA and other public sector institutions) who provide analysis and policy alternatives to them.

(c) Documentation and Evaluation of Group's Products. To document the usefulness of the Agricultural Policy Analysis Group's responses to requests, a Log will be maintained by the Group. For each request information will be recorded including the person (and office) requesting a service, form of the request (phone, letter, etc.), date received, a two or three-line summary of the request, staff person assigned to deal with it, date on which the Group replied, a few lines capturing the essence of the reply, and notes as to any feedback, comments or action which came of it. The information in this Log should be tabulated, summarized and included in a periodic report to the Director of the DNPS on the activities of the Group.

The Director of the DNPS, together with any resident advisors to the Policy Analysis Group financed by U.S.A.I.D., would report to A.I.D. by letter at least once a year, the highlights of this short-term response activity with their own evaluative comments on its usefulness. To help U.S.A.I.D. design future grants of this sort for other countries, these letter reports would include an estimate of the role that the DNPS' Policy Analysis Group responses appear to have played in actual policy decisions and in the subsequent implementation of those decisions.

c. Institutional Arrangements

The Project will support the creation of an Agricultural Policy Analysis Group within the National Directorate of Sectoral Planning, DNPS. This Group will act in effect as the staff support to the Minister of Agriculture, and through the Minister, to the Economic Cabinet of Panama where intersectoral policy issues are discussed. As directed by the Director of DNPS, the Group will respond to requests for short-term analytical assistance made by the Minister, Vice-Minister, other National Directorates, and other staff offices. It will work closely with other staff of the management and informational components of this Project so that their functions are mutually reinforcing and complementary. In addition, the Group will serve other DNPS Departments by providing necessary clarification on MIDA policy objectives and priorities. As needed, the Group will draw on other MIDA Directorates and on autonomous agencies. As instructed by the DNPS Director, the Group will respond to requests for analysis originating in the Ministry's advisory councils and coordinating boards. Institutions such as the National Agricultural Council (CNA, which is a nascent group of private sector advisors) and the public agricultural sector's National Agricultural Council (CAN) may serve as forums for the dissemination of the Group's reports, findings and recommendations.

The Agricultural Policy Analysis Group itself will be relatively small, numbering about 10 professionals (out of some 80 in the DNPS). A Head of the Group, named by the DNPS Director, will be responsible for assuring the smooth functioning of the staff and will act as liaison with the Heads of the Agricultural Policy Management Group and Information Center (described below in Sections C.2 and 3.) Some of the early work of the Group will be performed with resident and short-term consultants, but by the end of the Project policy analysis will be carried out by Panamanians, trained at least to the Master's level. This Group's time will not be totally occupied by longer term projects; rather, it will always be responsive to the occasional, and short-term needs arising in the course of Ministry operations. To supplement its capacity, it is envisioned that the Group will be able to call upon outside, private consultants in the future to perform specific tasks. To facilitate the process of drawing upon local consultants, others outside of the GOP, for short-term policy expertise, mechanisms for the rapid and flexible procurement of such services will be developed.

The DNPS/MIDA will closely coordinate its agricultural policy analysis functions with:

- The Minister of MIDA, and through the Minister with the Economic Cabinet -- where issues of intersectoral importance are discussed, and high level decisions made.
- The Ministry of Planning and Economic Policy (MIPPE), other public agricultural sector institutions, and other GOP institutions.
- The Agricultural Consultative Council (CCA, or CNA).
- Private sector agricultural policy groups.

d. Outputs

The Agricultural Policy Analysis Group will produce three broad classes of outputs:

- Brief memoranda to the Minister, Vice-Minister, National or Regional Directorates and other DNPS and MIDA staff offices. These will typically be responses to immediate, pressing issues, and replies will stress relevant facts, policy options, and the implications of each possible policy decision for other key issues of policy and strategy. Typical examples might have to do with support prices for rice, producer demands for specific changes in tariffs for agricultural inputs and products, or interest rates for agricultural production loans.
- Reports of medium and longer-range policy studies. These will usually be published widely for discussion and reflection in both the public and the private sectors. In

at least some cases, they may be researched and published jointly with MIPPE or other entities of the public or private sectors. One possible example would be a careful review of protective tariffs and non-tariff barriers applied to agricultural products, with a view to reflecting the market-oriented strategy announced by the GOP. (Such a study would build, for the agricultural sector, on some of the A.I.D.-funded work now being done at MIPPE on trade questions, as well as the studies being prepared by the University of Minnesota under the World Bank Technical Assistance Loan.)

- Policy analyses that are part of other work by the DNPS and MIDA, and that appear as part of Annual Operating Programs, Annual Reports, Indicative Development Plans or Programs, and strategy documents looking ahead several years in Panama's development. One likely example would be a study analyzing the cost of various options in dealing with the high-cost state-owned sugar refineries. Decisions must be made soon, and will have to be reflected in annual budgets and public sector investment decisions. Other entities will specify some of the technical alternatives, but the Agricultural Policy Analysis Unit would be responsible for some of the economic questions, or would comment in depth on the economic analysis done by others on the issue.

e. Inputs

The total cost of this component will be \$3,023.0 thousand. A.I.D.'s contribution will be \$1,968.0 thousand. The GOP contribution will be \$1,055.0 thousand. For details on cost, see Annex II, Exhibit C.

(i) A.I.D.

A.I.D. will finance two long-term resident economic advisors; each for a period of three years. One of these individuals will also serve as a Technical Director of activities in the Agricultural Policy Analysis and Information Support Components. (See V.A.1.) They will assist the DNPS in upgrading its policy analysis and formulation capacity and will train counterparts by informal on-the-job training. Together with other resident advisors financed by the Project, these individuals will assist the DNPS in responding to the demands of an immediate nature for policy directives and concrete programs and action. A.I.D. will finance on a declining basis the salaries of individuals contracted to replace other personnel who have been selected for long-term graduate study.

Approximately 18 person months of short-term technical assistance, acquired from non-local sources, will be financed. During the third through fifth years A.I.D. will provide additional grant funds on a declining basis to secure approximately 24 person months of local short-term consulting services.

Long-term graduate training, at the Master's and Doctorate level, will be provided to seven individuals in economics and agricultural economics. Their areas of specialization will be determined to supply the DNPS with expertise in areas such as price policy, marketing (domestic), international trade, agricultural finance, natural resource management (including tenancy and land conservation issues), rural development (non-agricultural activities, rural labor markets, off-farm employment opportunities), institutional development (e.g. public sector efficiency, state enterprise management). Courses in management will be required of all students. Two students will be selected for Ph.D. level training.

A.I.D. will finance short-term training and workshops for decisionmakers and managers designed to demonstrate the role and limitations of policy analysis, and the interrelationship between formulation of policy directives and translation into government actions.

A.I.D. will finance, initial subscriptions to journals on a declining basis, travel and per diem for contractors financed by A.I.D. and the purchase of books for the use of the Group. Such items will be housed in the Information Center. For one year, borrowing privileges for these items would be limited to the Policy Analysis Group unless prior written authorization of the DNPS Director was secured.

A.I.D. will finance the services of an Administrative Assistant and secretary, for approximately 42 months each. These individuals will assist the Technical Directors in managing Project activities and in complying with A.I.D. reporting requirements.

(ii) GOP

The GOP will finance salaries of participating personnel at a level that will be adequate to retain highly qualified individuals. The GOP will finance on an increasing basis: salaries of locally contracted personnel; short-term local consulting services; journal subscriptions, book purchases; in-country travel and per diem. The GOP will also be responsible for financing local support costs not mentioned above.

2. PROGRAMMING AND MANAGEMENT SUPPORT

a. Statement of the Problem

The Ministry of Agricultural Development is empowered by law to lead, guide and supervise the development of the agricultural sector of Panama. In practice, MIDA has had limited success in fulfilling its mandate as "rector" of the sector, and in promoting growth in the sector. Some problems are external in nature, e.g. drought, the worldwide recession, and commodity price declines. Others relate directly to the GOP institutions and their lack of cohesive strategies, rigid and nonresponsive systems and procedures, faulty coordination, and inadequate resources. Existing information channels do not generate enough relevant information to enhance managerial effectiveness at operational and executive levels. Information is

not received on a timely basis; thus possible feedback becomes largely irrelevant and originators of the information perceive little purpose to channeling the information. Data is processed manually. Financial information and operational progress reports are not produced in a manner which renders them useful for monitoring or control purposes. Administrative, financial and technical personnel lack clear instructions or procedures for producing and channeling information. No capacity exists to evaluate achievements, monitor individual activities, evaluate or motivate job performance. Before MIDA can actively discharge its responsibility as leader of the sector, important institutional, administrative, financial and operative improvements must be implemented. Clear, consistent objectives, efficient practices for program/project formulation, implementation, monitoring and evaluation, and the programming of resources and activities must be developed and installed.

At present, there is little coordination of activities between the autonomous institutions and MIDA. They program their resources in virtual independence of each other. This occurs despite the legal subordination of the autonomous institutions to the Ministry of Agricultural Development (per Decree No. 148). Although the public agricultural sector institutions, and agricultural planning activities in Panama have been the subject of several studies under the sponsorship of various international organizations, the considerable difficulties related to management and institutional coordination, which have hindered the growth and development of the sector, remain.

Within MIDA, existing coordination mechanisms and communications channels between National Directorates, National and Regional Directorates, and Departments within Directorates are less than ideal. Although a reorganization of the Ministry recently took place, based on recommendations of the IICA Institutional Strengthening Program (PFI) studies, the underlying factors contributing to management and coordination problems remain.

Critical to any organization's performance is a clear sense of leadership and direction. Yet, frequent changes at the upper Ministerial and other levels have made continuity of direction impossible. The supply of executive talent is limited and is difficult to develop since authority is concentrated in the Minister. Moreover, little delegation occurs and incentive structures are not appropriate to cultivate and retain management talent.

Although the DNPS is charged with responsibilities for "planning" public sector activities in the agricultural sector, it has not been able to satisfactorily perform this function. In large measure, its inability to approach this task results from the manner in which agricultural policy has been formulated, and the considerable amount of energy expended on "fire-fighting". As a result, public sector activities and responses have to a great extent been "improvised," and coordination between and within institutions has been difficult. Coincidental to the DNPS' inability to engage in planning has been the insufficient development and technical

formation of its personnel. Systems of program and project selection, design, budgeting and implementation are fledgling in nature.

Within MIDA, virtually no monitoring of program and project activities, or evaluations are conducted. Thus, it is difficult to learn systematically from past experience, or apply such lessons to the future so that resources might more efficiently be employed.

The principal "exception" to the diagnosis regarding the lack of planning is the annual budget exercise. Some effort to learn from the past, and to anticipate the future occurs when various offices present their demands, processed through the DNPS, for operational funds. Nevertheless, the procedures used to generate the financial figures in the budget and the content of budget documents are insufficient to support MIDA's claims to MIPPE for additional resources. MIDA lacks the means for objectively determining and defending budget priorities.

MIDA programs and projects do not enjoy operative, financial or administrative autonomy. Routine, administrative procedures of the Ministry require various clearances and lead to delays in implementation of programs and projects. Streamlining of such procedures, while allowing for sufficient control, would not only speed the process but free the valuable time of senior managers.

Currently, MIDA employs approximately 5000 persons, of whom only twenty percent are technical personnel; the remainder respond to "administrative" requirements. The mix of technical/non-technical personnel is inadequate to perform MIDA's prescribed functions. The quantity, quality, and incentive structures of MIDA personnel create severe problems for managers. The effectiveness of MIDA's technicians is hampered by a lack of direction, supervision, evaluation, and incentives. Skills can be upgraded, but the means by which to identify and select likely candidates for training, and then to reintegrate them into the organization are lacking. Remuneration patterns lack rationality; salaries are established independently of the individual's formal education and experience or position to be held; periodic evaluations and promotions do not occur.

b. Response to the Problem

By law, MIDA is the lead institution of the public agricultural sector which guides other institutions. The demands upon it, particularly given the new development strategy, are considerable. Clear direction and improved technical and operational systems are required to be able to respond to the new role of the sector. This Project component responds to the perception that management and program implementation have been negatively affected by the ad hoc approach to policy formulation. It directly complements the first Project component which supports the rational and thoughtful consideration and formulation of policy alternatives, by helping create a framework in which coherent and coordinated programming can occur. Critical to the development of this Project component is the recognition that policy formulation and policy implementation are two sides of

the same coin which cannot be separated from each other. That is, they are mutually complementary activities, both of which are required for the development and delivery of needed government programs and projects. Sufficient capacities in both functional areas are necessary in order to generate a product which is implementable and sustainable. This Project component operates on the implicit assumption that not until the central organ of the public sector is improved and strengthened, can the management problems of the autonomous institutions be addressed.

The first phase of a two-phase study on agricultural sector institutional management is currently underway, financed by a World Bank Technical Assistance Loan. The consultants' mandate includes examination of state enterprises and the collectivized farm settlements (asentamientos); considerable portions of their time will be occupied identifying problems and possible solutions in these areas. The World Bank's management support of public sector agricultural institutions (to begin in the second phase in 1985) will complement the management support of this component and strengthen the central coordination capability of the DNPS. The objectives of both the World Bank and this Project are in concert in attempting to support the public sector in its pursuit of the new GOP development strategy. In addition, both will be working with (and within) the DNPS; possible avenues of cooperation and collaboration have already been explored, and will be further developed during the Project. It is important to recall that this Project is an institutional development project. As such, it involves a process of developing the institutional capacity of MIDA; it can be expected to be an ongoing, continuous process, subject to modification. The Project will examine and evaluate any recommendations made regarding the structure of MIDA to determine if they respond to the needs and functions of the institution.

The importance of organizational and managerial capacity for effective program and project implementation cannot be overemphasized. This Project component adopts a twofold approach: 1) to improve the overall management capacity of MIDA; and 2) to strengthen the capacity of the DNPS to select, design, budget, monitor, and evaluate development activities of the public agricultural sector.

In the course of the Project, flexible systems for planning, budgeting and managing will be introduced. The development of effective career management systems will be encouraged. Administrative reforms which decentralize decisionmaking, improve coordination and strengthen external accountability will be promoted. Long-term technical assistance, extensive on-the-job training, and other formal education are the principal ingredients of this component. In addition, short-term technical assistance will be employed in the following areas: methods and procedures, systems analysis, inventory control, financial analysis, and personnel administration.

This Project component will provide on-the-job training in the use of planning concepts, ideas, information systems, methodologies and management tools. Result-oriented management systems will be introduced which evaluate performance (the outputs produced and productivity of resources used) as well as ensure that resources are employed as intended. The component will

assist MIDA in clearly defining the role of the institution in light of the objectives and results which it is trying to achieve. In the course of its activities, the Project will introduce: techniques to design programs and projects, methodologies for cost/benefit analysis, management concepts and systems to control program and project cycles, techniques for budget formulation and control, information systems, and standardization in the use of concepts and terminology.

(i) Personnel Management Strategy. Within this Project component, the Ministry's personnel practices -- including recruitment, assignment, promotion, and training -- will be examined. Both short-term and long-term technical assistance will be employed. In conjunction with the Department of Human Resources within the Administrative Directorate, the anticipated job requirements of the Ministry will be determined, job descriptions including functions and qualifications will be developed, and means to assure compatibility of occupational requirements and skills established. A process for identifying and selecting candidates for training or education, and smoothly reintegrating them into the organization will be developed. It is recognized that a key constraint to the recruitment, retention, and motivation of qualified persons is salary. Therefore, recommendations for rationalizing the existing salary structure, including a phased implementation plan, will be developed. Appropriate salary scales which reflect the job responsibilities and requirements, and the formal education and experience of the individual to occupy a particular position will be developed. Procedures for periodic evaluations will be introduced. A first draft of recommendations and a suggested implementation schedule for the personnel management strategy will be completed during the first 18 months of the Project.

(ii) Group Activities. The Agricultural Policy Management Group established within the DNPS will specialize in the following areas: program and project design and development, monitoring, and evaluation. Budget formulation will be integrated with program and project development, and day-to-day control functions will be performed by MIDA's Financial Directorate. Project implementation is the responsibility of ten Regional Directorates -- who receive assistance and support from MIDA's national directorates. This Project component will work closely with individuals based in the regions who are responsible for managing and controlling project and program activities. It also will support the financial and administrative functions performed by MIDA's Financial and Administrative Directorates.

Effective practices for program administration -- including tracking of performance and assessment of impacts of programs -- will be developed. The DNPS' programming and budgeting functions will be improved and integrated; resource allocation will be established in accordance with policy directives and program objectives. Reporting systems will be introduced which provide managers with sufficient and timely information required to monitor and control program and project activities. Project updates and periodic summaries, intended for the upper echelon of MIDA management, will be prepared. Such activities will occur in coordination with those of the Information Center.

(a) Agricultural Development Program. This Project component recognizes the key role of the DNPS to assist MIDA in performing its duties -- both as an individual institution, and as the guiding, coordinating mechanism for the public sector. The Project will assist the DNPS in providing an overall framework within which to guide public sector actions. To clarify the role of MIDA and facilitate the coordination of public sector actions, an agricultural development program will be developed. This basic document will provide an overall framework within which to guide public sector actions over a pre-determined period of time (of two or more years). It will be a practical document, limited in scope, and oriented towards coordinated implementation of well-designed public sector projects and programs. Its preparation time will not be extensive; it will be measured in weeks rather than months. The document will encapsulate the "vision" of agricultural sector development actions over a specified time period, and will serve as the basis from which detailed annual implementation plans, monitoring and evaluation plans are developed. The document will specify the "rules of the game" which will promote consistent government actions. Furthermore, the Agricultural Development Program will serve as a basis for communication with the private sector by clearly stating, in advance, government intentions and policies. The private sector thus will be provided with clear signals about which it can plan its activities. A collateral effect will be to facilitate the monitoring by the private sector of public sector actions, holding the GOP accountable for announced actions so that consistent, unambiguous signals to the private sector will be developed. If the public sector varies from its stated objectives the private sector can readily point out the discrepancies.

The Agricultural Policy Management Group will draw on the Agricultural Policy Analysis Group's inventory of existing policy directives and agricultural legislation; and its examination of various policy instruments used, commodities affected, intents of such policies, and effects of the policies. The two Groups together will clarify current policy objectives -- expressed in terms of desired or expected impacts, and target populations. Preferences for a particular type of activity will be determined during the policy exposition process, and priorities established. Criteria used to qualify such preferences may be expressed, for example, as those favoring a specific region, those promoting national integration, those promoting exports, or employment.

The Agricultural Development Program document will contain a summary of the agricultural development strategy, policies, objectives and priorities. It will list existing sectorwide policy directives; projects (including policy analyses) in the development stage; and those approved projects and programs, including specific service activities, which will be implemented during the specified time period, along with their expected termination dates.

c. Institutional Arrangements

The Project will revitalize an existing institutional mechanism for coordination of public agricultural sector programs and projects, the National Agricultural Council (CAN), which consists of the heads

of the public agricultural institutions and is chaired by the Minister. DNPS units supported by this Project will enable the CAN to function more effectively as a forum for coordination of public development activities in agriculture. The DNPS will act as the CAN's technical arm, to serve as directed by the Minister and will suggest operating procedures, committee configurations, and agenda items for discussion. It will keep the CAN apprised of its activities by forwarding program documents for the CAN's information.

An Agricultural Policy Management Group will be formed within the DNPS to perform programming and budgeting functions which respond to policies, clarified objectives, and priority areas developed and refined by the Agricultural Policy Analysis Group, and approved by the Minister. The Director of the DNPS, together with the three heads of the Agricultural Policy Analysis and Management Groups and the Information Center (described in Component 3, below), will coordinate their work programs to promote complementary actions, and appropriate feedback.

Personnel in the Regional Directorates will receive on-the-job training in program and project implementation, monitoring and evaluation; and will be linked to the DNPS by rationalization of information flows. Regional personnel will receive instruction on data gathering, processing and analysis techniques necessary for program development and control. (This activity occurs in coordination with the Information Center; see Component 3, below.)

The Administrative and Financial Directorates of MIDA will be strengthened. A Management Specialist in Public Administration and Finance will introduce appropriate procedures and automation and will be responsible for training in its use. This individual will develop, as needed, administrative and financial instructive manuals, and will help devise mechanisms for flexible and rapid procurement of equipment or services (including short-term technical assistance.) To increase its cadre of qualified managers and administrators, short-term and long-term training will be provided to high and middle-level executives. Training at the Master's level in business or public administration will be provided for approximately ten individuals. Intense, in-country training will upgrade management skills of other MIDA line and staff managers.

d. Outputs

In an ultimate sense, the output of this component will be agricultural sector programs that flow from policy priorities and are well designed, implemented, monitored and evaluated. In a more immediate sense, outputs will include:

- Functioning institutional mechanisms for selecting, designing, budgeting, implementing, monitoring, and evaluating agricultural sector programs and projects.
- An integrated and coherent approach to public sector agricultural program development.

- Integration of programming and budgeting functions.
- Coordinated execution of GOP agricultural sector programs.
- Management information systems that will be used to monitor program performance and learn from experience.
- Efficient reporting and monitoring mechanisms designed to serve the specific needs of senior and mid-level management.
- An effective career management strategy.
- Trained personnel in programming, budgeting, and management.

e. Inputs

The total cost of this component will be \$2,367.6 thousand. A.I.D.'s contribution will be \$1,660.0 thousand. The GOP contribution will be \$707.6 thousand. For details on costs, see Annex II, Exhibit C.

(i) A.I.D.

Four long-term resident advisors will be financed. These include: one Management Specialist in Public Administration and Finance (for 3.0 years), two Program Specialists (for 3.0 and 2.0 years, respectively), and one Project Specialist (for 2.5 years). One of the specialists will serve as the second Technical Director for Project activities. (See III.C.1.e and V.A.1.) The Management Specialist will assist MIDA in improving its overall administrative and financial management. This individual will introduce methods to rationalize current administrative and financial procedures, and will provide on-the-job training to personnel in the central and regional offices. Two Program Specialists will work principally with the DNPS in the development of implementable programs for the sector. They will also spend roughly one-fifth of their time with personnel in the Regional Directorates, providing orientation and on-the-job training for the programming and budgeting methods being utilized. One Project Specialist will develop skills of DNPS personnel principally in project design, monitoring, and evaluation, and of Regional personnel in project implementation.

Approximately 18 months of short-term technical assistance will be financed. The services of a personnel management specialist will be employed for roughly eight months to help develop a career management strategy, recommend salary scales, and propose a phased implementation plan. Other short-term assistance will be provided in systems analysis, financial analysis, inventory control, and methods and procedures.

Extensive on-the-job training will be provided by the Resident Advisors. Complementary, short-term executive training courses will be offered for personnel in the central and regional offices. In addition, long-term management training will be provided to roughly five persons who

will subsequently be assigned to the MIDA directorates with major administrative, financial and operative responsibilities.

A.I.D. will finance the purchase of additional equipment and materials, including three vehicles, required computer equipment and initial supplies, audio-visual equipment to be used for in-country training, and other equipment.

A.I.D. will finance in-country travel and per diem on a declining basis for contractors financed by A.I.D.

(ii) GOP

The GOP will finance salaries of participating personnel at a level that will be adequate to retain highly qualified talent. In-country travel and per diem will be financed on an increasing basis. The GOP will finance maintenance contracts and insurance on major equipment purchased with A.I.D. funds. Local support costs not mentioned will be the responsibility of the GOP.

3. INFORMATION SUPPORT COMPONENT

a. Statement of the Problem

Reliable and accessible information, presented in a timely and useable manner, is critical to the formulation of sound agricultural policies and to the design, implementation, monitoring and evaluation of GOP programs and projects. Presently, considerable amounts of information pertinent to the agricultural sector exist, but its quality, scope and accessibility require improvement. Furthermore, the ability to effectively use this information, and influence its collection and presentation depends on the capacity of decisionmakers, analysts and managers to identify and define their goals and to analyze or utilize the information. Within the Ministry of Agricultural Development and the National Directorate of Sectoral Planning, little in-depth problem-solving, strategic planning, analysis of policy alternatives or careful and consistent project and program development occur. Such activities are limited by the lack of trained personnel and the lack of accessible information. The first two components of this Project will help provide decisionmakers, managers and other technicians with the appropriate tools to perform their respective duties. This component will improve the quality and access to information which serves as a necessary input for such decisions and actions.

Various types of agricultural information are produced by public sector institutions. Such information varies in content, frequency of collection coverage, processing, distribution, and storage for subsequent retrieval. Principal producers include: the Statistics and Census Directorate (DEC) within the Controller General of the Republic, autonomous institutions, National Directorates within MIDA, and Regional Directorates of MIDA. Such information serves specific needs. There is little attempt to coordinate information gathering, processing or flows.

The actual and potential uses of such information cannot be realized without an integration of the supply and demand for information. A positive example of the mutual relationship between the supply and demand for information is the ongoing work of the Information Center of MIDA (CIMIDA) within the DNPS. CIMIDA is an outgrowth of a FAO irrigation project. The project required specific types of agroclimatic and production information and CIMIDA was created to unite this information for all regions of the country. CIMIDA uses the computer facilities of the Controller General and draws on data from various sources. After overcoming some initial resistance from some quarters to the sharing of information, CIMIDA has generated sufficient interest that other agencies, for example RENARE, directly participate in its activities. However, there is some caution on the part of CIMIDA personnel to generate only that demand for which they have a capacity to respond.

Although CIMIDA is a first step toward addressing some of the difficulties of information availability, serious problems remain. In general, there is a lack of readily accessible information (data as well as documents and publications) within central MIDA, the DNPS and regional offices. There are few experienced, trained information users; the level of training in statistical analysis is low and infrequent efforts are made at using existing documentation.

The personnel within the DNPS and the public agricultural sector have limited experience in data management and computer use, marginal experience in probability based data collection methods, design and codification of questionnaires. Glaring deficiencies are the lack of a readily accessible documentation center to facilitate access to secondary information sources and serve as a reference point and referral service; and lack of agricultural data banks for easy and timely access and analysis at all levels of MIDA and the public agricultural sector.

b. Response to the Problem

A key lesson of the regional evaluation of agricultural sector planning activities is the need to focus on demand for information and analysis. This Project is designed in a conscious attempt to stimulate additional demand for information in the future. The Project activities are constructed in an incremental staged approach in which the technical capacity and data bases are first developed; their potential services made known; effective products delivered and responses made to additional requests for information or assistance.

(i) Guiding Strategy. An information system within the DNPS will be created. Its primary function is that of a service unit -- first, to the DNPS; second, to the rest of MIDA; third, to other public sector (agricultural) institutions and fourth, to the public at large. This system will effectively manage information -- including collecting, processing and storing information -- and will disseminate information. It is not intended as an analytical unit; it functions as a service support unit. The Information Center will consist of three subdivisions: a statistical unit, a computer unit, and a documentation center.

(ii) Information Center Activities.

(a) The Statistical Unit. The Statistical Unit will be staffed by two statisticians and three assistants. One of the statisticians, who will serve as the head of the Unit, will have Master's level training in statistics; the other will have a Bachelor's degree. This Unit will:

- Assist other departments of the DNPS in statistical analysis and design of sample surveys.
- Design and pre-code survey questionnaires and plan, implement and supervise surveys.
- Provide statistical analysis to the regional offices of MIDA on a regular basis, and as requested.
- Instruct and train DNPS and other MIDA personnel in basic principles of statistical analysis.
- Open and maintain avenues of communication and cooperation with the DEC, and explore and formalize means of cooperation with other public sector institutions.

(b) The Computer Unit. The Computer Unit will be headed by an individual with Master's level experience in computer science and systems analysis. This individual will direct the work of three computer programmers (trained at the Bachelor's level), and two assistants. One of the programmers will be assigned the primary duty of assisting the Management Specialist in Public Administration and Finance in developing appropriate tools to improve the administrative and financial management of MIDA. This individual will work in the computer sub-center established for these purposes.

The Computer Unit will:

- Create and update data banks of continuous (time series) and non-continuous data series. Data bank creation involves designing the data bank so that the stored data is easily retrievable. It also involves entering and cleaning the data and documenting the data bank. These activities fall under the heading of Data Management.
- Write and maintain computer programs as required by users of the computer and in the performance of other functions.
- Train actual and potential users in the use of available computer packages and programs and in the use of computers.

- Inform and make available to other public sector institutions existing and newly created data banks and programs.
- Design codified forms for the systematic reporting of data from the regional offices.
- Assist the Statistical Unit and Agricultural Policy Management Group in training Regional Information Specialists who will be integrated into the system of management information flows. The Regional Information Specialist will head any future Regional Information Sub-Centers which are created.
- Explore and formalize avenues of cooperation with other public sector institutions in coordination with the statistics unit. This includes sharing of data, computer programs and possible assistance in computer programming and data management.

(c) The Documentation Center. The Documentation Center will be headed by an individual with at least a Bachelor's degree in Library Science. Two assistants and a secretary will also be assigned to the Documentation Center. The Center will:

- Maintain all published data series in the country, including the DEC statistics series.
- Obtain, maintain, and store all published documents, studies, etc. related to the general economy and the agricultural sector.
- Lend documents to users. Users will be first and foremost DNPS personnel; second, the rest of MIDA and third, the rest of the public agricultural sector.
- Identify and file documents according to the existing library classification system presently used in the country so as to ensure compatibility with other systems. The references will be computerized based on key words, authors and subjects to allow rapid document searches.
- Establish and maintain formal linkages with the Agricultural Information System coordinated by IDIAP.
- Establish and maintain liaison with existing international information networks.
- Provide copies of all documents or studies produced by the DNPS to the Regional Information Sub-Centers, once established.

c. Institutional Arrangements

The Project will support the creation of an Information Center within the National Directorate of Sectoral Planning. The Center will respond directly to the Director of the DNPS. His office will channel all requests for services from the Minister, Vice-Minister, and other MIDA directorates to the Center Administrator/Coordinator. Requests originating in the DNPS offices will be delivered directly to the Center Administrator/Coordinator. Priorities for responding to such requests will be established in consultation with the DNPS Director.

Operationally, the Center will respond first to the immediate and longer term needs of the DNPS, and subsequently to other members of the public agricultural sector. Nevertheless, it is envisioned that avenues of communication, cooperation and coordination will be established with other agencies. The close ties which have already been established with the Controller General will be maintained, particularly as the computer facilities and data bases of that institution will continue as sources of support for this component of the Project.

The Information Center will consist of three subdivisions: a statistical unit, a computer unit, and a documentation center. The heads of these respective subdivisions will be directly responsible to the Center Administrator/Coordinator. The Administrator will have secretarial support services, and can modify assignments of other personnel in the Center.

The Center will be located in Panama City -- where it can directly serve the DNPS' Agricultural Policy Analysis and Management Groups, other DNPS personnel, and the Minister and his advisors. The Center will draw on Commodity Specialists (described in C.1b, above) as an information resource. During the first year of the Project, a small computer sub-center will be established in MIDA administrative offices in Santiago to support the Management Component of this Project. On a pilot basis, an information sub-center including a computer facility -- linked to the principal Information Center office -- will be established in at least one regional office by the third year of the Project. This latter sub-center will test the feasibility of establishing regional centers in the future, in coordination and cooperation with other autonomous institutions.

The Regional Information Sub-Center. On a trial basis, a regional information sub-center -- with computer facilities and a small specialized documentation center -- will be established in at least one region. Lessons learned during its operation in the last years of the Project will be applied to the development of other sub-centers in MIDA Regional offices.

In each region, a Regional Information Specialist who would assume the responsibilities for operating the sub-center will receive training from the DNPS Information Center and the Agricultural Policy Management Group. This person can be considered an adjunct to the Information Center who will be integrated into the systems of information flows introduced. This

individual will collect data to be provided to the Computer and Statistical Units on a regular basis; assist the Regional Director in analysis of data by drawing on support of the Statistics Unit; coordinate data collection efforts within the region in cooperation with the Information Center of the DNPS.

d. Outputs

In an ultimate sense, the output of this component will be a service center, capable of serving the informational requirements of the agricultural sector -- both public and private. In a more immediate sense, outputs will include:

- Functioning institutional mechanisms facilitating the flow of information which serves specific needs of end-users.
- A documentation center for primary and secondary data, as well as referrals to original information sources.
- Improved information flows between regional and central MIDA offices.
- Functioning programs and personnel trained in administrative and financial information management.
- A statistical service unit which supports policy analysis and complements information-gathering activities of other public sector institutions.
- A methodological base for data collection and analysis.
- Data bases, created from both primary and secondary sources which serve the needs of policy analysis, program and project administration, and financial management.

e. Inputs

The total cost of this component will be \$1,606.3 thousand. A.I.D.'s contribution will be \$915.0 thousand. The GOP contribution will be \$691.3 thousand. For details on costs, see Annex II, Exhibit C.

(i) A.I.D.

Long-term technical assistance will be provided for a period of approximately 36 months by one resident advisor. This individual will be experienced in statistical analysis, sampling techniques, survey design and implementation, data management, and operation of computers (including some programming experience.) This person will work directly with the Center Administrator/Coordinator, and heads of the three sub-divisions.

Long-term training will be provided to one individual to attain the equivalent of a Bachelor's degree in Statistics, and to two

individuals to acquire the equivalent of Bachelor's degrees in computer sciences (programming, with one specialized in data management).

Short-term training will be provided, as necessary, to the library scientist who will head the Documentation Center, to all assistants in the three sub-divisions, and to the one programmer assigned to support development of financial and administrative management systems.

A.I.D. will provide materials and equipment that will be required to make the Information Center operational. This includes: computer equipment, related software and initial supplies, one four-wheel drive vehicle, maps, survey sample design equipment, books and reference materials for the Documentation Center, initial subscriptions to a small set of journals, specialized furniture required for the Center, and one photocopier.

In-country travel and per diem of A.I.D. financed contractors will be financed on a decreasing basis for those activities generated by this component which had never before been performed by the DNPS. This includes survey activities, short-term training exercises in regional offices, and travel required in the establishment of new management systems.

A.I.D. will contribute financing to centralize and consolidate DNPS' office facility to provide sufficient operating space for all Project components such that easy access to the DNPS, the Minister and senior Ministry management is maintained.

(ii) GOP

The GOP will contribute sufficient office space to house the Information Center. The GOP will finance salaries, at a level adequate to retain qualified talent, of personnel directly participating in the activities of the Information Center. The GOP will assist in financing short-term training in library science (by securing funds from international sources.) The GOP will finance maintenance contracts and insurance on major office equipment purchased with A.I.D. funds. Subscriptions to journals and the purchase of other documents, other than those initially procured, will be GOP financed on an increasing basis. In-country travel and per diem will be financed on an increasing basis. Local support costs not mentioned will be the responsibility of the GOP.

4. OFFICE FACILITIES SUPPORT

a. Statement of the Problem

The Ministry of Agricultural Development has an office complex at its seat in Santiago, regional office facilities in each of ten regions, and various leased quarters in Panama City. Certain key MIDA offices -- including sections of national directorates of planning, renewable resources, agrarian reform, and finances, as well as senior management -- are located in various buildings within Panama City. The MIDA office facilities

in Panama City are too small to house key MIDA directorates located there. Such overcrowding does not create conditions which are conducive to performance of quality work. The February 1984 reorganization of MIDA will prompt the relocation from Santiago to Panama City of additional offices, and will further strain existing space. The space requirements of this Project, including the needs for computer and library space, cannot be accommodated in the existing Panama City offices.

b. Response to the Problem

In order to encourage professional, coordinated policies, programs and projects, office facilities must be improved. First, sufficient total space is required. Second, appropriate design and assignment of the space is required. This latter consideration takes into account the need for easy access and coordination among offices. In particular, there is a need for policy advisors and management personnel to have ready access to the Minister and senior management, information and documentation sources, financial and administrative management data, and computer facilities. Under the Project, A.I.D. and the GOP will provide financing to unify the central MIDA offices in Panama City.

c. Institutional Arrangements

MIDA will be provided with a government-owned facility or will lease or purchase a building which has sufficient space for Panama City-based personnel and equipment. ^{1/} Prior to provision of A.I.D. funds for renovation and remodeling, a land title or lease, and a full set of scaled construction documents will be required for A.I.D. review. These documents will include:

- Detailed floor plans showing the allocation of space and the location of telephone, electrical and water services.
- Construction details of walls, ceilings and floors in the renovated spaces.
- A materials list.
- Drawings showing the layout of the ventilation and air-conditioning systems for the general office space and the computer and library facilities.

^{1/} By "sufficient" space is meant a minimum of 10 square meters for a private office, 6 square meters/professional for shared office space -- with no more than four persons per office, and 6 square meters per secretary.

d. Outputs

The output of this component will be a centralized and consolidated office facility in Panama City which enables policy analysts, administrative and management personnel easy access to the Minister, senior management, and needed support networks. These office facilities will provide sufficient space, in an atmosphere conducive to quality work performance.

e. Inputs

The total cost of this component will be up to \$994,000. A.I.D.'s contribution will be up to \$394,000. The GOP contribution will be \$600,000.

(i) A.I.D.

A.I.D. will provide up to \$394,000 to finance building renovation, and interior remodeling. No recurring costs (rent or maintenance), luxury items or basic building construction will be financed.

(ii) GOP

Over the life of the Project, the GOP will contribute \$600,000 to consolidate office facilities. Such funds will be used for expenses such as rent, building maintenance, equipment purchase, and moving.

5. PRIVATE SECTOR POLICY SUPPORT

a. Statement of the Problem

The Agricultural Policy Formulation and Management Project is a direct response to the GOP's need for analytical and management support in reversing its interventionist and protectionist policies of the past and in creating a favorable environment for private sector initiative and agricultural export growth. It recognizes that sound agricultural policymaking is essential to improved sector performance and, consequently, attaches high priority to the need for solid analysis of policy alternatives and the formulation of policy in a clear and consistent fashion. Policymaking is viewed as only one stage in the overall process of agricultural sector management -- a stage that cannot be divorced from other stages of the process. Furthermore, the Project design recognizes that the theater in which policymaking occurs must include all the principal actors in the sector.

Key to improving agricultural sector production and productivity is the private sector. The performance of private sector producers is greatly affected by GOP actions. Such individuals fervently desire clear and consistent signals from the public sector so that they can plan their activities accordingly.

The GOP is looking more to the private sector to revitalize agriculture, and now is actively attempting to integrate the

private sector into policy discussions. A number of commodity-specific commissions, composed of public and private sector representatives, have been formed. A National Agricultural Council (CNA), composed of nineteen members of the private sector appointed by the Minister of Agriculture, was established in January 1984 to advise the Ministry on policy. ^{1/} To date, this latter organization has not served its mandated function. Nevertheless, such an institution is a potentially important forum for discussion and communication between public authorities and interested parties within the agricultural sector.

At present, there is no forum in which a broad range of agricultural concerns or the long-term development potential of the agricultural sector can be discussed. Sporadic efforts at policy dialogue between the public and private sectors suffer from the lack of a coherent, consistent framework for policy formulation and implementation within the public sector.

Public debate on agricultural policy issues is disparate and focused on issues of immediate concern. Examples are price supports, the timing of food imports (to avoid coinciding with local harvests), and timely payment of producers for products delivered to the government marketing agency (IMA). Frequently private sector responses are in reaction to announced actions rather than as an element contributing to the process of policy dialogue. For example, some producers dumped potatoes in front of the Ministry of Agriculture. Such responses are not based on solid analysis of policy alternatives, exposition of the likely consequences of such options, or demonstration of the deleterious effects of announced policies or those currently being applied.

Panamanian farmers are organized to a considerable degree into producer organizations along commodity-specific lines, e.g. rice, cattle, dairy, coffee, poultry. Associations, at both the national and regional levels, are vigorous advocates for the particular interests of their members. Recent experience has demonstrated that (contrary to many developing nations) Panamanian agricultural producers have greatly affected policies. For example, they have been able to maintain high support prices for some products. Influential individuals and groups have successfully operated within the context of ad hoc policy formulation to extract policy measures which in many cases are inconsistent and contradictory to other national development objectives. They have successfully emulated their brethren in

^{1/} The Consejo Nacional Agropecuario (CNA) was formed by Executive Decree No. 12, January 31, 1984 to act as a policy advisory group. Technically, it differs from the Agricultural Consultative Council (Consejo Consultivo Agropecuario, CCA) which exists on paper -- and is included on MIDA's organigram -- but has not yet been formed. (The concept of the CCA is included in the 1973 law which created MIDA.) However, for all practical purposes, the CNA and CCA are viewed as synonymous.

other developed countries to secure protection from competition, and some assurance of return on investment.

The experience of the past few years has demonstrated to the current administration the necessity of changing its economic development strategy. Past interventionist and protectionist measures can no longer be sustained. Public coffers will not permit it; external (international) funds are unavailable for such purposes. Such realities are not as readily apparent to those in the private sector who have been the prime beneficiaries of high support prices, subsidized interest rates, quantitative restrictions, or tariff barriers.

The public sector is the direct recipient of policy advice emanating from various quarters (e.g. the International Monetary Fund, World Bank, U.S.A.I.D.). Yet such counsel rarely directly reaches private sector parties who will be most affected by decisions based on such advice. The private sector is not included in the process which involves interaction between public institutions. An information gap exists between those in the public sector who are convinced of the necessity of reorienting their interventionist tactics and those in the private sector who have benefited from such protection. Yet, the direction that Panamanian administrations will take in the future is clear. The GOP is committed to redirecting the economy to one more consistent with comparative advantage, and domestic and world market conditions. To achieve this objective requires changes in the performance of agricultural producers and intermediaries. Increased productivity (measured with respect to any input employed), changes in productive activities (products, timing of production, e.g. modified cropping seasons, etc.) and new marketing strategies are indicated. Opportunities for investment in the sector, and export potentials must be identified and communicated to the private sector.

However, improved communication flows between the public and private sector alone are insufficient to generate a consensus with respect to actions required. A modified forum is required where reflection on issues of broader and longer range importance can occur. Currently, the problem with private sector participation in agricultural policy formulation is not so much the quantity or level of participation, but its quality and the level at which subjects are discussed. There is little informed debate on where the sector as a whole is (or should be) going, and whether individual policies are consistent with such a long-term strategy. The means in which policy concerns are defined, analyzed, reported, and discussed must change to elevate the level of policy discussion, or the level of consciousness with which the state of agriculture is considered. In particular, there is an evident need within the private sector for education concerning the interrelationship of sector policies, and the effects of such policies on the nation -- within a world context. The existing mechanisms which unite the private and public sectors cannot promote broader and longer-term consideration of policy issues. The latter orientation must be engendered through separately focused efforts.

b. Response to the Problem

An Agricultural Policy Unit within the private sector will be established to:

- Broaden and raise the level of public debate on agricultural policy.
- "Educate" the private sector on the government's overall strategy for agricultural development, the relationship of specific policies to this strategy, and interrelationships among the policies in question.
- Create mechanisms -- discussion forums, newsletters, etc. -- for dissemination of information on agricultural policy issues and for broad-based deliberation of agricultural policy alternatives.
- Increase private sector access to analytical expertise capable of assessing the pros and cons of policy alternatives within the context of the nation's overall agricultural sector development strategy.
- Involve the private sector as an informed participant in deliberations on agricultural sector strategy and policies.

(i) Activities. The principal activities of the Unit will be educational -- exploring future opportunities, and helping inform the private sector of ongoing decisions affecting the sector's development. Such activities will strive to build a consensus between public and private sectors with respect to national development strategies and the appropriate roles for the private and public sectors. The Unit also will facilitate access to expertise to perform policy analysis, market feasibility studies, and provide other technical and management assistance.

The Agricultural Policy Unit will:

- Organize and convene meetings, seminars, and workshops.
- Publish and distribute a newsletter.
- Facilitate and promote information flows within the private sector, and between the private and public sectors.
- Serve as a clearinghouse for market information, and status reports on ongoing policy studies/actions.
- Maintain a consultants' roster which can be employed to satisfy identified technical requirements.
- Act as an intermediary to secure consultants' services.
- Sponsor analytical and market feasibility studies to support policy recommendations, and promote investments.
- Manage moneys which can be used to defray the costs of employing policy analysts, and market researchers.

The proposed Agricultural Policy Unit will be small in size. Its personnel will consist of a Policy Specialist (probably an economist, trained at the M.S. level or above), one Office Manager, one Administrative Assistant, and a secretary. These individuals would be recruited by the administering private sector organization, with the assistance of A.I.D. It is anticipated that services of other, prestigious institutions will be solicited to help shape the Unit's educational and promotional activities.

Participating in the activities of the Agricultural Policy Unit, and included on its mailing list are: major private sector producers associations, cooperatives, Private Voluntary Organizations, private sector sources of credit, fertilizer, chemical inputs, other purchased inputs. Also included on mailing lists (during the first two years of A.I.D.-financed distribution) are: the Minister of MIDA; DNPS Director; Chamber of Commerce, Industry, and Agriculture; University of Panama, Economic and Agronomy Faculties.

The Policy Unit will communicate with the Regional MIDA and extension service offices, the DNPS in Panama City and other public agencies to facilitate exchange and discussion of data and information, results of studies, and research procedures. Such coordination will serve as a mutual reinforcement and will enhance the work effectiveness of both the private and public sectors.

(a) Educational and informational forums and newsletters.
In the process of elevating the level of public debate on agricultural policy, one of the principal functions of the Unit will be educational. Mechanisms such as seminars, workshops, roundtable discussions and newsletters will be instruments used to clarify economic and business aspects of policy actions in Panama and the world market. The Unit will keep abreast of agricultural policy studies and discussions occurring within and outside of Panama. It will monitor policy actions in Panama, market conditions in Panama and pertinent world markets. The Unit will publish a newsletter including information on policy formulation, actions, GOP policy analyses, export and investment opportunities, and conferences of interest.

Possible themes for seminars, roundtable discussions, workshops, and newsletters are listed below. They include:

- Issues of importance to the agricultural sector at large e.g demonstrating why it is necessary to change past GOP policies with respect to e.g. support prices; how the private sector can assist in cushioning or easing the transition shock by cooperating in a phased reduction of support prices, reducing their unit costs of production, and examining alternative activities.^{1/}
- Long-term development potential of Panamanian agriculture. ^{1/}

^{1/} This subject is likely to be one of the first selected for consideration through seminars (or encuentros) sponsored under this component.

- Commercial opportunities -- with respect to the domestic markets (domestic demand); to immediate regions (Central America, Caribbean, northern South America); U.S. markets; European markets; East Asia; Rest of World.
- Caribbean Basin Initiative marketing opportunities.
- Increasing Domestic Value Added -- through agroindustrial development first stage processing, increased productivity (decreased cost per unit of output), increased quality of production.
- Alternative agricultural development strategies.
- Incentives for investment in agriculture.
- Analysis of determinants of farmer profitability.
- Prefeasibility studies of export potential.
- Introduction of New Activities/Products.
- Compatibility of monetary and fiscal policies with agricultural development.
- Natural Resource Conservation -- soil erosion; soil depletion; reforestation; overgrazing; water resources.

(b) Policy Studies. The Unit may sponsor policy studies whose subjects meet criteria agreed to by the sponsoring organizations and A.I.D. For example, there will be a preference for studies which cut across product lines, e.g. those examining supply, demand, distribution, and price issues of inputs (factors of production) -- fertilizer, seeds, machinery, labor, other chemicals, transport; and for those involving more than one region.

(c) Marketing Studies. The Unit will assist the private sector in market analysis and feasibility studies for domestic and export markets which will help Panamanian producers expand production without sharp price consequences, reduce risks of income losses, and help Panamanian agriculture make the long run adjustments consistent with comparative advantage and world market institutions. Specific activities under this heading will be:

- Collect up-to-date published U.S. Market News Reports, market studies, information on international norms and quality standards, and lists of buyers, importers, brokers and useful market contacts. Make these readily available to interested producers and intermediaries.
- Provide information on qualified market analysts to conduct feasibility studies on expanding or initiating sales and/or exports to specific markets during specific time periods.

- Sponsor or co-sponsor other studies regarding production efficiency, marketing techniques and enterprise management in accordance with agreed upon criteria.

It is not intended that the personnel of the Unit conduct policy or market studies. Rather, they will contract with consultants to perform needed studies. Furthermore, the Unit will administer moneys through which others can sponsor studies. To gain access to these funds, an individual or organization must submit a request for financing to the Unit -- which will include the purpose of the study, terms of reference for consultants, data sources and availability, time frame, and a detailed budget. The intent and basic information for each proposal must be published in the newsletter to allow for "competitive" proposals, cooperating/collaborating efforts, and comments. The Board of Directors (described below) will determine the awards. A.I.D. will disburse the funds to the Unit which is responsible for satisfying A.I.D.'s disbursement requirements.

Studies conducted under the Unit's auspices will be published -- with summaries of purpose, methodology and data used, and principal conclusions or findings. These will be disseminated to pertinent national and regional producers' associations, policy commissions, and in other appropriate forums (including e.g. the National Agricultural Council). If analytical capability is improved in the private sector (as well as in the public sector institutions with the mandate for agricultural development) the analytical level of the public discourse on agricultural policies would be improved. The effectiveness of policy formulation in the DNPS could be strengthened by a counterbalancing capacity in the private sector, since the prospect of having one's analysis subjected to competent critical review can often have a disciplinary effect.

(ii) Initial Activities. The initial activities of this component will consist of organizing and executing a series of seminars/conferences, termed encuentros, of private sector agricultural producers and intermediaries. Such seminars, to be run by an organization directly contracted by A.I.D., will begin the consciousness-raising process, and attempt to forge linkages among various groups. One of the principal outcomes of such meetings will be the identification of a single private sector sponsor of the Policy Unit (likely to be a confederation, or secretariat, of existing groups). This Secretariat should be (or become) a legally constituted organization; representative of a broad range of producer interests, which cut across commodity lines, and span a range of farm sizes; independent of the government, with an identity integral with that of the producers, and preferably with strong support at the "grass roots" level. Among the principal purposes of this Secretariat will be the long-term development of the Panamanian agricultural sector.

A.I.D. support for the seminars will include required short-term consulting to organize, advertise, and administer the encuentros; and expenses associated with conference and hotel accommodations. The first topics to be considered would include those highlighted above, and would be organized around the theme, "¿A Dónde Va El Sector Agropecuario de

Panamá?". The seminars would summarize the existing conditions of the agricultural sector (production, processing, domestic marketing, exports); demonstrate the necessity of changing past protectionist policies; and explore alternative or modified production, processing, and marketing activities of the private sector. Throughout these seminars, emphasis will be placed on interactive methods -- including examination via case studies of actual policies and investments, and game-playing (for example simulation exercises developed by the World Bank Economic Development Institute.)

c. Institutional Arrangements

Various private sector organizations will help sponsor the Policy Unit, and benefit from its expertise and services. To facilitate broad-based participation without creating a management burden, a secretariat or confederation of private sector producers groups will be formed. This secretariat will be created in the course of seminars (or encuentros) held during the first year of the Project. (See 5b, above.) The Secretariat's Board of Directors will direct the Policy Unit and help define its scopes of work, program specific activities, monitor the progress of agreed-upon activities, and assist in the dissemination of the results. Such a Board will be limited in size to seven voting members. The founding Board of Directors will serve for two years and establish procedures for naming its successor. Its members will include the A.I.D./AGR officer, Agricultural Policy Resident Advisor (ex-officio), the Unit's Policy Specialist (ex-officio), and six other individuals by virtue of their private sector, producer's status. The Board will also elect a Chair who will be responsible for calling ordinary quarterly meetings; special Board meetings; and maintaining close liaison with the Unit, other Board members, and participating organizations' leadership.

d. Outputs

The outputs or benefits expected from this project support are the following:

- Private sector participation in the policy formulation process which responds to the realities of world and domestic markets and seeks to make a smooth transition toward a development strategy consistent with comparative advantage.
- An informed private sector able to appreciate the inter-relationships between various policy actions. Presently most private sector participation is along strict commodity lines by producer associations. The proposed project would enable the private sector to cut across commodity lines to address problems of general importance -- such as taxation, price controls, the government's posture toward exports, development of production of new products, agricultural credit, crop insurance, etc.
- The private sector will have more competence to interact with MIDA and other agricultural policymakers on a more analytical level. This interaction will strengthen the research and

extension activities of MIDA, as well as strengthening the policy work of DNPS.

- The private sector will have a better capacity to improve its own productivity, development potential, market analysis, and contact with international market institutions, thus lightening the burden on public agencies to accomplish such work for them. The private sector work on this project will be complementary to the activities of MIDA.
- Private producers and intermediaries would be able to draw upon the technical expertise of the Policy Unit and its consultant pool.

e. Inputs

A.I.D.'s contribution to this component will be authorized and implemented through a Specific Support Grant, with non-525-0247 Project funds.

(i) A.I.D.

A.I.D. will finance a series of seminars/workshops (encuentros) during the first year of the Project to promote broader and longer-term consideration of agricultural policy issues; demonstrate the interrelationships among specific policies; and develop the sponsoring mechanisms for the Policy Unit. A.I.D. support will be used to help establish the Policy Unit. A.I.D. will pay, on a declining basis, for salaries of a Policy Specialist (probably an economist, trained at the M.S. level or above), one Office Manager, one Administrative Assistant, and a secretary. A.I.D. inputs will finance the purchase of required equipment; fund short-term technical assistance to help with the designated informational newsletter and education activities; and on a declining basis, the distribution of the Unit's newsletter. On a declining basis, A.I.D. will provide funds with which short-term technical assistance for policy and other studies (satisfying agreed-upon conditions) can be contracted. The private sector sponsor of the Policy Unit will be identified in the first year of the Project through A.I.D.-sponsored encuentros (described in 5b, above).

(ii) Private Sector Sponsor

The private sector sponsor will provide office space, a secretary, and office furniture. On an increasing basis, the sponsor will assume the salary component of the budget, newsletter operational expenses, and expenses associated with short-term technical assistance.

IV. PROJECT ANALYSIS

A. Institutional Analysis

The goal of this Project is to increase overall production and efficiency in Panama's agricultural sector. For that purpose, the Project will improve the Ministry of Agricultural Development's capability to analyze, design, and implement sound, coherent agricultural policies, and to improve the institution's capability to manage and coordinate programs aimed at achieving the stated goal. Reasons for focusing on MIDA are further elaborated below.

The Ministry of Agricultural Development, and its principal unit charged with responsibility for policy analysis, formulation, and program and project development (the DNPS) are the prime beneficiaries of the Project. The National Directorate of Sectoral Planning (DNPS) plays a pivotal role in the first three Project components -- related to agricultural policy analysis; programming and management; and information support. The General Directorates of Finances, and Administrative Affairs; Regional Directorates; and other MIDA managers will occupy important roles in the second and third Project components. As a result of Project activities, the capacity of two councils -- one dealing with agricultural policy discussions, and the other with intrasectoral coordination of policy implementation -- will be strengthened. In addition, the Project will provide direct input (through the Minister) into the intersectoral policy discussions of the Economic Cabinet. Thus, the products of the first Project component will be channeled to decisionmakers at the highest levels.

Governing the design of this Project has been the effort to work, to the greatest extent possible, with existing institutions rather than to create new ones. Experience has demonstrated that the creation of new agencies rarely leads to the dissolution of old, previously existing ones. In practice, the result frequently is of separate institutions performing and duplicating functions; efficiency is not promoted; scarce resources are not used to their best advantage. In addition, political support of the institutions may be fractionalized, not increasing the harmony with which one would hope public sector institutions could work. Staff of the respective institutions would conceivably be operating with a degree of uncertainty, insecurity, and low morale. For these reasons plus the desire not to increase the number of public institutions operating in Panama, the project is working with the one institution most directly involved with agricultural policy formulation and implementation.

The Project focuses on the key institution of the public agricultural sector, the Ministry of Agricultural Development. The GOP legally assigned sector specializations among its institutions in 1973. Leadership responsibilities for both agricultural policy formulation and implementation were given to the Ministry of Agricultural Development (MIDA). The Ministry formally is recognized as the "rector" of the agricultural sector. Decentralized institutions with autonomous administration are subordinate to the plans and sectoral policies originating in the Ministry.

Such official relationships have been recognized and reinforced in organizational restructurizations occurring in 1979 and most recently in February 1984. None of the autonomous institutions have the scope of action or broad responsibilities for policy formulation and implementation that is embodied in MIDA. Given their specialized interests, it would be inappropriate to place principal responsibility for Project implementation in any of these institutions. ^{1/}

The next section briefly describes the prime beneficiaries of this Project. Subsequently, the major factors influencing the selection of such units, within each component, are presented.

MINISTRY OF AGRICULTURAL DEVELOPMENT (MIDA)

The most recent organization of MIDA responds to recommendations offered by the Inter-American Institute of Agricultural Cooperation (IICA) Institutional Strengthening Program (PFI). Six National Directorates were formed with functional responsibilities for: sectoral planning, agricultural extension, animal and plant health, agrarian reform, renewable natural resources, and aquaculture. In concept, these national directorates provide staff services, while the implementation of programs and projects is the responsibility of ten Regional Directorates. Five General Directorates perform various ministerial-level administrative and financial tasks.

The National Directorate of Sectoral Planning (DNPS). Policy analysis and formulation; program and project design, monitoring and evaluation; and budgeting responsibilities rest with the National Directorate of Sectoral Planning (DNPS). Such functions extend beyond the Ministry. The DNPS' mandate includes coordination of intrasectoral planning activities with other institutions linked to the agricultural sector. The DNPS reports directly to the Minister; it has direct lines of communication with the one individual with maximum authority for directing the public agricultural sector.

The DNPS is one of six National Directorates of MIDA whose heads report to the Minister of Agricultural Development. Its staff of 135 (44 percent of whom are professionals with university degrees) are organized into

^{1/} Services to producers are provided by six principal public agricultural sector institutions. The Agricultural Development Bank (BDA) provides credit at concessionary rates to small and medium size farmers. The National Seed Enterprise (ENASEM) and the National Agricultural Machinery Enterprise (ENDEMA) supply improved seeds and machinery services. The Institute for Agricultural Research (IJIAP) engages in farm production research activities -- the fruits of its labor to be transferred through MIDA's extension service. The Agricultural Marketing Institute (IMA) administers price support policies for basic foodstuffs. The Agricultural Insurance Institute (ISA) provides crop/livestock insurance, usually in conjunction with BDA loans.

seven Departments: Planning & Policy Analysis (formerly Short- and Medium-term Planning), Specific Projects, Regional Planning, Budgeting, Technical Cooperation, Statistics, and Agroindustry Research. The first Project component will work closely with individuals in the Planning and Policy Analysis department. The second Project component will work closely with those in Specific Projects, Regional Planning, and Budgeting. The third Project component will incorporate functions performed by the Statistics Department. All three components are integrally related to one another. Successful execution requires frequent communication, and close cooperation. The physical location of all components within the same operative unit facilitates and promotes such interactions. The provision of appropriate office space in the fourth component further enhances such interactions.

General Directorate of Finances. The responsibilities for day-to-day control of the Ministry's finances are assigned to the newly created General Directorate of Finances. This Directorate assures smooth financial flows for the Ministry's operations, and maintains necessary ties with the Ministry of Planning and Economic Policy (MIPPE) and the Controller General of the Republic.

General Directorate of Administrative Affairs. Various administrative details of operating MIDA are the responsibility of the General Directorate of Administrative Affairs. This Directorate is responsible for personnel (human resource development), equipment and supply procurement, and maintenance.

Regional (Implementing) Directorates. Ten Regional Directorates, one in each province, are responsible for implementing agricultural policy. They report directly to the Minister and can call upon services from other National Directorates. The chief executive in the region is the Regional Director who carries responsibilities for coordinating public agricultural sector activities in the region.

COORDINATING MECHANISMS

To assist MIDA in complying with its mandate as the lead institution in the agricultural sector, coordinating mechanisms have been developed. Tremendous potential exists within these organizations. Yet, at the present time, they are in a formative stage, or have suffered from past organizational problems. This Project, through its activities with the DNPS, will strengthen the capacity of the national-level policy advisory and intrasectoral coordination councils.

The Agricultural Consultative Council (CCA) is an advisory group to the Minister composed of individuals representing producers' associations, and professionals working in the sector. Technically, the recently formed National Agricultural Council (CNA) ^{1/} differs from the Agricultural

^{1/} The Consejo Nacional Agropecuario was formed by Executive Decree No. 12, January 31, 1984 to act as a policy advisory group. Nineteen individuals -- officials of producers' and professional associations, and the collectivized farm settlements (asentamientos) -- were named.

Consultative Council. Functionally, there is no difference; individuals serving on the CNA and persons within government view them as synonymous. The Council has no authority independent of the Minister. It serves as a potentially important forum for discussion and communication between public authorities and interested parties within the agricultural sector.

The National Agricultural Council (CAN) is an intrasectoral coordinating organism created by Law No. 12 in January 1973. It is not to be confused with any advisory council bearing a similar name. The CAN unites the Minister, MIDA directors, and managers of autonomous institutions and state enterprises. Semiannual meetings are intended to coordinate implementation of sector programs and projects. In practice, the CAN has been unwieldy and poorly organized to comply with this task.

At the regional level operate two organizations with structures and functions mirroring those of the two above-named councils. The Regional Agricultural Consultative Council (CCAR) unites public and private sector participants in the agricultural sector at the regional level. Information is shared and discussions on agricultural policy occur. The Regional Agricultural Council (CAR) legally formed in 1973, is a consultative and coordinating mechanism for public sector institutions at the regional level. The Regional Director presides over CAR meetings. In practice, such meetings have been used to attempt to solve urgent, pressing problems rather than program coordinated implementation of public sector activities.

1. Agricultural Policy Analysis Support.

The support provided by this Project component is intended to strengthen the GOP capacity to conduct rigorous analyses of agricultural policy questions, propose and examine alternative policies, and establish policy directives and priorities to enable implementation of the new development strategy. The approach adopted by the Project is to work with available talent in the public sector, improving their analytical and presentational abilities, and providing them with a clear orientation and purpose for their work. The strategy is to develop a critical mass of qualified individuals, to be supplemented by occasionally drawing on available expertise in the private sector. ^{1/} The institutional base for this cadre

^{1/} The Project did not choose the alternative of attempting to hire sufficient numbers of well-trained individuals from the private sector to perform the required policy analyses. Individuals based in Panama with the appropriate skills would be offered inducements sufficient to entice them into the public sector. Such an approach has the obvious difficulty of the GOP successfully competing with the private sector for the services of a group of individuals, finding individuals willing to leave their present employment to work for the GOP, given financial constraints on the GOP and the salary level currently existing in the public agricultural sector.

of trained analysts is the National Directorate of Sectoral Planning of the Ministry of Agricultural Development (DNPS/MIDA).

In selecting the DNPS the project was guided by the requirement of first, developing internal governmental capabilities for policy analysis. ^{1/} Second, the design benefits from lessons elucidated in the nationwide assessment of A.I.D.-supported agricultural planning projects. Two factors critical to the success of planning activities are (1) direct access to decisionmakers, and (2) sufficient technical capacity to identify and analyze problems and policy issues, and propose feasible solutions to the problems. The need to respond to the needs of decisionmakers, and to stimulate their demand for analysis is recognized. As stated above, the DNPS has direct access to decisionmakers -- to the Minister, and through the Minister, to the Economic Cabinet, and has the opportunity to stimulate increased demand for its quality services. This Project will respond directly to the second critical factor by strengthening the technical capacity of the DNPS.

The DNPS/MIDA will closely coordinate its agricultural policy analysis functions with:

- The Minister of MIDA, and through the Minister with the Economic Cabinet -- where issues of intersectoral importance are discussed, and high level decisions made.
- The Ministry of Planning and Economic Policy (MIPPE), other public agricultural sector institutions, and other GOP institutions.
- The Agricultural Consultative Council (CCA, or CNA).
- Private sector agricultural policy groups.

The Agricultural Policy Analysis Group within the DNPS will act as a technical arm of the Minister, and through the Minister, will influence intersectoral policy discussions of the Economic Cabinet. The Project recognizes the importance of broadening the scope of agricultural policy considerations beyond those which are under the control of public agricultural sector institutions. The Economic Cabinet unites the President of the Republic and Ministers with major responsibilities for directing the economy. It provides a forum in which decisionmakers at the highest level can discuss and decide upon issues of national and intersectoral importance. The Agricultural Policy Analysis Group will bolster the Minister of Agriculture by

^{1/} The alternative of importing qualified individuals from abroad to perform these functions has been rejected. Apart from various issues of appropriateness, the largest drawback of this approach is the failure to generate any sustainable capacity to produce the kind of analysis required by the government in the future.

servicing as an analytical arm, providing him with the necessary technical arguments to advocate one policy position or another within this forum. The Group's analysis will complement those provided by others within the Ministry of Planning and Economic Policy (MIPPE) and other public sector agencies. 1/

The Group will communicate with other pertinent groups, including the private sector agricultural policy group, formed in component four. The Group will participate, as appropriate, on specific policy commissions. 2/ Representatives (or DNPS observers) will be maintained for the major product commissions.

The private sector advisory group to the Minister of MIDA (CNA or CCA) and the public sector's coordinating mechanism, the CAN, will serve as forums for the discussion of the DNPS' Agricultural Policy Analysis Group's reports, findings, and recommendations. As instructed by the DNPS Director, the Group will respond to requests for analysis which originate in these bodies. In such a fashion, the operations of the Group can respond to political conditions originating inside and outside of the Government, and recommend actions or solutions which are viable given the existing conditions. Furthermore, the expertise within the Group can be used to help increase the effectiveness of these councils, by meeting and stimulating demand for information and analysis.

Careful consideration was given to the creation of a policy analysis unit in a GOP institution other than the Ministry of Agricultural Development, but it was determined that such an approach would not best serve the needs of the agricultural sector. Those GOP institutions within the public agricultural sector, which are headed by the MIDA, are concerned on a daily basis with the agricultural sector, and the welfare of individuals dependent on the agricultural sector for their livelihood. Policy issues which affect the sector rapidly are called to their attention, as are complaints. The same cannot be said of other institutions which have only a peripheral interest in affairs of the agricultural sector. Other ministries, e.g. Ministry of Planning and Political Economy (MIPPE) or the Ministry of Commerce and Industry (MICI), are fully occupied trying to manage the

1/ The Group will establish liaisons with policy analysis units within MIPPE and MICI, and other agencies. (Ties with MIPPE and MICI can be easily encouraged through A.I.D.-supported activities in these respective institutions -- e.g. the various trade and policy studies underway in MIPPE, and the Policy Analysis and Research System, PARS in MICI.) Avenues for coordination, collaboration and cooperation will be explored and stimulated.

2/ As of February 1984, greater than 31 individual commissions which affect agricultural policy were in operation. The DNPS actively participated in those dealing with: rice, corn and sorghum, basic grains, onions, legumes, machinery, tariffs and quotas, and irrigation and drainage.

transition from the old to the new development strategy. Not only is their technical capacity strained and limited, but they recognize the utility of dividing the responsibilities, and wholeheartedly endorse the proposition of strengthening policy analysis ability within MIDA.

Staff Capability. The DNPS includes a number of competent, motivated individuals. However, they lack experience and technical expertise in policy analysis. Until recently, the environment in which they have operated has not been conducive to policy analysis or assessment of policy alternatives. Thus, the opportunity to acquire the requisite skills or experience was lacking. The future capability of the DNPS to perform policy analysis functions depends critically on: the adequacy and appropriateness of training proposed by this project, salaries and other incentives that will be offered to retain key individuals, and the ability to generate and stimulate demand for policy analysis from decisionmakers.

The DNPS has 58 professionals with university degrees. Two have Ph.Ds; one-fifth have Master's degrees; most have received post-university technical training. The pool from which graduate students for long-term training abroad will be selected is sufficient.

2. Programming and Management Support

The support provided by this Project component is intended to increase the capacity of public sector agricultural institutions to manage the implementation of sector policies, programs and projects.

MIDA has the leadership role in the sector. At the present time its capacity to effectively manage the sector is limited by existing operating systems and procedures. This project will directly address such bottlenecks -- enabling MIDA's Directorates and coordinating mechanisms to provide for coherent integrated public sector action. MIDA's internal operations -- affecting budgeting, financial flows, equipment and supply procurement and maintenance -- will directly benefit from technical assistance and training. By helping MIDA "put its house in order," the Project will provide the base by which resources are rationally and efficiently allocated in accordance with established sector policies and priorities.

The DNPS is a key unit for support. Its assigned functions include design, monitoring and evaluation of sector programs and projects, and budget preparation for the Ministry. Particularly in conjunction with the activities emanating from the first project component, projects and programs responding to clearly defined policy objectives will be the expected result.

Implementation of projects is the responsibility of the Regional Directorates -- with assistance and support from the national directorates. This Project component will work closely with Planners based in the regions as well as line and staff managers of MIDA.

Coordination with the rest of the public agricultural sector will principally occur through the revitalized National Agricultural Council

(CAN). The DNPS has formal liaison with the CAN, and through the CAN with autonomous institution planning offices.

This Project component includes extensive on-the-job training efforts, and short- and long-term management training for MIDA executives, in various directorates. Financial and Administrative Directorates of MIDA are targeted for special attention and support from one Resident Advisor.

Again, as is expected from an institutional development project, this Project represents an investment in the human capital of the beneficiary institutions. Essentially this component strengthens the capacity of the lead public sector institution to perform its mandated functions efficiently and effectively.

3. Information Support

The support of this Project component will improve the information base for policy analysis, improve information flows, and improve the reporting and end-use of information.

This component is a major support activity for the previously named project components. As such, its staff must be accessible and work closely with policy analysts, program and project designers, monitors and evaluators. Fortunately, the DNPS has an excellent base from which to develop the necessary informational support network. The Information Center within the DNPS (CIMIDA) has trained staff, formal ties with the Controller General and other sector institutions. Its data base is growing and being refined. This Project will continue the good work and broaden the scope of activities.

No other institution in the country has the capability of performing these functions. The Controller General's office and the Statistics and Census Directorate within it are major producers of data, including agricultural data. However such activities are not geared toward the special requirements of policy analysis, program and project design, monitoring and evaluation.

Communication between those who demand information and those who collect and process it is required. Strengthening the existing informational framework within the DNPS will ensure informational flows serving the policy analysis and management needs of the sector. The proposed configuration includes direct ties with the Regional MIDA offices and close cooperation and coordination with other public sector agricultural institutions.

4. Office Facilities Support

As a major complement to the previously named components, MIDA's Panama City offices will be centralized and consolidated. This component is a necessary support activity to enhance the overall effectiveness with which the beneficiary institutions operate.

B. Financial Analysis

1. Financial Plan

The total cost of this five-year Project is estimated to be \$8,053,800 of which A.I.D. will contribute \$5,000,000 through a grant. The GOP will finance 38 percent of the total cost, or \$3,053,800 with cash and in-kind contribution. Tables IV-1 and IV-2 show the Summary Financial Plan, and Expected Disbursements by Year. Annex II, Exhibit C contains additional detailed financial tables.

Project grant funds will finance the procurement of long- and short-term technical assistance amounting to approximately 290 person- months in various fields of specialization. A.I.D. Project funds will finance the cost of graduate and management training; in-country seminars and workshops; equipment purchase, including computer hardware, related office equipment, and audio-visual equipment; vehicles; travel and per diem; library materials; and building renovation. The GOP contribution principally is for operational support; maintenance contracts and insurance on major equipment purchased with A.I.D. funds; travel and per diem; and local contractors.

Table IV-1
Summary Financial Plan
(Thousand US\$)

	AID	GOP	TOTAL
1. <u>Agricultural Policy Analysis Support</u>			
A. Technical Assistance	945.0	33.0	978.0
B. Local Contract	300.0	45.0	345.0
C. Training, Workshops, Seminars	717.0	15.0	732.0
D. Equipment and Materials	6.0	16.0	22.0
E. Operational Expenses	<u>-</u>	<u>946.0</u>	<u>946.0</u>
Sub-Total	1,968.0	1,055.0	3,023.0
2. <u>Programming and Management Support</u>			
A. Technical Assistance	1,455.0	-	1,455.0
B. Local Contract	-	-	-
C. Training, Workshops, Seminars	154.0	34.8	188.8
D. Equipment and Materials	51.0	15.2	66.2
E. Operational Expenses	<u>-</u>	<u>657.6</u>	<u>657.6</u>
Sub-Total	1,660.0	707.6	2,367.6
3. <u>Information Support</u>			
A. Technical Assistance	378.0	2.8	380.8
B. Local Contract	181.0	53.0	234.0
C. Training, Workshops, Seminars	225.6	20.8	246.4
D. Equipment and Materials	130.4	16.6	147.0
E. Operational Expenses	<u>-</u>	<u>598.1</u>	<u>598.1</u>
Sub-Total	915.0	691.3	1,606.3
4. <u>Office Facilities Support</u>	394.0	600.0	994.0
<u>Evaluation</u>	63.0	-	63.0
TOTAL	5,000.0 (62%)	3,053.9 (38%)	8,053.9 (100%)

NOTE: The Private Sector component will be funded separately under a Specific Support Grant with non-525-0247 Project funds.

Table IV-2

Expected Disbursements by Year
(Thousand US\$)

Description	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Total
1. <u>Agricultural Policy</u>						
<u>Analysis Support</u>	<u>587.6</u>	<u>751.4</u>	<u>753.1</u>	<u>541.3</u>	<u>389.6</u>	<u>3,023.0</u>
AID	391.4	556.2	551.9	317.1	151.4	1,968.0
GOP	196.2	195.2	201.2	224.2	238.2	1,055.0
2. <u>Programming and</u>						
<u>Management Support</u>	<u>613.7</u>	<u>745.4</u>	<u>652.0</u>	<u>190.0</u>	<u>166.5</u>	<u>2,367.6</u>
AID	487.6	617.9	524.5	30.0	-	1,660.0
GOP	126.1	127.5	127.5	160.0	166.5	707.6
3. <u>Information Support</u>	<u>373.5</u>	<u>446.1</u>	<u>360.8</u>	<u>231.4</u>	<u>194.5</u>	<u>1,606.3</u>
AID	240.5	317.4	233.5	87.1	36.5	915.0
GOP	133.0	128.7	127.3	144.3	158.0	691.3
4. <u>Office Facilities</u>						
<u>Support</u>	<u>514.0</u>	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>	<u>994.0</u>
AID	394.0	-	-	-	-	394.0
GOP	120.0	120.0	120.0	120.0	120.0	600.0
<u>Evaluation - AID</u>	<u>-</u>	<u>21.0</u>	<u>21.0</u>	<u>-</u>	<u>21.0</u>	<u>63.0</u>
TOTAL: AID	1513.5	1512.5	1330.9	434.2	208.9	5,000.0
GOP	<u>575.3</u>	<u>571.4</u>	<u>576.0</u>	<u>648.5</u>	<u>682.7</u>	<u>3,053.9</u>
GRAND TOTAL	2088.8	2083.9	1906.9	1082.7	891.6	8,053.9

NOTE: The Private Sector component will be funded separately under a Specific Support Grant with non-525-0247 Project funds.

2. Recurrent Costs

Table IV-3 presents the distribution of Project components of expected annual recurrent costs for the GOP. The total is \$562,200. This amount represents only a relatively small portion of the total budget of the Ministry of Agricultural Development, (1.1 percent of the 1984 budget). Furthermore, such costs represent a reallocation and rationalization of financial resources rather than increments in MIDA's financing. The GOP attaches high priority to the activities of the Project. This coupled with the likelihood that budget allocations to MIDA will increase as current fiscal difficulties are resolved, and MIDA's ability to justify budget requests improves, it is the judgment of the Project Development Committee that the recurrent cost burden implied by the Project will be manageable over the long term.

Table IV-3

Expected Annual Recurrent Costs for the GOP
(Thousand US\$)

1. Agricultural Policy Analysis Support	219.2
2. Programming and Management Support	174.1
3. Information Support	157.4
4. Office Facilities Support	11.5
Total	562.2

3. U.S.A.I.D./Panama Controller's Assessment of GOP Methods of Implementation and Financing

The U.S.A.I.D./Panama Controller's Assessment of GOP Methods of Implementation and Financing is contained in Annex II, Exhibit D.

C. Economic Analysis

This Project is an institution-building project. Its objectives are qualitative in nature. Therefore, it is difficult to measure their economic impact in a quantitative fashion. Nevertheless, one can examine whether the individual activities of the Project, and the Project as a whole, are cost-effective. The Project does not attempt to address the full gamut of constraints to effective policy formulation and management but, in the judgment of the Project Development Committee, does attack what appear to be the key bottlenecks. Considerations advanced in the Technical Analysis, in particular the on-the-job training aspects of the Project, support the judgment of the Project Development Committee that a conscious attempt has

been made to devise least-cost alternatives, and that the Project is reasonably priced relative to what it is intended to accomplish.

As the Mission has argued, the establishment of clear and consistent agricultural policies, together with the capacity to implement them effectively, is of fundamental importance to the development of Panama's agricultural sector. The economic costs if such capacities are not established are high, as resources are misallocated, opportunities for investment are not realized, and natural resource deterioration accelerates. As stated elsewhere in the Project Paper, past economic policies have lacked coherence. Pricing policies, in particular, have tended to distort the Panamanian economy. One result has been high relative prices for products (such as rice) produced in Panama, for which it does not have a comparative advantage. This Project will assist in formulating policies which will direct the economy toward productive activities consistent with comparative advantage. The reduction and eventual elimination of subsidies, and protective measures will lead to (public) savings, and increases in consumer welfare. Policies which provide incentives, sustainable over the long term, will allow private producers to make rational, farsighted decisions -- which benefit both the individual and the nation. The objectives of the Project are sufficiently important to warrant costs of the magnitude contemplated. The most feasible methods for achieving these objectives, which coincidentally are the most cost-effective, have been selected.

It is anticipated that this Project will result in an improved allocation of public sector resources -- both human and financial -- in the agricultural sector. Improved result-oriented management systems which evaluate performance (the outputs produced and productivity of resources used) will maximize returns on resources employed. Recommended career management systems will lead to more effective use of MIDA's human resources, and greater productivity from such individuals as incentive structures are rationalized and improved. The long-term benefits should be increased production and productivity, particularly as MIDA provides services to larger numbers of farmers than has been the case in the past 16 years. Although the effects of such agricultural production increases can be measured, it is not considered advisable to attempt to attribute such incremental changes exclusively to this Project. The precision with which one could carry out such an exercise is slight. In consideration of this fact, Project evaluations scheduled for months 18, 36, and 60, will assess qualitative impacts, and not attempt to measure the economic returns on the Project.

D. Technical Analysis

A team of technical experts was employed to assist the Project Development Committee in the design of this Project. Efforts were made to propose Project elements which would be cost effective and technically appropriate. Working in close collaboration with host country counterparts, alternative methods for addressing the existing constraints to policy formulation and implementation were considered. In the judgment of the Project Development Committee the Project purpose -- to improve the capability of the Ministry of Agricultural Development to analyze, design, and implement

sound, coherent agricultural policies; and to improve its capability to manage and coordinate programs aimed at increasing overall agricultural production and efficiency -- can be best satisfied by implementing the combined set of activities described in this Project.

The technology used in this Project is simple and straightforward. The modes of support principally consist of technical assistance, formal educational programs, on-the-job training, the provision of certain types of computer equipment, and various workshops and seminars. The Project builds explicitly on lessons learned from prior experience. It is designed to satisfy existing demand for information and analysis, and to stimulate additional demand in the future. The feasibility of the various technical elements has been tested and confirmed elsewhere.

The Project is innovative in consciously integrating policy formulation and policy management activities. It is recognized that policymaking does not take place in a vacuum. Rather, it is viewed as only one stage in the overall process of agricultural sector management -- a stage which cannot be divorced from others in the process. Policy formulation and policy implementation are considered as mutually complementary activities, both of which are required for the development and delivery of needed government programs and projects. In the judgment of the Project Development Committee, the overall technology of the Project is appropriate to the Panamanian context and offers a higher probability of successfully achieving the Project goal than would activities treated in an isolated fashion.

The following discussion briefly describes the technical features of each of the Project components, and also highlights the interrelationships between these features.

1. Agricultural Policy Analysis Support

The creation of an Agricultural Policy Analysis Group in the Ministry of Agricultural Development is designed to upgrade the Ministry's capacity to develop and assess alternative medium- and long-term agricultural sector strategies and policies, as well as to effectively respond to issues and problems of an immediate nature. The Group will be relatively small in size. The intent is to create a critical mass of personnel whose quality is more important than quantity. The Group will be product- and client-oriented. Priority will be given to fast turn-around, highly focused studies that respond directly to policymakers' concerns. A portion of the Group's time will be devoted to addressing issues of immediate concern.

2. Agricultural Programming and Management Support

Under this component, personnel in both central and regional offices will be trained, and administrative mechanisms will be established to enable the Ministry of Agricultural Development to perform its mandated functions effectively. Mechanisms will be institutionalized to identify and resolve management problems. Capacity will be expanded to select, design, budget, implement, monitor, and evaluate agricultural sector programs and

projects. Salient technical features of this component include extensive on-the-job training, the introduction of result-oriented management systems (including improved career management systems), and the production of a document which will serve as a basic framework within which to guide overall sector development and to communicate with the private sector by providing clear signals and "rules of the game." The training aspects, in particular, are both the most cost effective and the most appropriate methods for increasing technical capabilities.

3. Information Support

Responding to the necessity for systematic and timely processing and presentation of information, an Information Center will be established within the Ministry of Agricultural Development to serve both the public and private agricultural sectors. The Center will consist of three functioning divisions: a Statistical Unit, a Computer Unit, and a Documentation Center. This component relies on technology whose feasibility has been tested and confirmed elsewhere.

4. Office Facilities Support

This Project component involves no technical novelty; rather, it is a major support activity, enhancing the effectiveness with which the technology of the previously named components is applied. MIDA offices in Panama City will be centralized and consolidated so that policy analysts, administrative and management personnel have easy access to the Minister, senior management, and needed support networks. These office facilities will provide sufficient space, in an atmosphere conducive to quality work performance.

5. Private Sector Support

The support of an Agricultural Policy Unit within the private sector (with non-525-0247 Project funds) is innovative in concept and design. It is innovative in that it provides direct support to the private sector to participate in the policy formulation process, and that it envisions participation of a broad range of organizations. The Unit will be a mechanism for raising the level of public debate on agricultural policy; a center to inform producers and intermediaries of potential areas for development within the agricultural sector; a conduit for diffusion of information and analysis on issues of policy importance; and a sponsor of studies on agricultural policy issues. It will encourage private sector participation in a policy formulation process which responds to the realities of world and domestic markets and seeks to make a smooth transition toward a development strategy consistent with comparative advantage. It will provide information and analysis on issues of policy importance, potential opportunities within the agricultural sector, and facilitate access to technical assistance to explore possibilities for new or improved activities, technologies, or marketing strategies.

E. Social Analysis

In the judgment of the Project Development Committee, the Project is socially sound. The design of each component of the Project has taken place in close collaboration with counterparts and is a direct response to perceived needs on their part. Furthermore, it is reasonable to expect the benefits of the Project will extend well beyond its immediate beneficiaries.

As discussed elsewhere in the Project Paper, there is currently considerable demand for policy analysis, and improved management systems as well as timely, reliable information to support analysis and enhance managerial effectiveness.

The GOP development strategy for the agricultural sector is in transition. The sector's poor performance and high cost, in a time of fiscal austerity, is forcing a redefinition of the respective roles of the public and private sectors. It is beginning a process of de-emphasizing interventionist and protectionist policies, and attempting to stimulate private sector initiative and agricultural export growth. It can be anticipated that the impact of these policy decisions and actions will vary among groups. For example, those who have profited as a result of past protectionist policies will be affected negatively in the short term.

Policy analysis cannot be divorced from politics. Internal and external political support is almost a precondition for the effectiveness of a policy analysis unit. A systematic "public relations campaign" can be critical to the maintenance of political support for agricultural policy analysis. While not underestimating the political difficulties, the necessity of reorienting its policies and programs is fully recognized by the government. Critical to this effort is the establishment of an analytical capacity within the government to evaluate alternative policies and anticipate their effects. The reason for focusing on the DNPS as the most appropriate institutional base for developing agricultural policy analysis capability has been discussed elsewhere (see IV.A.1). The issue which then emerges with respect to policy analysis becomes whether or not it should be based on sound information and analytical underpinnings. There appears to be widespread concurrence, within both the public and private sectors, that such should indeed be the case.

One concern which emerged during Project development was the possibility of unintentionally creating an elite group within the Agricultural Policy Analysis Group which would be accorded greater status than others within the DNPS. Such fears were assuaged by: (1) emphasizing the need of this Group to respond to concrete, practical needs of decisionmakers rather than become involved in esoteric, "ivory tower" methods; and (2) integrating policy analysis activities with those of policy implementation. This latter orientation, not only serves to increase the likelihood of developing and implementing sound programs and projects which will benefit the nation as a whole, but of creating an esprit de corps within MIDA, and encouraging needed teamwork.

Various activities supported under the programming and management support, and information support components will require changes in behavior. The introduction of improved management systems will result in administrative reforms which decentralize decisionmaking, increase coordination and strengthen external accountability. Political adaptations as well as social behavior modifications will be required. The political acceptability of changes to the management systems is likely since in the process of enhancing management efficiency, the power of authority figures, in fact, will be increased. Behavior changes, such as those encouraging teamwork and collaborative efforts and coordination, are indeed feasible, especially when stimulated by an action-oriented, on-the-job training approach.

MIDA does not discriminate against women in its employment practices. Women occupy positions of responsibility -- both as technicians and as administrators. This Project will positively affect individual women by upgrading skills of female personnel within MIDA. Specific Project activities which are sensitive to employment opportunities, nutritional consequences and consumption effects of policies, should indirectly improve the welfare of women and their families.

The potential benefits of the private sector component (to be supported with non-525-0247 Project funds) are tremendous. Various changes in social and productive behavior of agricultural producers might be expected as the component: broadens and raises the level of public debate on agricultural policy; "educates" the private sector on the government's overall strategy for agricultural development; provides information and analysis on issues of policy importance, and potential opportunities within the agricultural sector; and facilitates access to technical assistance to explore possibilities for new or improved activities, technologies, or marketing strategies.

F. Environmental Analysis

A review of the Project during PID development resulted in a recommendation by the Mission that the Initial Environmental Examination (IEE) was not required because the Project's activities are within the class of actions described in Section 216.2, Paragraph c(i) and c(xiv), "Categorical Exclusions of 22CFR, Part 216." Annex I, Exhibit E contains the "Environmental Determination".

V. IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

1. GOP Implementing Arrangements

The GOP institution responsible for overall management and coordination of Project activities will be the National Directorate of Sectoral Planning (DNPS) of the Ministry of Agricultural Development (MIDA). The Director of DNPS will be the GOP Project Manager.

Each component of the Project will be implemented under the immediate direction of a Component Manager. Each Component Manager will report directly to the Project Manager. The Director of the Agricultural Policy Analysis Component will be the Head of DNPS' Agricultural Policy Analysis Group. The Director of the Programming and Management Support Component will be the Head of DNPS' Agricultural Policy Management Group. The Director of the Information Support Component will be the Head of DNPS' Information Center. The Director of the DNPS will name the Component Manager for the Office Facilities Support Component.

Two Resident Advisors will be Technical Directors of the Project and will work closely with the Component Managers, other Project advisors, and the GOP and A.I.D. Project officers to coordinate technical assistance provided by the Project. One of these Resident Advisors/Technical Directors will function as an advisor to the Agricultural Policy Analysis Group and also will have management responsibilities for the Agricultural Policy Analysis Component, and those activities within the Information Component directly bearing on policy-relevant data. The other Resident Advisor/Technical Director will work as a Program Specialist as well as manage and coordinate activities within the Programming and Management Support Component, and program and project management activities within the Information Support Component. These individuals will also serve on the Technical Committee (described in the following paragraph).

A Technical Committee will be established to enhance coordination and communication among the Project components. The Committee will be responsible for preparing one annual operational plan and budget which synthesizes and coordinates activities occurring under the four Project Components, and forwarding these to the Executive Committee for review and approval. (Actual disbursements will be made based on the Project Director's direct requests to A.I.D., based on approved annual plans.) The Technical Committee will assist the Project Manager in solving Project implementation bottlenecks, review implementation progress and budget utilization, and in resolving other issues affecting Project implementation. The Committee will be chaired by the Director of DNPS. Other members of the Committee will be the Component Managers, two principal U.S.A.I.D. resident advisors, and the U.S.A.I.D./Panama Project Officer. The Committee ordinarily will meet once a month.

An Executive Committee will be established to assure high-level support for Project activities and to address issues that require resolution at that level. The Executive Committee will oversee the progress of Project implementation from a senior management perspective, will take necessary action to solve problems that cannot be solved at lower levels, and will approve annual implementation, budget, and disbursement plans. Policy directions, agricultural development strategy, and implementation of policy will be important subjects considered by the Executive Committee. The Committee will be chaired by the Vice-Minister of Agricultural Development. The other members will be the Director of DNPS, and the Chief of U.S.A.I.D./Panama Agricultural Division. The Committee ordinarily will meet once each quarter.

2. GOP Administrative Responsibilities

a. Implementation Plans

The Executive Committee will approve the annual implementation plan and budget, and, through the Technical Committee and the Project Manager, will monitor its execution. The Project Manager will present the Technical Committee's implementation plan -- coordinating activities of the four Project Components -- to the Executive Committee for approval after verifying that the plan complies with the Project Agreement.

b. Disbursements

DNPS/MIDA will submit monthly requests for reimbursements and disbursements made in accordance with the approved annual implementation plan and budget to the U.S.A.I.D./Panama Controller. Documentation required for each disbursement will be in accordance with U.S.A.I.D. established procedures.

c. Reporting Requirements

Each Component Manager will prepare a monthly summary of activities, accomplishments, and expenditures. Each summary will be placed in the context of those activities and expenditures anticipated for the quarter. This summary will be reviewed by the Technical Committee.

The Project Manager will submit a quarterly progress report detailing activities and expenditures by components, based on the approved implementation plan.

The Project Manager will prepare an annual summary of the accomplishments by component, to serve as a basis for other reports required to comply with procurement regulations.

3. U.S.A.I.D. Implementing Arrangements

One U.S.A.I.D. direct hire employee of the Office of Agriculture will serve as Project Officer and monitor Project implementation to assure

that the terms and conditions of the Project Agreement are met. Since such responsibilities will require considerable time, for those issues related to technical aspects of Project implementation, the U.S.A.I.D. Project Officer will be assisted by the two Resident Advisors who also serve as Technical Directors. One Advisor will have responsibilities for the Agricultural Policy Analysis Component, and those activities within the Information Component directly bearing on policy-relevant data. The other Advisor will have responsibilities for the Programming and Management Component, and those activities within the Information Component which are related to program and project management. The U.S.A.I.D. Project Officer, and the two Resident Advisors/Technical Directors will be members of the Project's Technical Committee, described above.

The Mission Controller will review disbursement and reimbursement requests for conformity with A.I.D. regulations and will assure that adequate financial controls are in place.

Additional Mission offices, such as the Executive Office, the Office of Development Planning, the Office of Development Resources, the Regional Contract Officer, and the Regional Legal Advisor, will be called upon as appropriate.

B. Implementation Plan

The Implementation Plan is contained in Annex II, Exhibit B.

C. Disbursement Procedures

No deviation from established A.I.D. disbursement procedures is anticipated. Materials and equipment procured in the United States or Panama will be paid for in accordance with standard A.I.D. disbursement procedures. These procedures will be transmitted to the GOP Project Manager through Project Implementation Letters.

D. Procurement Procedures

1. Source, Origin, Nationality

Goods and services procured under the Grant shall have their source origin and nationality in the United States, Code 000 of the A.I.D. Geographic Code Book and Panama.

2. Equipment Procurement

The procurement of computer hardware and peripheral equipment, four vehicles, and one photocopier will be carried out directly by A.I.D., after consultation with and approval of the GOP Project Manager.

3. Acquisition of Technical Assistance

The RCO/Panama or A.I.D./Washington will perform the following technical assistance contracting:

a. Two long-term advisors -- who will serve as liaison between the U.S.A.I.D./Panama Project Officer and the Project implementation team, and perform other monitoring and supervision tasks -- will be procured under Personal Services Contracts (PSCs).

b. With respect to other long-term technical assistance requirements, it is imperative that superior Spanish language skills be embodied in the organization receiving the contract. For that reason, it is anticipated that a Spanish-speaking minority firm will be contracted pursuant to a set-aside.

c. Part of the costs of agricultural policy workshops to be prepared and conducted during the first two years of Project implementation will be financed under the S&T centrally funded "Agricultural Policy Analysis" project (S&T/AGR/EPP Project No. 936-4084).

4. Local Contracting (Goods and Services)

MIDA will be expected to contract suitable replacements for personnel who are provided long-term training under the Agricultural Policy Analysis Support Component, computer and information specialists required for activities of the Information Support Component, and other short-term consultants. Current GOP contracting and commodity procurement procedures are described in Annex II, Exhibit D.

E. Evaluation Plan

The GOP will issue an annual progress report of the Project each year. These will be "formative" in nature and will focus primarily on "process" issues, that is, whether activities are being implemented according to plan, what problems need to be resolved, and what corrections are called for.

In addition to regular progress reports, three special evaluations will be conducted. The first two will be in-depth examinations of the extent to which the Project is achieving its higher-order objectives. Particular attention will be paid to assessment of demand for policy analysis, how it has been affected by the Project, and what the prognosis is for the future. An assessment will also be made of the GOP's efficiency and effectiveness in implementing agricultural policies, particularly policies that directly affect the private sector. The first two special evaluations will be conducted after 18 and 36 months of Project implementation and also will assess progress made toward implementing recommended changes in MIDA's personnel management practices.

The third special evaluation will be an impact evaluation at the end of the Project. This evaluation will assess the extent to which the Project has achieved intended objectives, describe the unintended outcomes that have resulted, and document the lessons that have been learned from the Project.

In each of the special evaluations, and particularly in the first special evaluation, a careful examination will be made of the continued commitment of the GOP to improve its agricultural policies. Indicators will include the level and continuity of human and financial resources that the GOP allocates to policy formulation and management. Of paramount importance will be GOP strides in setting up and implementing sustainable mechanisms for recruiting, training, and retaining qualified personnel. If either of the first two special evaluations reaches a negative determination with respect to the GOP's commitment to institutionalize policy formulation and management capacity over the long term, serious consideration will be given to revising Mission plans for incremental funding in subsequent years of the Project.

The in-depth and impact evaluations of the Project will be conducted by outside consultant teams. Each evaluation will require approximately seven person-weeks of services -- four weeks of an economist with practical experience in agricultural policy analysis in Latin America and the Caribbean and three weeks of an expert in public agricultural sector administration with practical experience in Latin America and the Caribbean. Together, the three evaluations will cost approximately \$63,000.00 and will be financed with A.I.D. Project Funds.

F. Conditions, Covenants, and Negotiating Status

1. Conditions, Covenants

a. Conditions Precedent to Initial Disbursement

Prior to the first disbursement under the Grant, or the issuance by A.I.D. of any documentation pursuant to which disbursement will be made under the Project Agreement, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

(i) A legal opinion of the Procurador General de la Nación to the effect that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(ii) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 9.2 of the Project Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement.

b. Conditions Precedent to Disbursement to finance Project Activities

Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance any activities under the Project, except for the contracting of technical assistance, the Grantee shall, except as A.I.D. may otherwise

agree in writing, furnish in a form and substance satisfactory to A.I.D. the following:

- (i) A time-phased implementation plan which describes Project activities to be carried out through calendar year 1985, including a description of any policy studies to be executed, and a budget for such Project activities.
- (ii) Evidence that MIDA will provide adequate space (approximately 300 square meters) and equipment for Project personnel and equipment.

c. Conditions Precedent to finance Project Activities under the Information Support Component

Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance any activities under the Information Support Component, except for the contracting of technical assistance, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish in a form and substance satisfactory to A.I.D. evidence that the following personnel are employed by MIDA:

- (i) A statistician with a master of science degree or equivalent in statistics.
- (ii) A computer program/analyst with a master of science degree or equivalent in computer science.
- (iii) A computer programmer/analyst with a bachelor of science degree or equivalent in computer science.
- (iv) Two computer programmers with at least four years of combined technical training and work experience in computer programming and operations.
- (v) A library scientist with a bachelor of science degree or equivalent in library science.

d. Conditions Precedent to Disbursements for Office Facilities Support Component

Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made to finance any activities under the Office Facilities Support Component, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish in a form and substance satisfactory to A.I.D.

- (i) A valid title or long term lease for the property to be renovated and remodeled under the Project.
- (ii) Detailed construction documents for the property to be renovated and remodeled under the Project.

e. Conditions Precedent to Disbursements for Project Activities After Calendar Year 1985

Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made to finance new Project activities each year after calendar year 1985, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish in a form and substance satisfactory to A.I.D. for each subsequent calendar year a timed-phased implementation plan which describes Project activities to be carried out, including a description of any policy studies to be executed, and budget.

2. Covenants

a. The Grantee agrees to issue an annual progress report covering the preceding 12 months of the Project, except as the Parties otherwise agree in writing. Each progress report will focus primarily on process issues, that is, whether activities are being implemented according to plan, what problems need to be resolved, and what corrections are called for. In addition, the Grantee will provide adequate support and information to outside consultant teams conducting special in-depth evaluations in months 18 and 36 of the Project, and an impact evaluation in month 60.

b. The Grantee covenants that, except as A.I.D. otherwise agrees in writing, it will:

- (i) Hire suitable replacements within three months of the departure of long-term trainees under the Agricultural Policy Analysis Support Component.
- (ii) Make reasonable efforts to retain personnel trained under the Project in positions related to policy formulation and management.
- (iii) Make all reasonable efforts to assure the continuity of the organizational units selected for the Project and their respective personnel.
- (iv) Make reasonable efforts to provide salaries at a level that will be adequate to retain highly qualified personnel directly participating in the Project activities.

3. Negotiating Status

In order to begin Project Development, Mission representatives met with Ministry of Agricultural Development officials. A working committee was formed, consisting of Mission representatives of the Agriculture, Development Resources, Development Programs, and Controller Offices and MIDA representatives from the National Directorate of Sectoral Planning. Over the Project development period, numerous meetings were held to enable close collaboration in the design of the proposed Project.

CERTIFICATION PURSUANT TO SECTION 611(e)
OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, John Lovaas, the principal officer of the Agency for International Development in Panama, having taken into consideration among other factors, the maintenance and utilization of development projects in Panama previously financed or assisted by the United States, do hereby certify that, in my judgment, Panama has the technical capability and the physical, financial and human resources to utilize and maintain effectively the proposed grant of Five Million United States dollars (\$5,000,000) from the Government of the United States of America to the Government of Panama to improve the capability within the Ministry of Agricultural Development to analyze, design and implement sound, coherent agricultural policies.

This judgment is based on the facts presented in this Project Paper and the Mission's previous project experience with the Ministry of Agricultural Development as well as other Government of Panama agencies.


John Lovaas
Acting Director, USAID/Panama

25 July 1984
Date

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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 ELIGIBILITY

1. FAA Sec. 481; FY 1984 Continuing Resolution. NO
Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

2. FAA Sec. 620(c). If NO
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?

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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. N/A
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? NO
- (b) If so, has any deduction required by the Fishermen's Protective Act been made?
9. FAA Sec. 620(g); 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? (a) NO
- (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? (b) 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 N/A

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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 current on payment 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

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- abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime? NO
14. FAA Sec. 666 Does the country obstruct 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

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 Baiti

N/A

18. FY 1984 Continuing Resolution. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

NO

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

N/A

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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.?

N/A

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?

N/A

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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) A Congressional Notification for the Project was sent on June 11, 1984 and expires on June 25, 1984.

(b) YES

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

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- (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?
- (a) YES
- (b) 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?
- N/A
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.)
- N/A
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?
- N/A

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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.
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.
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).

The Project is not susceptible to execution as part of a regional or multilateral project.

The Project encourages Panama's efforts to increase the flow of international trade by strengthening the GOP's ability to formulate sound policies for the agricultural sector including the agricultural export sector; to foster private initiative through the creation of viable mechanisms for private sector participation in the agricultural policy formulation process and by expanding the bases on which governmental agricultural policies are developed to include both public and private sector demands and concerns.

The Project will encourage U.S. private trade and investment abroad by strengthening the GOP's agricultural policies for both local and international markets. The Project will also encourage private U.S. participation in the foreign assistance program in Panama by utilizing U.S. technical assistance.

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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.
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? NO
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? NO
13. FAA 118(c) and (d).
Does the project comply
with the environmental
procedures set forth in
AID Regulation 16? Does
An IEE has been carried out and
a negative determination was made
The Project will assist the COP
to develop

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

rational land use policies that will protect Panama's 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)?

N/A

B. 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

(a) The Project will focus on strengthening the GOP's ability to formulate and manage such policies with the objective that resulting benefits from sound pricing policies, ag export policies, public and private sector participation in ag sector policy formulation, training and technical assistance will improve the lives of the poor, and benefit small farmers and consumers in general on a sustained basis.

(b) Development of cooperatives is being assisted through the AID-GOP Agricultural Cooperative Marketing Project.

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?

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)?

d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity 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)?

(c) The Project will assist the GOP to revitalize the ag. sector through technical assistance and training to the principal participants in the formulation of agricultural sector policies.

(d) Women will participate on equal basis in the Project.

(e) As agricultural export development is a high priority, studies financed by the Project will include analyses of Panamá's policies for its ag export sector, including the impact of such policies on trade with other countries in the region.

YES

To the extent feasible, studies to be financed under the Project will focus on appropriate technology.

YES

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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

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. The Project should have the effect of increasing agricultural production and efficiency in Panama.

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 purpose is to strengthen the GOP's capacity to develop and implement sound agricultural sector policies. Assistance will be provided to strengthen: the ability of the principal public sector agricultural institution to carry out its mandated responsibilities to establish clear and consistent policies which will enable the private sector to undertake long term investment.

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

The Project will also improve and
expand the human resource base of
technical and management personnel
involved in the agricultural sector.
Skills training for such public and
private agricultural sector personnel
is included under the Project through
support to public and private
implementation and training activi-
ties.

2. Development Assistance Project
Criteria (Loans Only)

a.

N/A

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?

N/A

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)?

N/A

3. Economic Support Fund
Project Criteria

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

N/A

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? N/A

- 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? N/A

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A

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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. An BA firm will be contracted to provide technical assistance services.

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? Most of the goods and services to be acquired under the Project will have source, origin and nationality in the U.S. There will be a relatively small amount of technical assistance procured locally.

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 marine insurance companies authorized to do business in the U.S.

4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If offshore procurement of agricultural commodity or product is to be No agricultural commodities will be procured offshore under the Project.

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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(q). 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? NO
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? NO
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

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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?

This is not a Capital Construction Project.

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

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3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate 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)?

N/A

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?

This is a grant
Project

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

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 countries?

YES

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1982 Appropriation Act Sec. 525: (1) To pay for performance of abortions as a method of family

YES

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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

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adjusted service
compensation for military
personnel?

g. FY 1982 Appropriation
Act, Sec. 505. To pay
U.N. assessments,
arrears 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

PROJECT AUTHORIZATION

Name of Country: Panama
Name of Project: Agricultural Policy Formulation
and Management
Number of Project: 525-0247

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961 as amended, I hereby authorize the Agricultural Policy Formulation and Management project for Panama (the "Cooperating Country") involving planned obligations of not to exceed Five Million United States Dollars (\$5,000,000) in grant funds ("Grant") over a five year period from date of authorization, subject to the availability of funds in accordance with A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is 5 years from the date of initial obligation.

2. The project ("Project") consists of support to the Government of Panama (GOP) to improve the capability of the Ministry of Agricultural Development (MIDA) to analyze, design and implement sound agricultural policies and improve its capability to manage and coordinate programs and projects that will increase overall agricultural production and efficiency.

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

a. Source and Origin of Commodities, Nationality of Services

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

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b. Conditions Precedent to Disbursement For Project Activities

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any Project activity except for the contracting of technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (1) a time-phased implementation plan which describes Project activities to be carried out through calendar year 1985, including a description of all policy studies to be executed and a budget for such Project activities.
- (2) evidence that MIDA will provide adequate space for Project personnel and equipment.

c. Conditions Precedent to Disbursement For Information Support Component.

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activities under the Information Support Component, except for the contracting of technical assistance, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence that the following personnel are employed at MIDA:

- (1) a statistician with a master of science degree or equivalent in statistics.
- (2) a computer programmer/analyst with a master of science degree or equivalent in computer science.
- (3) a computer programmer/analyst with a bachelor of science degree or equivalent in computer science.
- (4) two computer programmers with at least four years of combined technical training and work experience in computer programming and operations.
- (5) a library scientist with a bachelor of science degree or equivalent in library science.

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d. Conditions Precedent to Disbursement for Office Facilities Support Component.

Prior to any disbursement, or to the issuance of commitment documents under the Project Agreement to finance any activity under the Office Facilities Support Component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(1) a valid title or long term lease for the property to be renovated and remodeled under the Project.

(2) detailed construction documents for the property to be renovated and remodeled under the Project.

e. Recurring Conditions Precedent to Disbursement.

Prior to any disbursement, or to the issuance of any commitment documents under the Project Agreement to finance any new Project activity each year after calendar year 1985, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(1) a time phased implementation plan which describes the Project activities to be carried out in the calendar year, including a description of all policy studies to be executed.

(2) a budget.

f. Covenants

The Cooperating Country shall covenant that, unless A.I.D. otherwise agrees in writing, it will:

(1) Issue a progress report on the Project each year of the Project which will cover Project activities for the preceding 12 month period.

(2) Provide adequate support and information to evaluation teams conducting evaluations of the Project during the life of the Project and at the end of the Project.

(3) Hire a suitable replacement for each long-term trainee under the Agricultural Policy Analysis Support Component within three months of departure of such trainee.

(4) Make reasonable efforts to retain personnel trained under the Project in positions related to agricultural policy formulation and management.

(5) Make all reasonable efforts to assure the continuity of the organizational units selected for the Project and their respective personnel.

(6) Make reasonable efforts to provide salaries at a level adequate to retain highly qualified personnel participating in Project activities.

Acting Mission Director

Date

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Ministerio de Planificación y Política Económica

Panamá, 26 de julio de 1984
DPEyS/DPIyNP-212

Señor
ROBIN GOMEZ
Director de la Agencia
para el Desarrollo
Internacional
E. S. D.

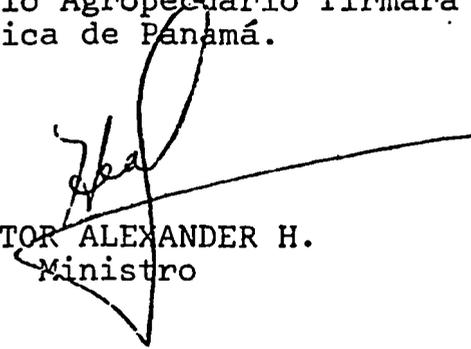
Estimado Señor Gómez:

Tengo el agrado de dirigirme a usted para solicitarle, en nombre del Gobierno de la República de Panamá, a la Agencia para el Desarrollo Internacional (AID) financiamiento por la suma de \$5,000,000 en calidad de donación, para el Proyecto de Formulación y Administración de Políticas Agropecuarias.

Desde hace algún tiempo, representantes de nuestro Gobierno y de la AID han estado trabajando estrechamente en el diseño de este proyecto tan importante. Funcionarios de los Ministerios de Desarrollo Agropecuario (MIDA) y de Planificación y Política Económica (MIPPE) han revisado los borradores del Documento de Proyecto y del Convenio de Donación y están de acuerdo con los componentes descritos y con las condiciones y disposiciones propuestas.

Tenemos el agrado de informarle que el señor Ing. Ramón O. Sieiro, Ministro de Desarrollo Agropecuario firmará el Convenio en nombre de la República de Panamá.

De usted atentamente,



HECTOR ALEXANDER H.
Ministro

c.c.: Su Excelencia
Ing. Ramón O. Sieiro
Ministro de Desarrollo
Agropecuario

Environmental Determination

1. Project Location: Panama
2. Project Title and Number: Agricultural Policy and Management (525-0247)
3. Funding: FY 84 \$5,000,000 Grant
4. Project Purpose and Activities:

To improve the capability of the Ministry of Agricultural Development to design and implement sound, coherent agricultural policies, and improve its capacity to implement and manage programs to increase agricultural production and efficiency.

- (a) Establish agricultural policy and project analysis capability.
- (b) Implement and improve programs for the collection and systematic reporting of agricultural statistics in a timely and accurate manner.
- (c) Establish a management program for routine, systematic evaluations, including budget review, of GOP agricultural institutions and programs.
- (d) Upgrade technical, analytical and management skills of MIDA professional agricultural personnel.
- (e) Consolidate MIDA central office facilities including the principal policy, management, administrative and supporting technical offices.

5. Statement for Categorical Exclusion:

It is the opinion of the USAID/Panama Project Committee that the Project does not require an Initial Environmental Examination because its activities are within the class of actions described in Section 216.2, Paragraph c (i) and (XIV) "Categorical Exclusions of 22CFR Part 216."

"Section 216.2 c (2) (i)"

"Education, technical assistance or training programs except to the extent such programs include activities directly affecting the environment."

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"Section 216.2 c (2) (XIV)"

"Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment.

6. Concurrence of the Mission Director:

I have reviewed the above statement and concur in the determination that the Project "Agricultural Policy Planning and Management" (525-0247) does not require an Initial Environmental Examination.

11/8/83
Date

Robin Gomez
Robin Gomez
Director-USAID/Panama

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ACTION: AID-3 INFO: DGM CHERON

ANNEX I
Exhibit F
Page 1 of 2

VZCZCP0333
PP RUEHNP
DE RUEHC #0316 3550756
ZNR UUUUU ZZH
P 210515Z DEC 93
FM SECSTATE WASHDC
TO AMEMBASSY PANAMA PRIORITY 4207
BT
UNCLAS STATE 360316

LOC: 45 900
21 DEC 93 1245
CN: 09379
CHRG: AID
DIST: AID

AIDAC

E.C. 12356 N/A

TAGS:

SUBJECT: PANAMA - AGRICULTURAL MANAGEMENT AND POLICY
PLAN;ING (525-0247) PID GUIDANCE CABLE

1. THE SUBJECT PID WAS REVIEWED AND APPROVED BY THE DAEC ON NOVEMBER 18, 1993. THE MISSION MAY PROCEED TO DEVELOP AND AUTHORIZE THE PROJECT IN ACCORDANCE WITH THE FOLLOWING GUIDANCE AND DECISIONS. MISSION MAY AUTHORIZE THE PROJECT IN THE FIELD, PROVIDED THAT THE REVIEW OF THE MISSION'S FY 95 ABS ACTION PLAN DOES NOT RAISE ISSUES REGARDING THE NATURE OF THE PROJECT

2. THE PRIMARY CONCERN OF THE DAEC WITH RESPECT TO THE PROJECT WAS THE CONTINUED COMMITMENT OF THE GOP TO IMPROVE ITS AGRICULTURAL POLICY, POLICY IMPLEMENTATION AND MANAGEMENT, SPECIFICALLY THOSE POLICIES WHICH SUPPORT THE PRIVATE AGRICULTURAL SECTOR. THE DAEC THEREFORE REQUESTS THAT PRIOR TO THE PROJECT'S APPROVAL, THE MISSION ANALYZE AND REASSESS THE GOP COMMITMENT AND PROGNOSIS FOR MAINTAINING THAT COMMITMENT THROUGHOUT THE LIFE OF THE PROJECT. ONE INDICATOR OF GOP COMMITMENT AT THE OUTSET AND THROUGHOUT THE PROJECT WILL BE THE HUMAN AND FINANCIAL RESOURCES THE GOP IS WILLING TO PROVIDE.
UNCLASSIFIED

PROJECT ACTIVITIES AND FUNDING LEVELS SHOULD REFLECT THE MISSION'S BEST ASSESSMENT OF THE GOP'S CONTINUANCE OF THE EFFORTS TO IMPROVE AGRICULTURAL POLICY.

3. DURING THE PREPARATION OF THE PROJECT PAPER THE MISSION SHOULD ADDRESS THE ISSUES RAISED BY THE REGIONWIDE EVALUATION OF AGRICULTURAL PLANNING PROJECTS. WHO ARE THE REAL DECISION MAKERS WITH REGARD TO POLICY AFFECTING THE AGRICULTURAL SECTOR? DO THESE DECISION MAKERS REALLY DEMAND QUALITY ANALYSIS AS AN INPUT TO THEIR DECISIONS? IS THE MIDA THE BEST PLACE TO LOCATE THE ANALYSIS UNIT, IN TERMS OF ASSURING THAT THE DECISION MAKERS AVAIL THEMSELVES OF THE RESULTS OF THE ANALYSES?

4. THE DAEC ALSO REQUESTED THAT WITHIN THE FIRST 15 (FIFTEEN) MONTHS OF IMPLEMENTATION OF THE PROJECT, (AND PERIODICALLY THEREAFTER) A PROJECT EVALUATION BE UNDERTAKEN TO SPECIFICALLY EVALUATE PROGRESS TOWARD

UNCLASSIFIED

STATE 360316

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ACHIEVEMENT OF PROJECT PURPOSE AND OBJECTIVE AND GOP'S
WILLINGNESS FOR INSTITUTIONAL IMPROVEMENTS AND SUPPORT FOR
PRIVATE SECTOR. THE EVALUATION SHOULD ASSESS MIDA'S
EFFECTIVENESS AND EFFICIENCY IN IMPLEMENTING GOP
POLICIES. SPECIFIC ATTENTION SHOULD BE GIVEN TO THE
QUALITY AND TENURE OF PROJECT COUNTERPARTS, THE
AVAILABILITY OF COUNTERPART FUNDING, AND THE EXTENT TO
WHICH DECISION MAKERS ARE USING/DEMANDING THE ANALYSIS
PRODUCED UNDER THE PROJECT. A NEGATIVE DETERMINATION
WITH RESPECT TO COMMITMENT OR UNJUSTIFIED CHANGES IN
COUNTERPART PERSONNEL WHICH ARE DETRIMENTAL TO THE
PROJECT PURPOSE WOULD BE CAUSE TO REVISE THE PLANS FOR
FUTURE INC;EMENTAL FUNDING.

ANNEX I
Exhibit F
Page 2 of 2

5. BECAUSE OF THE UPCOMING ELECTION, IT IS LIKELY THAT
THERE WOULD BE CONSIDERABLE CHANGES AMONG TOP MIDA
PERSONNEL AT THE BEGINNING OF THE PROJECT. WHILE IT IS
RECOGNIZED THAT IT IS NOT FEASIBLE TO INCLUDE IN THE
PROJECT AGREEMENT AN EXPLICIT REQUIREMENT FOR A.I.D..
APPROVAL OF MIDA COUNTERPART PERSONNEL, MIDA SHOULD BE
ALERTED EARLY ON THAT THE CALIBER OF THE COUNTERPARTS
WILL BE A CRUCIAL FACTOR IN DETERMINING THE FUTURE OF
A.I.D.'S SUPPORT FOR THIS PROJECT. IF THE POST-ELECTION
APPOINTMENTS DO NOT BODE WELL FOR THE PROJECT, A PHASE
ONE OF THE PROJECT SHOULD NOT AWAIT THE FIRST SCHEDULED
EVALUATION.

6. THE DAEC REQUESTS, THAT THE MISSION ADVISE AID/W AT
THE EARLIEST APPROPRIATE TIME DURING PROJECT DEVELOPMENT
OF THE CONTRACTING MODE RECOMMENDED AND THE MISSION'S
ASSESSMENT WITH REGARD TO THE FEASIBILITY OF USING A
MINORITY FIRM OR A TITLE XII INSTITUTION. THE MISSION
IS ALSO REMINDED TO INCORPORATE IN THE PP A DESCRIPTION
OF THE EXPECTED PARTICIPATION OF WOMEN IN THE ACTIVITIES
CONTEMPLATED UNDER THE PROJECT AND THE EXPECTED IMPACT
ON WOMEN. SHULTZ

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**PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK**

(INSTRUCTION: THIS IS AN OPTIONAL FORM WHICH CAN BE USED AS AN AID TO ORGANIZING DATA FOR THE PAR REPORT. IT NEED NOT BE RETAINED OR SUBMITTED.)

Life of Project: _____
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Agricultural Policy Formulation and Management (525-0247)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <p>To increase overall production and efficiency in Panama's agricultural sector.</p>	<p>Measures of Goal Achievement:</p> <p>Output of agricultural sector.</p>	<p>Census, national agricultural statistics, project progress reports.</p>	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> 1. Continued political stability. 2. Absence of serious natural disasters. 3. National economic policies conducive to increased private investment in agriculture are adopted and implemented.

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Agricultural Policy Formulation and Management (525-0247)

PAGE 2

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Project Purpose:</p> <p>To improve MIDA's capability to analyze, design and implement sound, coherent agricultural policies, and improve the institution's capability to manage and coordinate programs aimed at increasing agricultural production and efficiency.</p>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> 1. MIDA has the capacity to collect and process relevant information, conduct policy analysis, formulate policy alternatives, analyze their associated impacts, and recommend short and long term programs to implement the new policies; 2. The demand for agricultural information, analysis and policy recommendations are being met in a timely and accurate manner; 3. The capacity to implement, manage and evaluate the performance of agricultural institutions and programs has been improved; 4. The technical capacity of planning, statistical and management personnel has been upgraded to professionally acceptable standards; and 5. The private sector is actively participating in agricultural policy formulation. 	<ol style="list-style-type: none"> 1. GOP publications, progress reports, observations. 2. Progress reports and observations. 3. GOP publications, progress reports, evaluations. 4. GOP records, progress reports. 5. GOP publications, progress reports, observation. 	<p>Assumptions for achieving purpose:</p> <p>The government will continue to support the new policy directions already approved and those anticipated, and is prepared to implement the changes required in the public agriculture sector.</p>

ANNEX II
Exhibit A
Page 2 of 4 Pages

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY _____ to FY _____
Total U. S. Funding _____
Date Prepared: _____

Project Title & Number: Agricultural Policy Formulation and Management (525-0247)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Outputs:</p> <ol style="list-style-type: none"> 1. Agricultural policy analysis and formulation capacity established in MIDA. 2. Programming and management capacity within MIDA improved. 3. Information systems established to provide timely, accurate and relevant data to policy analysts, policymakers, and line and staff managers. 4. MIDA office facilities, consolidated and refurbished. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 1. a) MIDA carrying out policy studies, recommending policy alternatives and short, medium and long term plans and programs to implement chosen policies and objectives by 1985; b) MS level from 1984 to 1989 increased by 5; c) PhD level from 1984 to 1989 increased by 2. 2. a) Annual programming and budgeting systems integrated by 1985; b) Project design, monitoring and evaluations systems in place by 1985; c) Five line managers received MPA degrees by 1989; d) Thirty five line and staff managers received training in management techniques by 1989; e) Ten project specialists trained; f) Career management strategy devised. 3. Beginning in 1985, documentation center, improved information flows, data bases established; ten regional info specialists trained. 4. Observation. 	<ol style="list-style-type: none"> 1. Project progress reports. Project evaluations and completed policy studies. Summary reports based on log entries. 2. Project progress reports, examination of budgets. Training progress reports. 3. Project progress reports, project evaluations. 4. Observation 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> 1. a) Strong leadership; b) qualified staff attracted and retained by MIDA; c) qualified advisors are available and arrive when needed. 2. Same as 1, above. Adequate numbers of qualified personnel available. 3. Same as 1, above.

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PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
From FY _____ to FY _____
Total U.S. Funding _____
Date Prepared: _____

Project Title & Number: Agricultural Policy Formulation and Management (525-0267)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS			MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Inputs:	Implementation Target (Type and Quantity)				Assumptions for providing inputs:
	(Thousand US\$)				
	AID	GOP	TOTAL		
A. <u>Agricultural Policy Analysis</u>				1. USAID Records. 2. GOP/MIDA Records	1. No delays in meeting conditions precedent to disbursement and commitments set forth in Grant Agreement. 2. All funds available on a timely basis. 3. Long-term TA selected and in place as scheduled.
Technical Assistance	1,065	33	1,098		
Local Contract	180	45	225		
Training, Workshops, Seminars	717	15	732		
Equipment and Materials	6	16	22		
Operational Expenses	-	946	946		
	<u>1,968</u>	<u>1,055</u>	<u>3,023</u>		
B. <u>Programming and Budgeting</u>					
Technical Assistance	1,455	-	1,455		
Local Contract	-	-	-		
Training, Workshops, Seminars	154	35	189		
Equipment and Materials	51	15	66		
Operational Expenses	-	658	658		
	<u>1,660</u>	<u>708</u>	<u>2,368</u>		
C. <u>Information Support</u>					
Technical Assistance	378	3	381		
Local Contract	181	52	233		
Training, Workshops, Seminars	226	20	246		
Equipment and Materials	130	17	147		
Operational Expenses	-	599	599		
	<u>915</u>	<u>691</u>	<u>1,606</u>		
D. <u>Office Facilities Support</u>					
Office Facilities Support	394	600	994		
E. <u>Evaluation</u>					
Evaluation	63	-	63		
TOTAL	<u>5,000</u>	<u>3,054</u>	<u>8,054</u>		

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DETAILED PHASED IMPLEMENTATION PLAN

Tasks Related to Overall Project Management
or That are Common to Project Activities

Month*

- 5 Project Paper is approved.
- 4 The Project Agreement is signed by the GOP and USAID.
USAID/Panama receives letter from the GOP designating authorized signatures on the Project.
- 3 All local heads of units and component managers are identified.
Technical Committee, Executive Committee, and Training Committee organized.
- 2 Technical Committee meets; PP discussed.
Selection and assignment of DNPS (and contract personnel, as necessary,) to functional units or groups.
- 1 Annual Financial and Implementation Plans prepared.
- 1 Annual Financial and Implementation Plans approved by Technical Committee.
Technical and Executive Committees meet.
Training Committee proposes candidates for long-term training.
Conditions precedent to disbursement are satisfied by the GOP.
- 2 Annual Financial and Implementation Plans are approved by AID.
Long-term consultants arrive in Panama.
Project personnel go on "Retreat".
Technical Committee meets; quarterly progress report is prepared.
- 3 AID prepares PIO/C for purchase of four vehicles.
AID prepares purchase order for computer hardware.
Executive Committee meets.
- 4
- 5 Quarterly progress report is prepared.
- 6 Executive Committee meets.
- 7 Computer system is installed.
- 8 Quarterly progress report is prepared.
- 9 Executive Committee meets.
- 10 Annual Financial and Implementation Plans prepared
- 11 Vehicles arrive.
Annual Financial and Implementation Plans approved by Technical Committee.
Quarterly progress report is prepared.
- 12 Annual Financial and Implementation Plans are approved by AID/
Executive Committee meets.
- 13
- 14 Quarterly progress report is prepared.
- 15 Executive Committee meets.
- 16

* Activities financed by the Project begin in Month 1.

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Month

- 17 Quarterly progress report is prepared.
- 18 First special evaluation of the Project is conducted.
Executive Committee meets.
- 19
- 20 Quarterly progress report is prepared.
- 21 Data flows between the regions and the DNPS are well-established.
Executive Committee meets.
- 22 Annual Financial and Implementation Plans prepared.
- 23 Technical Committee approves Annual Financial and Implementation
Plans.
Quarterly progress report is prepared.
- 24 Annual Financial and Implementation Plans are approved by AID.
Executive Committee meets.
- 25 Information data banks are operational and a system developed for
updating data.
Pilot regional informational centers are established.
- 26 Quarterly progress report is prepared.
- 27 Executive Committee meets.
- 28
- 29 Quarterly progress report is prepared.
- 30 Executive Committee meets.
- 31
- 32 Quarterly progress report is prepared.
- 33 Executive Committee meets.
- 34 Annual Financial and Implementation Plans prepared.
- 35 Annual Financial and Implementation Plans approved by Technical
Committee.
Quarterly progress report is prepared.
- 36 Annual Financial and Implementation Plans are approved by AID.
Executive Committee meets.
Second special Project evaluation is conducted.
- 37
- 38 Quarterly progress report is prepared.
- 39 Executive Committee meets.
- 40
- 41 Quarterly progress report is prepared.
- 42 Executive Committee meets.
- 43
- 44 Quarterly progress report is prepared.
- 45 Executive Committee meets.
- 46 Annual Financial and Implementation Plans are prepared.
- 47 Technical Committee approves Annual Financial and Implementation
Plans.
Quarterly progress report is prepared.
- 48 Annual Financial and Implementation Plans are approved by AID.
Executive Committee meets.
- 49
- 50 Quarterly progress report is prepared.
- 51 Executive Committee meets.
- 52

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Month

- 53 Quarterly progress report is prepared.
54 Executive Committee meets.
55
56 Quarterly progress report is prepared.
57 Executive Committee meets.
58 Annual Financial and Implementation Plans are prepared.
59 Technical Committee approves the Annual Financial and
Implementation Plans.
Quarterly progress report is prepared.
60 Annual Financial and Implementation Plan are approved by AID.
Final impact evaluation is conducted.
Executive Committee meets.

Tasks That Take Place Each Month

- 3 Technical Committee meets.
-2 Technical Committee meets.
-1 Technical Committee meets.
1-60 Technical Committee meets.
Monthly request for reimbursement/disbursement prepared by
DNPS/MIDA.

Tasks Related to the Agricultural Policy Analysis Group

Month

- 3 Head of the Agricultural Policy Analysis Group is identified. Members of the Group and potential commodity specialists are assigned.
- 2 Initial organization and orientation of commodity specialists.
- 1 Study and discussion of PP by all Group personnel. Inventory of existing policies and agricultural legislation prepared. Group work plan prepared. Policy seminars programmed. Provisional criteria and procedures are established for selecting candidates for graduate studies.
- 1 List of candidates for graduate study and tentative schedule of study presented to the Training Committee.
- 2 Policy analysis long-term resident advisors arrive.
- 3 Priority areas for analysis determined and studies programmed.
- 4 Specific tasks assigned to personnel; job descriptions clarified. Plans for short-term training course initiated.
- 5 First agricultural policy workshop for agricultural policy decisionmakers and analysts held.
- 6 Three candidates for graduate study depart. Contract personnel needed to temporarily replace them have been hired. Informal seminar held on Group's activities.
- 7 Meeting with technicians in public sector institutions who are concerned with agricultural policy issues. Short-term training course held.
- 8 Rotation of commodity specialists to next product or subject area.
- 9 Informal seminar held on Group's activities.
- 10 Group work plan prepared.
- 11 Plan for short-term course.
- 12 Informal seminar held on Group's activities.
- 13 One candidate departs for graduate study.
- 14 Rotation of commodity specialists. Short-term course held.
- 15 Informal seminar held on Group's activities.
- 16
- 17
- 18 Informal seminar held on Group's activities.
- 19
- 20
- 21 Informal seminar held on Group's activities.
- 22 Group work plan prepared. Rotation of commodity specialists.
- 23

Month

24 Informal seminar held on Group's activities.
25
26
27 Informal seminar held on Group's activities.
28
29
30 Informal seminar held on Group's activities.
Rotation of commodity specialists.
31 Three candidates depart for graduate study.
32
33 Informal seminar held on Group's activities.
34 Group work plan prepared.
Three candidates return from graduate study and reintegrated into
the group.
35
36 Informal seminar held on Group's activities.
37
38 Rotation of commodity specialists.
39 Informal seminar held on Group's activities.
40
41
42 Informal seminar held on Group's activities.
43 One candidate returns from graduate study.
44
45 Informal seminar held on Group's activities.
46 Rotation of commodity specialist.
Group work plan prepared.
47
48 Informal seminar held on Group's activities.
49 One long-term Resident Advisor leaves.
50
51 Informal seminar held on Group's activities.
52
53
54 Informal seminar held on Group's activities.
55
56
57 Informal seminar held on Group's activities.
58 Group work plan prepared.
59
60 Three candidates return from graduate study.
Informal seminar held on Group's activities.
Long-term resident advisor leaves.

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Month

Tasks Related to Programming and Management Support

- 3 Head of the Agricultural Policy Management Group is identified.
- 2
- 1 Study and discussion of PP by all group personnel.
Inventory is prepared, covering a two year time period, of proposed projects or those in development; approved projects and programs being implemented with expected termination dates; and a list of projects and programs which will end during the stated time period.
- 1 One Resident Advisor (Program Specialist) arrives.
Potential candidates for long-term management training identified.
- 2 Training materials developed for action-oriented workshops.
Work plans prepared for management improvement of MIDA, and DNPS strengthening. Means for monitoring and evaluating specific tasks is established.
- 3 Key problems in administration and financial areas are identified.
Two Resident Advisors (Administrative & Financial Specialist, and Project Specialist) arrive.
Work plans (MIDA-DNPS) are discussed and modified, as needed.
Initial program for training of regional personnel in project implementation techniques, and information requirements for monitoring of projects and programs is devised (in collaboration with Resident Advisor for Information Support component.)
- 4 Solutions for MIDA's administration and financial problems proposed.
Document summarizing agricultural sector policies, programs and projects, over a two year period, is prepared.
Workshop held.
- 5
- 6 Personnel management system study initiated.
Candidates for management training depart.
- 7
- 8
- 9 Resident Advisor (Program Specialist) arrives.
- 10 Group work plan prepared. Schedule for activities in the regional offices of MIDA, and training programs for their personnel are included. Means for monitoring and evaluating specific tasks is established.
- 11 Training materials developed for action-oriented workshops.
- 12 Preliminary recommendations of personnel management system ready.
- 13 Document (prepared several months ago) summarizing agricultural sector policies, programs and projects, over a two year period, is reviewed.
Items, especially those referenced in the second year of that document, are updated, and related to available annual implementation plans of MIDA. They are included in a new agricultural development program document (covering a two-year period) together with activities anticipated in the subsequent year. The document clarifies the "rules of the game."

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Month

- 14 Workshop held.
- 15 Training materials developed for action-oriented workshops.
- 16-17
- 18 Personnel management study concluded and recommendations presented.
- 19 Ongoing monitoring of activities included in basic agricultural development program document occurs.
- 20-21
- 22 Group work plan prepared.
Schedule for activities in the regional offices of MIDA, and training programs for their personnel are included.
Means for monitoring and evaluating specific tasks is established.
- 23
- 24 Workshop held.
Most recent agricultural development program document (summarizing agricultural sector policies, programs and projects, over a two year period) is reviewed.
Information contained therein is updated, and related to available annual implementation plans of MIDA. As necessary, brief memoranda with updated information are issued.
- 25-29
- 30 Candidates return with management degrees.
Most recent agricultural development program document, and updates are reviewed.
Information contained therein is updated, and related to available annual implementation plans of MIDA. Cycle is repeated with the issuance of another agricultural development program document.
- 31-32
- 33 Resident Advisors (Project Specialist, Program Specialist) depart.
- 34 Group work plan prepared.
Schedule for activities in the regional offices of MIDA, and training programs for their personnel are included.
Means for monitoring and evaluating specific tasks is established.
- 35
- 36 Most recent agricultural development program document is reviewed.
Information contained therein is updated, and related to available annual implementation plans of MIDA. As necessary, brief memoranda with updated information are issued.
- 37 One Resident Advisor (Program Specialist) departs.
- 38
- 39 Resident Advisor (Administrative & Financial Analyst) departs.
- 40-41
- 42 Most recent agricultural development program document, and updates are reviewed.
Information contained therein is updated, and related to available annual implementation plans of MIDA. Cycle is repeated with the issuance of another agricultural development program document.
- 43-45

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Month

- 46 Group work plan prepared.
Schedule for activities in the regional offices of MIDA, and training programs for their personnel are included.
Means for monitoring and evaluating specific tasks is established.
- 47
- 48 Most recent agricultural development program document is reviewed. Information contained therein is updated, and related to available annual implementation plans of MIDA. As necessary, brief memoranda with updated information are issued.
- 49-57
- 58 Group work plan prepared.
Means for monitoring and evaluating specific tasks is established.
- 59-60

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Month

Tasks Related to Information Support

- 3 Component Manager, the Coordinator/Administrator of the Information Center and the Heads of the Statistical, Computer, and Documentation Units are identified.
Computer requirements submitted to local firms for suggested system configurations and cost.
Candidates for training in statistics, and computer sciences (programming) will be identified.
- 2
- 1 Study and discussion of PP by DNPS personnel.
Information Center work plan prepared.
- 1 Training Committee proposes candidates for long-term training in statistics, and computer sciences.
- 2 Long-term Resident Advisor arrives.
- 3 Inventory of available information useful for policy analysis, program and project management is prepared.
Initial program for training of regional personnel information gathering and processing is devised (in collaboration with Resident Advisors of Programming and Management Support component.)
Avenues for cooperation and communication established between the Documentation Center and IDIAP's documentation center.
AID prepares purchase order for the purchase of computer hardware, and related equipment.
AID prepares PIO/C for the purchase of vehicles.
AID prepares purchases orders necessary to buy equipment, furniture and materials for the Documentation Center.
- 4 Priority informational gaps and necessities are identified.
Two candidates depart for computer science (programming) training.
- 5 Work plans to establish an information system within DNPS, including collecting, processing, storing and disseminating information) are updated. Suggestions for documents to be acquired channeled to Documentation Center.
Operating policies including lending policies for Documentation Center are established.
- 6 Candidate departs for Bachelor's training in Statistics.
Documents from Santiago will be moved to the Documentation Center, located in Panama City.
- 7 Computer system is installed.
Means (including required forms) are designed to collect data (at the regional and other levels) for use in policy analysis, and policy management.
Computer unit person receive training in use of the computer.

Month

- 8 Documentation Center will begin to obtain documentation published regularly in Panama, including DEC publications, and to be placed on mailing lists for other relevant materials published outside of Panama.
- 9 Regional information personnel receive training in data collection and processing.
Two assistants have been trained in skills required to participate in sample and survey design.
- 10 Information Center work plan prepared.
Tentative list of documents to be acquired prepared by Documentation Center.
- 11 Vehicles arrive.
- 12 Documents, purchased and those transferred from Santiago, will have been catalogued and shelved.
- 13 Further short-term training of Statistics Unit and Documentation Center personnel takes place as necessary.
- 14 The Statistical Unit is capable of planning, designing, and implementing surveys.
- 15 Avenues of cooperation between the Information Center and the Statistics and Census Directorate (DEC) are opened.
- 16 Brief courses to orient DNPS and MIDA personnel on the potential uses of the computer system are held.
- 17
- 18 Channels of intercommunication with other public sector institutions will have become formalized. The Documentation Center will be receiving, on a regular basis, documents, studies, etc. produced by public sector agricultural institutions.
- 19-20
- 21 Results of information management systems and training activities evaluated.
Regional information center personnel receive additional training in data collection and processing.
- 22 Seminar in basic statistical analysis prepared for training of DNPS staff.
Information Center work plan prepared. Tentative list of documents to be acquired prepared by Documentation Center.
- 23
- 24 Seminars in basic statistics analysis seminar held.
Documentation Center will have established links with the Panamanian Agricultural Information System and with Agrinter (IICA).
- 25 Pilot regional information/documentation centers are established.
As appropriate, computer linkages are established.
Information data banks are operational and a system developed for updating data.
- 26-30
- 31 Regional information centers carry out their activities in cooperation with computer and documentation units, and in coordination with Agricultural Policy Management Group.
- 32-33

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Month

- 34 Information Center work plan prepared.
Two computer programmers return to Computer Unit, having completed long-term training.
- 35
- 36 Individual with BS degree in statistics returns, and is integrated back into the statistics unit.
The library system will have been computerized, facilitating access to information located in the Documentation Center and elsewhere.
- 37 Formal linkages with other public agricultural sector institutions maintained and strengthened.
- 38 Long-term Resident Advisor departs.
- 39-45
- 46 Information Center work plan prepared. Tentative list of documents to be acquired prepared by Documentation Center.
- 47
- 48 Information linkages with other agricultural sector public institutions evaluated.
- 49 Prepare next program.
- 50-57
- 58 Information Center work plan prepared. Tentative list of documents to be acquired prepared by Documentation Center.
- 59-60

Tasks Related to Office Facilities Support

Month

- 3 Component Manager identified. Building identified.
Building inspected, and certified as structurally sound.
- 2 Existing conditions documented.
- 1 Title or lease sent to AID/Panama for review.
- 1 Individuals needed to prepare construction documents are identified and contracted as necessary.
- 2 Proposed renovation schema (floor plan) presented to GOP and AID/Panama.
- 3 Preparer of construction documents estimates time requirements needed to prepare construction documents. Work schedule, including estimated labor requirements and timing, is prepared.
- 4 Construction documents completed.
AID/Panama reviews construction documents.
- 5 Construction crew needed for renovation is contracted.
Renovation begins
- 6-11 AID inspects work in progress at pre-determined intervals.
- 12 MIDA moves into new quarters.
- 13-60 Building is maintained.
Fifteen percent of construction fund, held in reserve to make any necessary corrections, is expended.

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Table 1
 AGRICULTURAL POLICY MANAGEMENT
 SUMMARY BUDGET
 (\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL		TOTALS
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	
AGRICULTURAL POLICY ANALYSIS SUPPORT	391.4	196.2	556.2	195.2	551.9	201.2	317.1	224.2	151.4	238.2	1968.0	1055.0	3023.0
A. Technical Assistance	184.0		276.0		311.0	6.0	119.0	11.0	55.0	16.0	945.0	33.0	978.0
B. Local Contracts	70.0	9.0	70.0	9.0	79.0	9.0	54.0	9.0	27.0	9.0	300.0	45.0	345.0
C. Training, Workshops, Seminars	134.5	3.0	209.3	3.0	161.0	3.0	147.4	3.0	68.8	3.0	717.0	15.0	732.0
D. Equipment and Materials	2.9	3.2	0.9	3.2	0.9	3.2	0.7	3.2	0.6	3.2	6.0	16.0	22.0
E. Operational Costs		181.0		180.0		180.0		198.0		207.0		946.0	946.0
PROGRAMMING AND MANAGEMENT SUPPORT	487.6	126.1	617.9	127.5	524.5	127.5	30.0	160.0		166.5	1660.0	707.6	2367.6
A. Technical Assistance	396.0		545.0		484.0		30.0				1455.0		1455.0
B. Local Contracts													
C. Training, Workshops, Seminars	46.6		69.9		37.5			17.4		17.4	154.0	34.8	188.8
D. Equipment and Materials	45.0	1.2	3.0	1.2	3.0	1.2		5.8		5.8	51.0	15.2	66.2
E. Operational Costs		124.9		126.3		126.3		136.8		143.3		657.6	657.6
INFORMATION SUPPORT	240.5	133.0	317.4	128.7	233.5	127.3	87.1	144.3	36.5	158.0	915.0	691.3	1606.3
A. Technical Assistance	91.0	0.5	131.2	0.5	125.5	0.6	30.3	0.6		0.6	378.0	2.8	380.8
B. Local Contracts	45.4	1.0	45.4	1.0	37.9	9.0	30.4	17.0	21.9	25.0	181.0	53.0	234.0
C. Training, Workshops, Seminars	68.6	10.4	71.6	10.4	54.0		20.4		11.0		225.6	20.8	246.4
D. Equipment and Materials	35.5	9.6	69.2	1.2	16.1	2.1	6.0	1.8	3.6	1.9	130.4	16.6	147.0
E. Operational Costs		111.5		115.6		115.6		124.9		130.5		592.1	592.1
OFFICE FACILITIES SUPPORT	394.0	120.0		120.0		120.0		120.0		120.0	394.0	600.0	994.0
OTHER - EVALUATION			21.0		21.0				21.0		63.0		63.0
TOTAL	1,513.5	575.3	1,512.5	571.4	1,330.9	576.0	434.2	648.5	208.9	682.7	5,000.0	3,053.9	8,053.9

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Table 2
ESTIMATED BUDGET
AGRICULTURAL POLICY ANALYSIS SUPPORT

(\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP								
A. TECHNICAL ASSISTANCE	184.0		276.0		311.0	6.0	119.0	11.0	55.0	16.0	945.0	33.0
1. Long-Term Consultants												
1 Economist in Policy Analysis	60.0		120.0		120.0		60.0				360.0	
1 Economist in Policy Analysis	100.0		100.0		100.0						300.0	
2. Short-Term Consultants	20.0		50.0		85.0	6.0	54.0	11.0	50.0	16.0	259.0	33.0
3. In-country travel and per-diem	4.0		6.0		6.0		5.0		5.0		26.0	
B. LOCAL CONTRACT	70.0	9.0	70.0	9.0	79.0	9.0	54.0	9.0	27.0	9.0	300.0	45.0
C. TRAINING	134.5	3.0	209.3	3.0	161.0	3.0	143.4	3.0	68.8	3.0	717.0	15.0
1. Long-Term Training												
7 MA's degrees abroad (2.5 years/person)	20.4		91.8		142.8		122.8		51.4		429.2	
Plus extra round trip, with family	1.6		5.0		3.2		5.6		2.4		17.8	
2. Local Workshops, Seminars, etc.	112.5	3.0	112.5	3.0	15.0	3.0	15.0	3.0	15.0	3.0	270.0	15.0
D. EQUIPMENT AND MATERIALS	2.9	3.2	0.9	3.2	0.9	3.2	0.7	3.2	0.6	3.2	6.0	16.0
1. Letter quality printer	2.0										2.0	
2. Books and subscriptions	0.9		0.9		0.9		0.7		0.6		4.0	
3. Paper and other supplies		3.2		3.2		3.2		3.2		3.2		16.0
E. OPERATIONAL COSTS		181.0		180.0		180.0		198.0		207.0		946.0
1. Salaries		180.0		180.0		180.0		198.0		207.0		945.0
2. Office equipment		1.0										1.0
TOTAL	391.4	196.2	556.2	195.2	551.9	201.2	317.1	224.2	151.4	238.2	1968.0	1055.0

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Table 3
ESTIMATED BUDGET
PROGRAMMING AND MANAGEMENT SUPPORT
(\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
A. TECHNICAL ASSISTANCE	396.0		545.0		484.0		30.0				1555.0	
1. Long-Term Resident Consultants												
2 Programming/Management Specialists	150.0		240.0		210.0						600.0	
1 Project Analyst	90.0		120.0		90.0						300.0	
1 Administrative & Financial Specialist	90.0		120.0		120.0		30.0				360.0	
2. Short-term Consultants	60.0		60.0		60.0						180.0	
3. In-Country Travel and Per diem	6.0		5.0		4.0						5.0	
B. LOCAL CONTRACT												
C. TRAINING	46.6		69.9		37.5			17.4		17.4	154.0	34.8
1. Long-Term												
5 MPAs degrees, INCAE (2 years/person)	21.6		32.4								54.0	
2. Local Workshops, Seminars, etc.	25.0		37.5		37.5			17.4		17.4	100.0	34.8
D. EQUIPMENT AND MATERIALS	45.0	1.2	3.0	1.2	3.0	1.2		5.8		5.8	51.0	15.2
3. Vehicles	32.0										32.0	
Audiovisual equipment	10.0	1.2		1.2		1.2		1.2		1.2	10.0	6.0
Paper and other supplies	3.0		3.0		3.0			4.6		4.6	9.0	9.2
E. OPERATIONAL COSTS		124.9		126.3		126.3		136.8		143.3		657.6
Salaries		120.0		120.0		120.0		130.6		137.1		627.7
Fuel, maintenance		1.9		3.3		3.3		3.3		3.3		15.1
Office Equipment		1.0										1.0
Maintenance Contracts		1.0		2.2		2.2		2.2		2.2		9.8
Vehicle and Office Equipment Insurance		1.0		0.8		0.8		0.7		0.7		4.0
TOTAL	487.6	126.1	617.9	127.5	524.5	127.5	30.0	160.0		166.5	1660.0	707.6

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Table 4a
ESTIMATED BUDGET
INFORMATION SUPPORT
SUMMARY OF TABLES 4b, 4c, 4d
(\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
A. TECHNICAL ASSISTANCE	94.0	0.5	131.2	0.5	125.4	0.6	30.3	0.6		0.6	378.0	2.8
1. Long-Term	90.0		120.0		120.0		30.3				360.0	
2. Short-term			10.4		5.2						15.6	
3. In-country travel and per diem	1.0	0.5	0.8	0.5	0.3	0.6	0.3	0.6		0.6	2.4	2.8
B. LOCAL CONTRACT	45.4	1.0	45.4	1.0	37.9	9.0	30.4	17.0	71.9	25.0	181.0	53.0
C. TRAINING	68.6	10.4	71.6	10.4	54.0		20.4		11.0		225.6	20.8
1. Long Term	63.6		61.2		54.0		20.4		11.0		210.2	
2. Short Term	5.0	10.4	10.4	10.4							15.4	20.8
D. EQUIPMENT AND MATERIALS	35.5	9.6	69.2	1.2	16.1	2.1	6.0	1.8	3.6	1.9	170.4	16.6
Micro-Computer or System	10.0		60.0		10.0						80.0	
2 Related Software	2.5		2.5								5.0	
1 Photocopier with auditron	1.8	-									1.8	
1 Vehicle	10.0										10.0	
Necessary Furniture	4.5	8.6	-			0.4					4.5	9.0
Books and Subscriptions	3.1	0.4	3.1	0.5	2.5	0.8	2.4	0.9		1.0	11.1	3.6
Paper and Other Supplies	3.6	0.6	3.6	0.7	3.6	0.9	3.6	0.9	3.6	0.9	18.0	4.0
E. OPERATIONAL COSTS		111.5	-	115.6		115.6		124.9		111.5		598.1
Salaries	-	104.4	-	104.4		104.4		113.7		119.3		546.2
Fuel, maintenance		1.0		1.0		1.0		1.0		1.0		5.0
Office Equipment		1.0		1.0								2.0
Maintenance Contracts		4.1		7.9		8.9		8.9		8.9		38.7
Vehicle and Office Equipment		1.0		1.3		1.3		1.3		1.3		6.2
TOTAL	240.5	133.0	317.4	128.7	233.5	127.3	87.1	144.3	16.5	159.0	915.0	691.3

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Table 4b
ESTIMATED BUDGET
INFORMATION SUPPORT
STATISTICS UNIT
(\$ 1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
A. TECHNICAL ASSISTANCE	91.0		125.5		120.0		30.3				366.8	
1. Long Term Consultant	90.0		120.0		120.0		30.0				360.0	
2. Short Term Consultants			5.2								5.2	
3. In-country Travel and Per Diem	1.0		0.3				0.3				1.6	
B. LOCAL CONTRACT	19.0	1.0	19.0	1.0	14.5	6.0	10.0	11.0	4.5	16.0	67.0	35.0
1 MS in Statistic (Unit Head)	18.0		18.0		13.5	5.5	9.0	9.0	4.5	14.0	63.0	27.5
In country Travel and per diem	1.0	1.0	1.0	1.0	1.0	1.5	1.0	2.0		2.0	4.0	7.5
C. TRAINING	21.2	10.4	20.4	10.4	32.0		20.4		11.0		105.0	20.8
Long-Term	21.2		20.4		32.0		20.4		11.0		105.0	
Short-Term		10.4		10.4								20.8
D. EQUIPMENT and MATERIALS	12.0	2.7	1.0	0.5	0.5	0.6	0.4	0.7		0.8	13.9	5.3
1 Vehicle	10.0										10.0	
Necessary Furniture	1.0	2.3									1.0	2.3
Book purchase and some subscriptions	1.0	0.2	1.0	0.2	0.5	0.3	0.4	0.4		0.5	2.9	1.6
Paper and Other Supplies		0.2		0.3		0.3		0.3		0.3		1.4
E. OPERATIONAL COSTS		27.6		27.9		27.4		29.6		31.0		143.5
Salaries		25.2		25.2		25.2		27.4		28.8		131.8
Fuel, maintenance		1.0		1.0		1.0		1.0		1.0		5.0
Office equipment		0.5		0.5								1.0
Maintenance Contracts		0.2		0.2		0.2		0.2		0.2		1.0
Vehicle and Office Equipment Insurance		0.7		1.0		1.0		1.0		1.0		4.7
TOTAL	143.2	41.7	165.9	39.8	167.0	34.0	61.1	41.3	15.5	47.8	557.7	204.6

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Table 4c
ESTIMATED BUDGET
INFORMATION SUPPORT
DOCUMENTATION CENTER
(\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
A. TECHNICAL ASSISTANCE												
B. LOCAL CONTRACT (Library Scientist)	12.0		12.0		9.0	3.0	6.0	6.0	3.0	9.0	42.0	18.0
C. TRAINING	5.0		5.0								10.0	
D. EQUIPMENT AND MATERIALS	6.3	4.4	2.0	0.4	2.0	0.7	2.0	0.6	1.0	0.6	13.3	6.7
1 Photocopier with auditron	1.8										1.8	
Furniture	2.5	4.0									2.5	4.0
Books and Journal subscription	2.0	0.1	2.0	0.2	2.0	0.3	2.0	0.3	1.0	0.3	9.0	1.2
Paper and other supplies		0.3		0.2		0.4		0.3		0.3		1.5
E. OPERATIONAL COSTS		16.3		16.9		16.9		18.3		19.1		87.5
Salaries		15.6		15.6		15.6		17.0		17.8		81.6
Maintenance contracts		0.6		1.2		1.2		1.2		1.2		5.4
Vehicle and office equipment insurance		0.1		0.1		0.1		0.1		0.1		0.5
TOTAL	23.3	20.7	19.0	17.3	11.0	20.6	8.0	24.9	4.0	28.7	65.3	112.7

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Table 4d
ESTIMATED BUDGET
INFORMATION SUPPORT
COMPUTER UNIT
(\$1000)

COMPONENT/YEAR	1		2		3		4		5		TOTAL	
	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP	AID	GOP
A. TECHNICAL ASSISTANCE		0.5	5.7	0.5	5.5	0.6		0.6		0.6	11.2	2.8
Short-Term Consultants			5.2		5.2						10.4	
In-country travel and per diem		0.5	0.5	0.5	0.3	0.6		0.6		0.6	0.8	2.8
B. LOCAL CONTRACT	14.4		14.4		14.4		14.4		14.4		72.0	
1 BS Computer Programmer	14.4		14.4		14.4		14.4		14.4		72.0	
C. TRAINING	42.4		46.2		22.0						110.6	
1. Long-Term	42.4		40.8		22.0						105.2	
2. Short-Term			5.4								5.4	
D. EQUIPMENT AND MATERIALS	17.2	2.5	66.2	0.3	13.6	0.8	3.6	0.5	3.6	0.5	104.2	4.6
Micro-computer or system	10.0		60.0		10.0						80.0	
2 related software	2.5		2.5								5.0	
Furniture	1.0	2.2				0.3					1.0	2.5
Books and journal subscriptions	0.1	0.1	0.1	0.1		0.2		0.2		0.2	0.2	0.8
Paper and other supplies	3.6	0.2	3.6	0.2	3.6	0.3	3.6	0.3	3.6	0.3	18.0	1.3
E. OPERATIONAL COSTS		67.6		70.8		71.3		77.0		80.4		367.1
Salaries		63.6		63.6		63.6		69.3		72.7		312.8
Office equipment		0.5		0.5								1.0
Maintenance contracts		3.3		6.5		7.5		7.5		7.5		32.3
Vehicle and Office Insurance		0.2		0.2		0.2		0.2		0.2		1.0
TOTAL	74.0	70.6	132.5	71.6	55.5	72.7	18.0	78.1	18.0	81.5	298.0	374.5

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USAID/PANAMA CONTROLLER'S ASSESSMENT
 OF GOP METHODS OF IMPLEMENTATION AND FINANCING

1. Methods of Implementation and Financing:

The following chart provides information related to methods of implementation and financing.

<u>Methods of Implementation</u>	<u>Methods of Financing</u>	<u>Approx. Amount</u>
T.A. U.S. PSC's	Direct Pay	\$ 733.0
T.A. U.S. Insti. Contract	Direct Pay	2,228.0
T.A. H.C. PSC's	HC Reimbursement	361.0
Construction Hq. Remodeling	Fixed Amt Reimb.	394.0
Commodities AID Proc <u>1/</u>	Direct Pay	168.2
Commodities - H.C Proc. (P.O's) <u>2/</u>	Direct Pay	19.2
Training - AID Proc.	Direct Pay	<u>1,096.6</u>
		\$5,000.0

As noted in the above chart, the planned methods of financing all fall within the three AID preferred methods.

The Host Country (H.C), as indicated in the above chart, will be expected to contract, procure commodities and verify payments before submitting reimbursement requests to USAID/Panama.

The DNPS financing functions under the Project will be the same as those of other Agricultural Sector Directorates of MIDA. The initiation of financing and payment requests will be done by the DNPS. The MIDA Management and Finance Office, in conjunction with the MIDA Legal Affairs Office and the Panamanian Controller General's Office, will provide the actual contracting, commodity procurement and payment verification services to DNPS.

The contracting and commodity procurement process is as follows:

The Minister of Agriculture is authorized by Panamanian Law and subject to the Panamanian Fiscal Code, to sign contracts and procure commodities related to Ministry activities. USAID/Panama is in possession of a copy of the Fiscal Code. A description of its application is contained in the Norwich Consulting Enterprise Inc. Study, financed by USAID/Panama in 1982 under Contract No. 525-90-C-00-1027-00.

1/ Procurement for large dollar items such as computer equipment, and vehicles will be done by AID.

2/ Procurement of small dollar items such as books, initial computer supplies and a photocopier will be made by HC.

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The DNPS requests services and commodities in writing to the MIDA Management and Finance/Procurement Department. Fiscal control by line item (Project component) is the sole responsibility of DNPS. Before the first disbursement of funds by AID to DNPS, the USAID Controller will assure that an adequate system of fiscal control over the Project components is in place.

In the case of Personal Service Contracts (PSC's), both short and long term, such as those contemplated under the project (under \$50,000), at least three individuals are contacted by phone or a notice in local newspapers is published to request applicants for the described position. An evaluation of the candidates is done by DNPS. The Management and Finance/Administrative Office negotiates with the selected applicant and prepares the contract. The draft contract is reviewed and approved by the Legal Affairs Office. Once the contract is prepared in final it is sent to the Controller General Resident Auditor for verification and signature. Then the contractor and the Minister sign, thereby creating a legally binding contract. USAID/Panama will assure that the MIDA Management and Finance Office is aware of the importance of maintaining documentation related to contracting actions for possible AID review before and after the Project Assistance Completion Date (PACD).

In the case of commodity procurement the DNPS requests the commodities in writing to the MIDA Management and Finance/Procurement Department. For commodities valued at under \$50,000, such as those contemplated under the project, the Department requests at least three quotations from potential suppliers (either by phone or in writing depending on the complexity of the procurement action). The supplier who meets the specifications at the lowest price is awarded a purchase order. USAID/Panama will assure that the MIDA Management and Finance/ Procurement Department is aware of the importance of maintaining price quotation documentation for possible AID review before and after the PACD.

Contingent upon the establishment by DNPS of appropriate fiscal control measures within each Project component, the contracting and commodity procedure system mentioned above appears adequate.

Payment verification for commodity purchases is as follows:

The DNPS authorizes the MIDA Management and Finance Office to make payment to the vendor. This is done by signing the invoice which indicates that the item was received in satisfactory condition. The MIDA Management and Finance/Accounting Department then compares the invoice to the terms of the purchase order and prepares the check accordingly. The invoice, the purchase order and the check are forwarded to the Controller General Resident Auditor. All documents are reviewed by the Auditor for completeness and accuracy and then verified for payment by stamping the invoice (which also prevents duplicate payment). The Resident Auditor then signs the check. The check is sent to the Management and Finance Division Chief who then countersigns it. Finally, the check is forwarded to the vendor.

The payment verification system for commodity purchases appears adequate.

Payment verification for Personal Service Contracts is as follows:

The MIDA Management and Finance/Accounting Department maintains a copy of the signed contract on file. Checks are prepared by the Department based solely on the contract terms and, without further authorization, are forwarded to the Controller General Resident Auditor. (The frequency of check preparation is determined by the contract and is usually bi-monthly). The Auditor assures that the payment is in accordance with the contract and signs the check. The check is then countersigned by the Management and Finance Division Chief and forwarded to the contractor.

This contract payment verification system provides for neither invoice submission by contractors nor DNPS indication that the services being paid have been rendered. To correct these vulnerabilities USAID/Panama will require that all AID financed contracts call for invoice submission by the contractor and approval by DNPS of each invoice before payment. USAID/Panama will assure that the MIDA Management and Finance/Accounting Department is aware of the importance of maintaining approved invoices in the Contract File for possible AID review before and after the PACD.

Contingent upon the establishment of the requirement for DNPS approved Personal Service Contractors' invoices mentioned above, the payment verification system for Personal Service Contracts appears adequate.

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