

PD-AAS-420

Panama  
Action Plan 1986-1987

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USAID/PANAMA  
ACTION PLAN FY 1986 AND FY 1987

May 23, 1985

ACTION PLAN FY 1986 AND 1987

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## FY 1986 AND FY 1987 ACTION PLAN

### I. INTRODUCTION

The economic situation confronting Panama's new civilian government which took power in late 1984 following the first elections in sixteen years is bleak. The main growth sources since 1970 - the public sector and internationally oriented service sector - can no longer be counted on as the driving force for future economic growth.

As a result of the inordinate accumulation of government debt, the public sector will remain under severe financial constraints and cannot be expanded as in the past to stimulate the economy. Fiscal austerity begun in 1982 will have to continue for the next several years. There is now a limited scope in the short and medium term for further increases in service exports associated with the railway, the canal, the free zone, the international financial center and the oil pipeline. Continued reliance on the service sector alone unless a major development such as CENTERPORT and associated activities occur, will not generate sufficient growth to absorb the increasing labor force.

Given Panama's internal market limitations, economic growth and employment generation will have to be export led. Export expansion of the goods sectors is critical. Renewed growth must depend on greater dynamism in agriculture and industry, focussed on exports and fueled by private sector investment. Finally, a policy framework whereby the economy is gradually exposed to international competition will require that production for domestic consumption be based on efficient production of import substitutes.

### II. PANAMA - THE ECONOMY

Salient aspects of the economy that have particular relevance to this plan are as follows:

1. Panama is an urban country fast becoming even more so, especially in the Panama-Colon metropolitan corridor.
2. The economy of Panama suffers from the inefficiencies and disincentives inherent in any economy in which government control and regulation are so extensive.
3. Panama suffers from high and rising urban unemployment. For 1984 the World Bank estimated the unemployment rate to be 13.9 percent; for 1986 and 1987 it projected unemployment rates of 17.5 percent and 19.5 percent respectively.
4. Panama is in the throes of a critical debt crisis. The public sector is under severe financial constraint. The public debt is 96% of GDP.

5. The economy is based on import substitution policies which have produced economic stagnation and lower levels of employment.
6. The Canal and the related transport sector offers a unique advantage for the economic development of Panama that has yet to be fully realized.

### III. DEVELOPMENT STRATEGY

Panama's economic policies differ markedly between sectors. While the service sector developed with a minimum of government regulation and control, there has been significant intervention in other sectors. Agricultural policy in the last decade emphasized self sufficiency in basic food commodities through a pricing system that raised the prices of deficit commodities and lowered the prices of surplus commodities, resulting in a misallocation of resources. Additionally, price policy was used to some extent as a mechanism to transfer income from urban areas to rural areas. Furthermore, there was increased government intervention manifested through the establishment of government owned enterprises, such as sugar mills, large-scale marketing activities, and the creation and support of agrarian reform communal farms (asentamientos). Populist social development oriented policies dominated over policies designed to stimulate economic growth. A key casualty of the populist social development strategy was the deterioration that took place in the agricultural research, extension and education systems.

In the industrial sector, the policy of import substitution which began in the early 1960s was continued. Protection of domestic industries was accomplished basically through a system of import quotas, and the domestic prices of items subject to quotas were regulated through price controls.

The housing sector has been characterized by (1) tax incentives which promote private sector investment in luxury housing and speculation in condominium development, (2) rent control laws that have effectively reduced the supply of rental housing for most Panamanians, (3) inefficient direct public provision of low income housing by MIVI/BHN, and (4) excessively high urbanization and housing construction standards which have unduly increased the cost of low income housing.

The pursuit of these policies resulted in a misallocation of resources, constrained growth in all sectors with the exception of the service and government sectors, and produced a public sector debt which by 1984 amounted to \$4.3 billion (96% of GDP).

With the advent of the De La Espriella administration in 1982, the GOP began a program of economic policy reform designed to reactivate the economy by stimulating the private sector, promoting exports and embarking on an austerity program to control public sector spending. The Barletta Administration is committed to this basic reorientation in development strategy which we fully support. However, there is an urgent need for the GOP

to clearly state its plans for implementing the strategy in order to end the period of uncertainty which has characterized Panama since the May 1984 elections campaign.

The Mission's program for FY 86 and FY 87 is designed to encourage and assist the GOP in the implementation of the new private sector led strategy through the following strategy components:

1. Encourage and assist in the transition to a much leaner and more efficient public sector including the divestiture of public enterprises and the curtailment and paring back of government entities both in size and function.
2. Encourage and assist in the transition from an economy based on a policy of import substitution to one based on efficient production and exports.
3. Employ USAID resources and encourage the allocation of national resources in agriculture to produce commodities for which Panama has an economic advantage for local market production and identify products in which Panama has a comparative advantage for export.
4. Support the adoption of policies and encourage activities which result in solving increasing natural resource conservation problems.
5. Encourage and assist in the mobilization of local private resources for housing production and promote the efficient planning and delivery of urban services.
6. Utilize the Central American Peace Scholarships Program to advance the development strategy and achievement of program objectives.

#### IV. PROGRAM OBJECTIVES

The USAID's strategy can be categorized according to four major objectives, namely, financial stabilization, economic growth, increasing equity, and strengthening democratic institutions.

##### a) Financial Stabilization

Panama has no central bank and although the Balboa is the national unit of exchange, only a small volume of balboa coins circulates and no balboa bills are issued. The effective medium of exchange is the US dollar and, as a consequence, Panama does not have the same type of foreign exchange constraint as most countries in the region. The Panamanian system can be viewed as one where parity with the US dollar is maintained at an equilibrium exchange rate. Because of its monetary system, macroeconomic equilibrium in Panama is essentially a fiscal problem. In fact, the leading indicator of macroeconomic

stability is the public sector deficit rather than the balance of payments deficit.

In 1984, USAID played a key role in Panama's financial stabilization program by providing a \$30 million cash transfer to the GOP in the last quarter of 1984, thus enabling the government to meet the terms of the IMF Stand-By Arrangement. At present, the USAID is not planning to use FY85 ESF resources to finance specific components of the GOP 1985 Investment Budget. In FY 1986 and FY 1987, ESF will be employed for specific activities of budget support depending on GOP performance with respect to earlier conditionality, the fiscal situation, and the outcome of analytical efforts planned over the next year.

b) Economic Growth

This objective is fundamental to all others. The economy of Panama has stagnated for the last two years, and will probably continue to do so in 1985. A resumption of economic growth will depend on a reactivation of the private industrial and agricultural sectors, particularly for the production of export commodities. Our projects and policy dialogue are designed to remove restrictions to growth and assist in the reactivation of the economy.

While economic growth is reactivated, the GOP continues to view construction sector investment and employment as a way to mitigate the impact of fiscal austerity while policy reforms are put into place. The Private Sector Shelter Development Project (HG-013) and HG-012 will improve employment prospects in the construction sector providing jobs for 6,000 persons in the short term. Additional jobs will be generated in the short term by the infrastructure activities financed with FY 1985 ESF.

A long-term employment strategy must be based on an adequate macroeconomic policy that would encourage rapid export-led economic growth. Measures to increase the rate of labor absorption can complement macroeconomic policy. Wages and other costs of labor are the most important prices in the economy, and this is particularly the case in Panama. In Panama, given the absence of an exchange rate policy, the price of non-tradeables, most importantly labor, offers basically the only international adjustment mechanism. Wage discipline, reductions in labor code provisions that increase labor costs, and programs designed to increase labor productivity are necessary if jobs are to be provided for the increasing numbers of entrants to the labor force.

Presently, the structure of incentives is geared towards import substitution in the industrial and the agricultural sectors, and to the minimization of employment. Given Panama's internal market limitations, Panama's growth will have to be export led. Additionally, both economic theory and empirical studies demonstrate that the labor content of exports from developing countries is higher than the labor content of import substitutes. Therefore, an export-led growth strategy will not only permit higher levels of economic growth but it will also generate higher levels of employment than an import substitution strategy would.

If the proper incentives are offered there is scope for reactivating industrial growth, particularly in agro-industry and assembly industry for the export market. The reactivation of the industrial sector will require a concerted effort to eliminate several constraints. The GOP is committed to the establishment of a system of low and uniform tariff protection, and although this will increase overall efficiency, it will impose significant costs on enterprises which can not compete internationally. A keystone of USAID strategy is to assist the affected enterprises, and thus make the adjustment less painful. The competitiveness of Panamanian firms must be increased. To do so, it is necessary to reduce input costs including labor, electricity, port charges, and internal transport costs. Additionally, a productivity improvement effort is necessary. The reactivation of the private sector will also require long-term finance. Although the banking system in Panama is highly developed, long-term finance is basically only provided by a government institution, the Banco Nacional de Panama (BNP).

The reactivation of the private agricultural sector will depend on (1) continued rationalization of pricing policies to gradually phase-out administered prices, (2) promotion of government policy and institutional reform toward increased competition of the private sector in order to stimulate sustainable export growth and production for domestic consumption based on efficient import substitution; (3) improvement of public sector support activities which cannot be provided efficiently or equitably by the private sector while reducing the public sector's role in productive enterprises; (4) improvement of the protection and management of Panama's natural resources; (5) promotion of private sector investment and management in production, marketing, distribution, and processing activities for domestic and export markets, distribution, and processing activities for domestic and export markets; and (6) improvement of the human resource base in the agricultural and rural sectors by supporting a broad program of technical training. Our ongoing activities in the agricultural sector and the proposed new activities complement each other in providing a solid base from which the reactivation of the private agricultural sector can proceed.

### c) Equity

Panama's income distribution is the most equitable in the isthmus, with the exception of Costa Rica. Additionally, public spending over the past 15 years helped produce a more egalitarian society as large expenditures were made for goods and services to low-income families.

Nevertheless, there remains substantial poverty in Panama. Approximately 55% of Panama's population resides in rural areas and secondary towns. Those rural areas where poverty is most evident are in indigenous communities, in most provinces where farm occupants do not own or have title to land, in areas where farm productivity is extremely low and in secondary towns which are attracting migrants from outlying rural areas. Approximately 45% of the national population lives in Metropolitan Panama and Colon. Persistent pockets of poverty remain in Colon and Downtown Panama. Moreover, the recent pace of migration of families from rural areas to Metropolitan

Panama has continued and accelerated resulting in large-scale, new land invasions in Chorrera, Arraijan, Tocumen and San Miguelito.

Equity issues will be addressed through agricultural projects that emphasize farmer training and productivity. The Land Titling Project, to the extent that it eliminates insecurity of tenure and its concomitant abuses, will also have an impact on improved equity in rural areas. Equity issues in urban areas will be addressed through our Private Sector Shelter Development Project which will provide both low income housing and employment in the depressed construction sector.

The CAPS project will provide access to education and training to large numbers of people in both rural and urban areas who formerly were denied such opportunities because of their poverty or ethnic background.

d) Strengthening Democratic Institutions

We believe a strong, sound private economic sector is a necessary fundamental to strengthening democratic institutions. Accordingly, we consider our private sector projects supporting private initiative as our major effort in this regard.

In addition, we intend to implement the CAPS projects to take advantage of every opportunity to strengthen democratic institutions wherever they may be found, in the business community, in professional associations, in worker associations, and in local community groups which include mayors, municipal council members, representatives and members of the national assembly.

Further, we intend to make an OPG to AIFLD to assist that organization in its work with the Confederación de Trabajadores de la República de Panamá. This assistance will contribute to the democratic orientation of Panama's trade unions movement and to a constructive national dialogue. Finally, we will coordinate and promote Panamanian participation in the activities to be carried out under the Regional Administration of Justice Project (59C-0133).

V. POLICY DIALOGUE STRATEGY

Although the USAID Mission has collaborated closely with the IMF and the World Bank, an important component of our country strategy has been to define a policy agenda independently of those institutions. Most of the measures that we are encouraging the GOP to undertake are included as conditionality by the IMF and/or the World Bank; however, there are some exceptions. USAID is basically promoting measures that would encourage private sector activity by allowing markets to work more freely and with less distortion. In comparison with the IMF, our approach gives greater emphasis to the "supply side". The following are examples of areas where we disagree with the IMF and/or the World Bank:

a) In a recent report (IMF, Panama - Staff Report for the 1984 Article IV Consultation, August 20, 1984), the IMF encouraged the GOP to raise the payroll tax. We believe that given the high rate of unemployment and the high rates of payroll tax (22% of wages), it is totally inappropriate to exacerbate the situation by raising tax rates on wages. b) In the same report, the IMF suggested that electric power rates be raised. However, electric power rates in Panama are among the highest in the world, partly as a consequence of inefficiencies of the power company (Instituto de Recursos Hidráulicos y Electrificación, IRHE). We believe that a management audit needs to be carried out to identify cost saving measures, and that those measures should be implemented. In the area of power rates and IRHE inefficiency we are also somewhat at odds with the World Bank, as they have been major lenders to IRHE and have approved recently a seventh loan to that institution. The World Bank has been negligent in the past in not requiring improvements in the operating efficiency of IRHE.

Our policy dialogue approach involves intensive interaction and consensus building. To achieve this, we have followed closely the policy debate underway in Panama and have supported key individuals whose views on policy reform are similar to ours by providing them with the necessary resources to carry out technically sound analyses of policy alternatives. A good example is the economic studies program at MIPPE which has been an effective mechanism to support the process of policy change at the highest levels of government. Additionally, we are using our project assistance to encourage policy reform. Three recent examples have been: (a) The GOP has raised interest rates on low income housing, brought them near to market rates and made them more uniform; (b) the Small Business Development Project, which was signed on September 18, 1984, includes a condition requiring the GOP to phase out small business lending by the Ministry of Commerce and Industry (MICI), an activity for which it is ill suited; (c) market interest rates will be charged to the final borrowers under our Small Business Development Project; and (d) USAID negotiated the elimination of a 0.5 percent tax on industrial and commercial lending which was to be used to subsidize low income housing. In connection with HG 012 we have negotiated an agreement to restructure the National Mortgage Bank (BHN) to allow it to function as an autonomous financial institution. Legislation has now been passed implementing the restructuring of the BHN and also allowing the savings and loans institutions to operate more competitively.

The policy measures presently under consideration and those already undertaken represent a significant departure from the past. This shift in economic policy is a difficult and politically risky process involving numerous groups with vested interest in existing policies. Success must be measured in terms of the total process of change and its direction and not in terms of any one or two specific policy measures undertaken. In discussions with key individuals of the new administration, we have begun to determine a logical calendar for specific policy changes, but it must be recognized that this is a sensitive and difficult process because of political uncertainties and because the need to obtain approval from the new Legislative Assembly introduces an additional factor which increases the uncertainty associated

with policy reform. However, we have identified a discrete number of significant policy reforms and have received assurances from the Minister of Planning that the present administration plans to make every effort to implement them within the next twelve months, subject to its ability to obtain the necessary political support from the Assembly.

The most important areas of policy reform in which USAID is involved are summarized below.

### 1. Industrial Incentives Law

Our FY 1984 ESF Grant Agreement included a covenant requiring the presentation to the legislature of an industrial incentive law based on a system of low and uniform tariff protection. The optimum level of protection was estimated at 20-30 per cent in a study which was carried out as part of the Economic Studies Program. Additionally, several industrial incentives favor the use of machinery over labor. It will be necessary to design a system of industrial incentives that would at least be neutral between the use of labor and capital.

### 2. Input Costs

Labor costs are relatively high in Panama as a consequence of the upward pressure in wages from the Canal Area activities, and labor costs were increased further with the passage of the Labor Code in 1972. Modification of the Labor Code is a highly sensitive political issue, but we included a covenant in the agreement for our FY 1984 ESF assistance that would require the government to modify the labor code provisions regulating payments for piece-rate work.

Electric power rates in Panama are among the highest in the world, partly as a consequence of the inefficiency of the Instituto de Recursos Hidráulicos y Electrificación (IRHE). We believe that the World Bank should condition future assistance to IRHE on the implementation of cost saving measures. We have reported our views on IRHE under the early notification system for Multilateral Development Banks (MDB) projects on two occasions (84 Panama 1442 and LOU 84 Panama 11655), but as far as we know, no action whatsoever has been taken.

Port charges are high, and their structure is said to be irrational, thus discouraging exports and raising the cost of imports. We will encourage the multilateral development banks to condition their planned assistance to the ports on the lowering and rationalization of port charges.

### 3. Housing

USAID has been a major provider of resources and has been successful in attaining various policy changes such as the elimination of Law 28 of 1984 which taxed bank loans for commerce and industry and used the proceeds to subsidize interest rates and the promulgation of Law 39 of 1984

which separated management responsibilities of MIVI and BHN, established a BHN Board of Directors (including major private sector participation) and eliminated some important restrictions on the S and L system.

One of the conditions of the FY 1985 ESF program is the preparation and adoption of a national housing policy. The covenants and conditions precedent on our FY 86 housing program will include GOP actions to prepare and adopt a national housing policy; to reduce the norms and standards of housing construction and thereby its cost; to strengthen the Savings and Loan system through administrative reforms; and to strengthen the housing finance system through measures to increase the flow of private resources for shelter development (e.g., secondary mortgage market operations).

The GOP has created a series of incentives to promote construction of housing. There is, however, no national housing policy which addresses the sector as a whole. We will condition our FY 1985 ESF assistance on the preparation and publication by the GOP of a national housing policy which sets forth the strategy and objectives for meeting low-cost housing needs over the next five years, and which defines the roles of the public and private sectors in meeting those needs.

#### 4. Agriculture

USAID has been instrumental in encouraging the GOP to lower support prices, particularly for rice. We included in our 1984 ESF assistance a covenant that required the GOP to introduce to the legislature a new agricultural incentives law that would move away from the concept of encouraging self sufficiency in agricultural commodities and would give greater emphasis to export promotion. We are continuing to work with the Minister of Agriculture through the process of policy dialogue to further reorient the public agricultural sector toward a sharper focus in support of the private sector, export development, improved price policy and divestiture of state agribusiness enterprises.

#### 5. Forestry

The laws regulating land tenure of forest lands have been a disincentive to the rational management and exploitation of forests. As a condition for proceeding with the new Natural Resources Management Project, the GOP will introduce legislation that guarantees tenure, the lack of which has impeded efforts of reforestation and other conservation measures.

#### 6. Divestiture of State Owned Enterprises

Divestiture is a sensitive political issue, but we believe that it is an absolute necessity particularly because of the present fiscal situation. We plan to assist the GOP in its divestiture plans by providing resources to contract expert advice to establish values and to begin the marketing strategy to sell several state owned enterprises. We plan to use resources from our Development Policy Studies Project to advise the GOP on ways to streamline the

now cumbersome divestiture procedure. Additionally, we have proposed conditions on our 1985 ESF assistance requiring the GOP to: a) turn over the operation and management to the private sector of the three grain storage silos financed by USAID/Panama under the Grains and Perishables Marketing Project (525-T-042), and b) preparation by a professionally qualified commission of a report to be submitted to the Legislature evaluating the financial and operational history and prospects of all state-owned enterprises. The report will evaluate the potential for improving the profitability of successful enterprises and the likelihood of saving money-losing enterprises. The report will recommend those enterprises which should be closed. In addition, the report will assess the utility and feasibility of divestiture in each case and evaluate the amounts the Government of Panama might realize through the sale of its ownership or of the assets of the businesses.

#### 7. Banking Legislation

A recent report prepared under the Economic Studies Project concluded that it is necessary to reform the National Banking Commission to allow it to increase its regulatory functions. We now plan to bring consultants to assist the GOP in determining the changes which are required in the banking code. Depending on the results of the analysis, we will consider including specific reforms as conditions of our FY 1986 ESF assistance. The mobilization of savings will be a major goal, and this could have an important impact on the availability of funds for housing finance.

#### 8. Public Administration

A bloated public sector is major factor in government waste and inefficiency. We will condition our FY 1985 ESF assistance on the presentation to the Legislature of a civil service law which includes detailed plans for professionalizing GOP public administration and limiting public employment by detailing specific tasks, job descriptions, and qualifications for employment. Additionally, we will encourage the GOP to reduce public employment. Reduction in government spending and increase in its efficiency would contribute to financial stability by reducing the deficit of the public sector.

### VI. ESF STRATEGY

In December 1984 the Mission provided \$30.0 million in ESF to the GOP via a cash transfer. The purpose of the assistance was to enable the GOP to remain in compliance with the then current IMF standby agreement; to facilitate the immediate negotiation of a syndicated commercial bank loan to cover amortization requirements for 1985 and 1986; to support economic stabilization necessary to create conditions suitable for revitalization of the economy; and to assist the GOP in instituting structural and policy reforms to resume economic growth through greater dependence on the Panamanian private sectors.

Our FY 1985 ESF assistance will fund specific high-impact components of the GOP's 1985 Investment Budget. The items we have proposed to the GOP, in response to a formal request for assistance, are basically infrastructure projects in key sectors of the economy. The accomplishment of the investment projects would provide high-impact benefits including short-term job creation, high visibility, and quick disbursing development-oriented activities which are readily identified as U.S.-assisted projects.

The Mission based its selection of investments on those which were in harmony with our development strategy and with the recommendations of the Kissinger Commission. A key provision of our proposal is that construction under the \$20.0 million package will be accomplished through private sector contractors. Also, we plan to condition our assistance on the accomplishment, within one year from signing of the ESF Agreement, of the actions noted below. Initial informal conversations have been held with high level GOP officials on the basic principles of our conditionality.

- Preparation and publication of a national housing policy which sets forth the strategy and objectives for meeting low-cost housing needs over the next five years and which defines the roles of the public and private sectors in meeting the needs.
- Turn over of the operation and management to the private sector of the three grain storage silos financed by USAID/Panama under the Grains and Perishables Marketing Project (525-T-042).
- Presentation to the Legislature of a civil service reform law which includes detailed plans for professionalizing GOP public administration and limiting public employment by detailing specific tasks, job descriptions and qualifications.
- Preparation by a professionally qualified commission of a report to be submitted to the Legislature evaluating the financial and operational history and prospects of state enterprises. The report will recommend those state-enterprises which should be divested, closed, reorganized or maintained.

In FY 1986 USAID/Panama will determine the mode and purpose of its ESF program after a review of the GOP's compliance with the terms and conditions of the FY 1984 and FY 1985 assistance packages. A comprehensive, multi-year GOP development strategy now in preparation should be available to us by the end of FY 1985. If this statement of strategy is as far-reaching as indicated, it will provide a greatly improved basis for identifying areas of the highest priority to the GOP and a policy basis for ESF assistance. While the use of ESF for general budget support should not be discounted as a real possibility, the Mission reserves its decision at this time, pending resolution of the issues noted above.

A potential target of interest for our FY 1987 ESF program is related to a project called Centerport. This proposed undertaking offers enormous

development potential in terms of sustained employment, new industries, and accelerating and maintaining economic growth. The project concept is to treat Panama as a single port with two terminals, one in the Pacific and one in the Atlantic Ocean, and to develop it into a major container transshipment facility. Such a project likely would embrace such components as refurbishing of existing facilities and new construction; improve and widen the highway which links the ports of Colon and Balboa; refurbish the railway which connects the two ports and procure new rolling stock; reorganize the National Port Authority and embark on a comprehensive training program for its personnel. While we would expect the IBRD and IDB to provide financing for the principal infrastructure involved, we will examine the potential downstream activities which might be ESF-financed and could greatly enhance Centerport's contribution to economic growth in Panama. Initial studies of this potential will be undertaken in FY 1986. USAID/Panama will continue to closely monitor progress and maintain close contact with GOP and private entities and the IFIs currently involved in our preliminary discussions.

#### VII. STRATEGY FOR UTILIZING PVOs

USAID/Panama's program includes U.S. and Panamanian PVOs which have either OPGs or cooperative agreements. U.S. PVOs cooperating with the Mission are the Institute of International Education (IIE) and the World Wildlife Fund (WWF). An OPG with the Overseas Education Fund (of the U.S. League of Women Voters) was completed in March 1985 and OPGs to AIFLD and to RARE, Inc. are in the final stage of development for FY 1985 funding. Local PVOs include APEDE, the Association of Panamanian Business Executives; PANAJURU, a local 4-H youth organization; COSPAE, the Private Sector Council for Education Assistance; and the Panamanian National Environmental and Parks Foundation.

These PVOs are engaged in a wide variety of development activities ranging from scholarships for vocational training in the U.S. and protection of the natural environment, to providing additional business skills for working mothers and improving relations between labor and management. Each of the PVOs furthers the Mission's overall development strategy, and we hope to take advantage of other PVO's expertise as opportunities present themselves. Involvement of PVOs in USAID assistance activities occurs in one of two ways, through our normal project development process or at the initiative of PVOs submitting proposals consistent with our strategy. At the pre-PID stage the Mission's project development process requires that the individual or office which proposes a project indicate whether the project is suitable for implementation by a PVO. A positive determination leads to a preliminary identification of the PVOs which should be considered and the selection of a qualified, interested PVO. In other cases, unsolicited proposals prove to be consistent with USAID objectives and enhance our ability to achieve them through working with a U.S. or local PVO. The Mission believes this process to be a prudent and appropriate method for determining PVO participation in carrying out elements of our assistance strategy.

VIII. GOALS AND BENCHMARKS

a) The Mission's quantifiable goals, classified according to the general objectives of the program, can be summarized as follows:

|   | <u>Units</u> | <u>1986</u> | <u>1987</u> |
|---|--------------|-------------|-------------|
| 1. Financial Stabilization                        |              |             |             |
| Overall deficit of the consolidated public sector | \$ Million   | 200         | 200         |
| 2. Economic Growth                                |              |             |             |
| Growth rates of                                   |              |             |             |
| GDP   | %            | 3.0         | 3.5         |
| Agriculture                                       | %            | 3.0         | 3.5         |
| Industry and mines                                | %            | 3.5         | 6.0         |
| Construction                                      | %            | 2.9         | 3.4         |
| Services  | %            | 2.9         | 3.2         |
| 3. Equity   |              |             |             |
| New jobs created                                  |              |             |             |
| Agriculture                                       | '000         | 1.4         | 1.4         |
| Industry and mines                                | '000         | 1.8         | 3.1         |
| Construction                                      | '000         | 0.6         | 0.7         |
| Services  | '000         | 4.6         | 5.1         |
| Total   | '000         | 8.4         | 10.3        |
| Low-Income Housing Solutions <sup>1/</sup>        |              |             |             |
| Average unit cost \$ 3,000                        | No.          | 2,500       | 2,500       |
| Average unit cost \$10,000                        | No.          | 800         | 900         |
| Average unit cost \$22,000                        | No.          | 300         | 400         |
| Total   | No.          | 3,600       | 3,800       |
| 4. Strengthening Democratic Institution           |              |             |             |
| Peace Scholars                                    | No.          | 200         | 300         |

<sup>1/</sup> Includes HGs 011/012/013.

b) The Mission sector goals and benchmarks are as follows:

(1) USAID PRIVATE SECTOR GOALS AND BENCHMARKS

Goals:

USAID private sector funded projects are projected to induce investments of approximately \$95.4 million by the end of 1987, and to create an estimated 8,000 jobs throughout the economy.

During the same period, non-traditional exports, induced by USAID funded projects will increase by \$15 million.

The attainment of these goals, however, is conditioned on the achievement of intermediate objectives which create the condition or facilitate the resource flows necessary for increasing export production in Panama. These intermediate objectives are included below in program benchmarks.

A. Investment Council of Panama Project (ICP)

1. Activation of three Host Country IQC type contracts for research and development (FY 1985);
2. Restoration of GOP counterpart levels and intensified promotional effort by the ICP (FY 1985);
3. \$30 million in new investment and 3,000 new jobs created by the end of FY 1986.

B. Small Business Project

1. Participation of five banks and FEDPA in the project (FY 1985);
2. Activation of Ministry of Commerce and Industry Technical Assistance unit (FY 1985);
3. Generation of \$1 million in new investment and creation of 250 new jobs by the end of FY 1986.

C. Export Finance Project

1. Project Paper approval (FY 1985);
2. Project fully functioning (FY 1986);
3. \$4.9 million in new investment by the end of FY 1986 and 240 new jobs created.

D. Product and Productivity Project

1. Project paper approval (FY 1985);

2. Project fully functioning (FY 1986);
3. An increase in non-traditional exports by \$5 million by the end of FY 1986.

(2) Agriculture Sector Goal and Benchmarks

The general agriculture sector goal is to stimulate sustainable agricultural sector growth to contribute to overall private sector-led economic growth, increased employment, and financial stability. The agriculture sector, like the rest of the economy, was stagnant in 1984 and little change is foreseen for 1985. Stimulated by the new agriculture extension project in FY 1986, as well as the other existing projects within the agriculture portfolio, the agriculture sector goal by the end of FY 1987 is to have reached an annual rate of growth in agriculture output of 3.5 percent. To achieve this goal USAID/Panama will assist in focusing Panamanian efforts on the production of export crops as well as those commodities which can be produced in Panama at a comparative advantage. Following are the benchmarks to be used periodically in measuring progress toward eliminating constraints to the achievement of this goal.

These benchmarks are sub-divided into five program areas of concentration and are to be accomplished by the end of FY 1986.

A. Promote Agricultural Policy Development and Institutional Reform

1. Establish within the Ministry of Agricultural Development an effective planning unit with the capacity to design, coordinate and evaluate programs within the public agricultural sector programs.
2. First annual national agriculture development program produced summarizing sector goals, policies and instruments for achieving objectives with a detailed implementation plan and public sector investment budget.
3. Formulation of permanent policy studies group to regularly conduct studies, recommend alternate policies and assess impacts of agriculture policy measures in areas such as; price, trade, incentive programs, marketing, credit and the administration of public agricultural enterprises.
4. Modification of price controls to reduce constraints to improve market efficiency and resource allocation.

B. Improve Public Sector Support of Private Enterprise

1. In collaboration with the Panamanian Institute for Agriculture Research, complete 187 crop and livestock

experiments, complete validation of 10 experiments and initiate dissemination of research results to farmers through the Agriculture Technology Development project;

2. Have completed the design and initiation of a national agriculture extension project which is crop and area specific. Initiation of activities in two geographic areas where export crops or commodities for which Panama has a comparative advantage, can be produced;
3. In the target area of the Integrated Rural Development Project increase farmer income from key agriculture commodities to reach \$620 in 1982 prices.

C. Improve the Protection and Management of Natural Resources

1. Under the new Watershed Management Project, three specific watershed action plans developed and in operation;
2. National watershed strategy developed in collaboration with the Directorate of Natural Renewable Resources (RENARE);
3. Drafting of revised timber sales procedures and review by Government agencies;
4. Completion of the study of a cadastral based land titling project including recommendations for major reforms of the registry process.

D. Promote Private Sector Marketing of Agricultural Produce

1. Under the Agriculture Cooperative Marketing project increase yields of members of participating cooperatives by 10 percent;
2. Disbursement of \$4 million in credit funds for marketing infrastructure and cooperative working capital;
3. The identification and preparation of 12 feasibility analyses for Agricultural Cooperative Marketing projects.

E. Improve the Human Resource Base in the Agriculture and Rural Sectors

1. In relation to the Central American Peace Scholarship program in the agriculture sector, have provided the following training by the end of FY 1986:

|  | <u>U.S.</u> | <u>Local</u> |
|--|-------------|--------------|
| - Agriculture training of rural disadvantaged youths | 110         | 400          |
| - Training of Agriculture teaching staff             | 40          |              |
| - Natural resource and environment training          | 25          |              |
| - Specialized short-term trainees                    | 80          |              |
| - Specialized long-term trainees                     | <u>20</u>   | <u>    </u>  |
| Trainee Totals                                       | 275         | 400          |

(3) USAID Housing Sector Goals and Benchmarks

The general sector goal for shelter is to meet the shelter needs of low-income Panamanians on a sustainable basis. USAID funded projects are projected to induce investments of approximately \$60 million by the end of 1987 and to create 6,000 direct jobs related to the construction sector.

The attainment of those goals, however, is conditioned on objectives which create the conditions to facilitate resource flows necessary to meet Panama's housing deficit and to establish the framework to sustain shelter development in the future. These objectives are included below in program benchmarks to be achieved by the end of FY 1986.

- A. Reorient private sector to finance and produce approximately 1800 lower-cost shelter units annually (HIG 013, to be initiated FY 1986).
  1. Approximately \$10 million in private sector resources to be invested in new moderate and low-cost shelter solutions.
  2. Implementation of incentives to attract private sector participation.
  3. Participation of Caja de Ahorros, mortgage banks and savings and loans in lending for low-cost housing.
- B. Develop National Housing Policy
  1. Policy studies group established with Ministry of Planning and Economic Policy and the Ministry of Housing to carry out analytical work.
  2. Public and private sector institutional coordination and dialogue is established.

3. Recommendations produced by task force on Housing Policy for addressing identification of shelter issues, private and public roles in addressing issues, lowering costs of housing, mobilization of resources, etc.
  4. Legislation reform program established with implementation timetable.
- C. Improve efficiency of public sector shelter programs
1. Public sector budgets (MIPPE, MIVI, and National Mortgage Bank), are established and approved to permit flow of resources.
  2. Current technical assistance package of studies and resulting institutional reforms carried out.
  3. New contracting procedures permitted by GOP are applied.

## IX. IMPLEMENTATION PLAN

### General Implementation Considerations

USAID/Panama will concentrate its policy dialogue and financial resources on a small number of projects designed to accelerate economic development, to increase equity and to strengthen democratic institutions. By this concentration we expect to keep project design, implementation, and evaluation requirements within manageable limits while having a significant impact on sectors having a potential for growth. This will entail giving much greater emphasis to private sector projects than in the past while concentrating efforts in the public sector on activities which directly support the private sector led strategy.

The strategy has been based largely on an active policy dialogue with the GOP that has encouraged the adoption of economic policy measures intended to liberalize the economy, and to change the structure of incentives to stimulate exports and employment creation. To reinforce our continuing dialogue with the GOP, we have supported a program of economic studies to increase the level of knowledge on the problems of and options for policy reform.

Four projects which substantially contribute to the development of the private sector have been selected for authorization in FY 86 and FY 87:

1. Private Sector Export Financing (PSEF) - FY86
2. Private Sector Shelter Development, (HG-013) - FY86
3. Restructuring of Ministry of Industry and Commerce (MICI) - FY87
4. Product Development and Productivity (PDP) - FY87

The PSEF and PDP projects, in conjunction with the Investment Council of Panama (ICP) Project and the Small Business Project (SBP), address the three fundamental requirements for the development of the export sector. (1) The ICP and the PDP project (in its market search role) will provide export market information to the entire private sector and will promote the entry of new export oriented foreign and domestic firms into Panama. (2) The PDP (in its production related function) will provide assistance to improve the productivity of Panamanian firms and hence their competitive position, it will also assist those firms in developing cost efficient methods for introducing and producing new products. (3) The proposed PSEF project taken in conjunction with the new Small Business Project will provide the long-term project financing required for new production facilities.

The Private sector Shelter Project will provide improved short-term employment prospects in the construction sector via increased private housing finance and construction for lower income groups. This project will partially mitigate the impact of fiscal austerity during the transition period when policy reforms to reactivate the economy are put in place.

The Mission's strategy requires policy and procedural changes to stimulate private sector responses to export opportunities and to assist it in identification of those opportunities. The MICI Restructuring Project would develop necessary administrative reforms within the Agency which most directly and massively impact on the private sector. It will also establish a model for administrative reform which can be applied to other agencies of the GOP.

Our ongoing projects in the agriculture sector, together with the following three new projects will provide a sound basis toward the attainment of the objectives of the USAID strategy:

1. National Agricultural Extension (FY 86)
2. Land Titling (FY 87)
3. Agricultural Education (FY 87)

The ongoing Agricultural Policy Formulation and Management project focusses on the development of a capability within the Ministry of Agricultural Development (MIDA) to put together an effective agricultural strategy which will foster a greater reliance on market forces for resource allocation. This project is helping MIDA develop a policy framework with clear, consistent signals for production, processing and marketing decisions. This project will also promote the phasing out of administered prices to allow domestic prices to approach international prices. It will also provide the analysis necessary to initiate the divestiture of subsidized state-owned enterprises, and to more efficiently utilize the resources of the public sector by targeting them to activities for which Panama has a comparative advantage.

The Agriculture Technology Development and Agriculture Technology Transfer Projects, are currently promoting the development and dissemination of agriculture technology in selected areas of the country. The proposed

National Agricultural Extension Project will develop selective area and crop specific extension programs which will provide the technology needed to reorient the agricultural sector in order to compete efficiently in production for local consumption and for export.

The Watershed Management project is assisting in the development of public sector infrastructure required to effectively conserve, manage and exploit the country's valuable but dwindling natural resources. A follow-on project to be initiated during FY 85 will provide assistance in managing Panama's renewable natural resources to both the public and private sectors. An ongoing complementary activity, the Natural Resources Education Project, is providing an organizational framework for coordinating and enhancing the conservation activities of private sector groups throughout the country. The Agriculture Cooperative Marketing Project provides managerial, administrative, and marketing technical assistance to agricultural cooperatives as well as cooperative credit for agro-industrial and marketing activities.

A key complementary activity to our overall efforts in the agricultural sector is the proposed Land Titling Project. This project would remove a significant constraint to increased on-farm investments through the provision of legal land titles. This project is expected to have a significant impact on increased private sector investment in the agricultural sector. Finally, the Agricultural Education program will improve and rationalize the current agricultural education programs in order to meet the future needs for trained farmers and farm managers required by sector.

We would list the six DA projects in the following order of priority:

FY 1986

1. Private Sector Export Financing
2. National Agriculture Extension

FY 1987

1. Product Development and Productivity
2. Land Titling
3. Restructuring of Ministry of Industry and Commerce
4. Agriculture Education

We expect all projects to be approved in the Mission with the exception of the Private Sector Export Financing Project which may raise policy issues.

Following are descriptions of the seven new projects to be obligated in FY 1986 and FY 1987:

Project Title: Private Sector Export Financing  
Project No.: 525-0261  
Appropriation: SDA  
Life of Project Funding: \$18.0 million (L); \$1.3 million (G)  
FY of Initial Obligation: 1986, \$4.0 million (L), \$1.1 million (G)  
FY of Project Assistance Completion Date: 1991

Goal: To accelerate and sustain the rate of Panamanian economic growth through export oriented production and services.

Purpose: To generate increased export earnings through the private sector.

Problem Statement: Unavailability of medium and long-term credit for investment is one of the major constraints to the development of export-oriented industries. The banks in Panama engage primarily in short-term commercial finance. Only individuals with high net worth and well established firms have access to medium and long-term credit. Public financing of development has proved inefficient and unresponsive in the past, and does not appear to be a viable option now. Until a few years ago, three financial institutions were engaged in development finance. COFINA, a wholly owned Government development bank became inoperative over a year ago, because of heavy losses. DISA, a privately owned company, became inoperative when interest on deposits became more attractive than the performance of its loan portfolio. The Industrial Bank Department of Banco Nacional de Panamá (BNP), is at present the only financial institution engaged in medium and long-term development finance and their approach is greatly influenced by the commercial character of BNP.

Project Description: A wholly private sector Export Development Institution will be formed to assist in the promotion of investment in export-oriented industries. The initial resources will consist of U.S.\$4.5 million in capital and U.S.\$18.0 million in USAID loan. Assuming a loan to equity ratio of 70 to 30 and average size of \$400,000 for sub-loans, during the first 10 years of its operation the project will stimulate a total investment of about U.S.\$100 million and in the 20 years when the USAID loan is fully repaid the project will have stimulated a total investment of about U.S.\$200 million in new industries or expansion of existing industries. The project also includes \$1.3 million for technical assistance, project development, and project supervision and evaluation.

Consistency of Project with USAID Country Strategy: The Mission's strategy is directed toward: (1) improving Panama's competitive position; (2) facilitating expanded export activities; and (3) encouraging foreign investment in Panama; and (4) increasing employment. This project is directed toward CDSS and NBCCA goals of achieving economic stabilization, creating a basis for long-term growth and generating employment. This project also addresses the recommendations of the Kissinger Commission Report of January 1984 which call for promoting the expansion of trade opportunities in order to increase foreign exchange earnings.

Conformance of Project to AID Policy Strategy: AID's Private Enterprise Development Policy Paper points out that private financial institutions should be fostered to provide investment funds necessary for new activities. The Bureau for Private Enterprise Policy Paper specifically calls for the capitalization of privately owned intermediate financial institutions which service the private sector.

Host Country and Other Donors: The recommendations embodied in the World Bank's Structural Adjustment Loan (SAL) and the related IMF Standing Agreement, calling for a reversal of protective policies and for fiscal austerity on the part of the Government as a condition of the loans, were agreed to by the President. He has indicated that he looks on the development of exports as the key to economic growth and the reduction of unemployment. Evidence of the new administration's commitment to the policy of export promotion is found in the fact that quantitative restrictions on imports have been replaced with ad valorem taxes, that incentives for the promotion of investment are under revision with an export orientation bias, and that revision of the Labor Code is also under study. The establishment of the Investment Council of Panama and the creation of the Panamanian Institute of Foreign Trade are further indications of its interest in promoting export development. This project will support GOP objectives by stimulating the growth of private capital to finance investment for export.

Beneficiaries: Panamanian and joint venture investors in manufacturing and agro-business industries that are primarily export oriented; the additional 2,000 workers that will be employed in the new enterprise; and the population in general, due to increased income generated from exports.

Project Title: Private Sector Shelter Development Project  
Project Number: 525-HG-013  
Appropriation: HG  
Life of Project Funding: \$25.0 million (L) HG; \$200 thousand (G)  
FY of Initial Obligation: 1986  
FY of Project Assistance Completion Date: 1988

Goal: To meet shelter needs of low-income Panamanian families and generate employment.

Purpose: To reorient the housing finance and delivery system to promptly mobilize and channel local private resources to meet the shelter needs of low and middle-income families.

Problem Statement: The most serious constraints affecting housing for most Panamanian families are: the limited availability of public and private financing for shelter investment; the limited capacity of the public institutions, e.g., the Ministry of Housing (MIVI), to produce shelter for low-income families; the weakness of the savings and loan system in addressing the housing needs of its traditionally middle and low-income clientele; the inefficient production of shelter which results in excessively high costs for

most Panamanian families; and the system of tax and other incentives that affect housing construction and private bank financing but do not address the constraints or risks involved in the provision of shelter for the poor. The combined effect of these constraints are that there remains a large and growing housing deficit for low and middle income families and that housing investment finance for this group continues to be derived almost exclusively from external resources.

Project Description: The project will provide HG resources to establish a private sector mechanism to finance shelter units for low-income families. Long-term external resources to finance low-cost units will be made available to primary lenders such as the Caja de Ahorros, the savings and loan associations and the mortgage banks. Primary lenders and private contractors will develop eligible low-cost housing projects which will be submitted to a central financing institution for approval. Such projects will be built by private contractors. Beneficiaries would be selected by private lenders and executed mortgages for low-cost solutions would be reimbursed by the central finance institution. Primary lenders would be required to provide counterpart financing in an amount equivalent to the HG resources. Counterpart would be drawn from national savings thereby redirecting resources of primary lenders to satisfy the needs of low and middle-income Panamanian families. Normally building contractors put together projects (200 to 500 units) which require twelve to eighteen months to design, build and sell. The design of this project will be based on the implementation procedures normally used by the private sector for this proposed low cost housing program; therefore, project implementation is expected to be efficient, so that projects can be designed, accepted, financed and constructed within two years of the signing of the Agreement. As a complement to the establishment of the proposed finance mechanism, the project will promote a national housing policy which will incorporate significant private sector finance of low and middle-income housing.

Consistency of Project with USAID Country Strategy: The project is consistent with USAID strategy and seeks to mobilize local private resources for housing production. The Mission strategy with regard to shelter is directed at: 1) promoting the establishment of a national housing policy that will focus on issues of resource mobilization, private and public sector roles in shelter development, and affordability; 2) the creation of incentives to encourage greater participation of the private sector in lower-cost housing development; and 3) reducing the shelter deficit. The project is consistent with recommendations contained in the Jackson Plan in encouraging private sector involvement in policy development and project implementation, in promoting a major new initiative in labor-intensive construction, and in promoting the delivery of credit to, and asset formation by, low-income families. In generating short-term employment and new shelter solutions the project will address social equity without creating a burden for the GOP budget.

Conformance of Project to AID Policy Strategy: The project will support the formulation of national housing policy, one of AID's key objectives. It will demonstrate the role the private sector can play in meeting housing needs. It

will also be oriented to reduce direct fiscal support and subsidies for housing and create a climate for greater private sector involvement in low cost shelter delivery.

Host Country and Other Donors: The private sector is expected to play an important role in carrying out this program as a 50 percent counterpart contribution will be required. MIVI will continue to support construction of housing for income groups even lower than those served by this project. The IDB is expected to finance sites and services programs with MIVI.

Beneficiaries: The direct beneficiaries will be families earning incomes below the urban median, \$550 in Panama City and \$300 in secondary cities. Approximately 1,700 families will benefit as will approximately 3,000 workers. In addition, primary lenders will finance with their own resources, units for families whose monthly incomes are approximately \$1,000 or less.

Project Title: NATIONAL AGRICULTURE EXTENSION  
Project No.: 525-0266  
Appropriation: ARDN  
Life of Project Funding: \$16.0 million (L); \$14.0 million (G)  
FY of Initial Obligation: 1986  
FY of Estimated Final Obligation: 1996

Goal: To increase agricultural production of export crops and those commodities for local consumption which can be produced in Panama at a comparative advantage.

Purpose: To establish an area and crop specific extension program which has selective coverage of productive or potentially productive areas of the country and is jointly executed and funded by the public and private sectors. A low-level production technology is employed on the bulk of Panama's privately owned small and medium farms. No national mechanism has been available to effectively deliver information on alternative technologies or cropping/livestock activity mixes which respond to domestic comparative advantages, and export opportunities. Neither has the private sector capability to carry out crop specific extension been fully realized. Until recently, virtually all public-supported extension activities were directed toward a small number of farmers organized in agrarian settlements (asentamientos). Private sector crop specific research and extension efforts are limited to very small groups and are generally based upon imported high cost technology.

Two ongoing AID-supported projects, the Agriculture Technology Transfer (525-0227) and Integrated Rural Development (525-0186) projects, have promoted the development of agriculture technology and extension activities on a growing scale in selected areas of the country. Essential linkages have been established between research and production activities by involving farmers and crop associations in planning research priorities and setting up and monitoring trial plots in these areas. Farmers' suspicions of extension

activities developed over the years due to nonexistent or ineffectual extension services have been gradually replaced in project target areas as evidenced by the willingness of farmers to participate in extension activities which they understand, appreciate, and from which they preceive benefits.

Project Description: The Agriculture Technology Transfer project has developed useful methodologies for extending crop specific agriculture technologies to farmers within specific geographic areas. An evaluation will be undertaken in late 1985 to determine the effect on this project of new national policies strengthening the role of the private sector, new laws relating to the agricultural sector, and of structural changes within the Ministry of Agricultural Development which have occurred since project formulation. This evaluation will explore the existing linkages between private producer associations and public research and extension actions in view of these legal and institutional changes and Panama's potential for private sector lead growth in the sector.

The evaluation will also consider the relative advantage in terms of cost/benefit, of focusing extension activities of private producer associations and public agencies on specific socio-economic groups in productive or potentially productive areas of the country. Rapidity of technology diffusion and adoption will also be evaluated in relation to these groups. The evaluation conclusions and recommendations will provide guidance for the preparation of a national public/private sector commodity specific Agriculture Extension project.

The project design will closely examine the alternatives for evaluating and selecting realistic research targets for which Panama has or can develop a relative advantage in producing for domestic and export markets. Specific crops to be promoted for export and local markets will be selected in close coordination with the Agriculture Technology Development Project (525-0180). During project implementation, these crops will be the subject of research, variety development and dissemination to those farmers with commercial potential in specific productive or potentially productive areas of the country.

The fundamental focus of the project will be private farmers. The design will recognize the interdependence of research and extension. It will recommend linkages between these two activities. Similarly, project design will recognize the essential relationship between national and international research programs, and private sector research and extension activities. This relationship will be exploited and developed so that all activities are complementary and mutually supportive.

Key public and private extension offices will be incorporated into the program on a time-phased basis through the creation of crop organizations, and regional and zonal agricultural development councils. These councils will bring together researchers, extensionists and the individual farmers to plan and execute research and extension activities.

Public and private sector researchers and extensionists will be trained both in-country and abroad, vehicles will be purchased, and a private sector vehicle maintenance program established. Field offices will be built, equipment purchased, and effective linkages established with private agribusiness interests.

Consistency of Project with USAID country strategy: As a means to stimulate economic growth in the rural areas of Panama and to increase incomes the USAID Agriculture sector strategy places emphasis on increasing agricultural productivity of export crops, or those crops for which Panama has a comparative advantage in supplying the local market. This project will continue on a broader scale in well defined areas those efforts initiated under the Agriculture Technology Transfer Project (525-0227). It will also complement other ongoing and planned Mission activities such as the Agriculture Technology Development Project (525-0180), and the Agriculture Cooperative Marketing Project (525-0222).

Conformance of Project to AID policy strategy: The Jackson Plan calls for sharply increased rural research and extension services specifically targeted to crops produced for the local market. This project responds to this issue by having as one of its foci the production of crops for which Panama has a comparative advantage. On a broader scale, the 1982 AID policy paper entitled Food and Agricultural Development states that the objectives of U. S. food and agricultural assistance are to enable countries to become self-reliant in food, assure food security to their populations and contribute to broadly based economic growth. By promoting the dissemination of improved agriculture technology to farmers with commercial potential throughout the rural sector, the production of agricultural produce which offers a comparative advantage to Panama will increase, imports of such produce will diminish, exports of selected non traditional produce will increase, and food security for the populace at large will be enhanced.

Host Country and Other Donors: Given the support by the GOP of the Agriculture Technology Development and Agriculture Technology Transfer Projects and the top priority assigned to rebuilding a national extension capability, the host country's contribution to the proposed National Extension Project is expected to remain high. The project will take advantage of and complement available World Bank and Interamerican Development Bank (IDB) credit lines for tropical crop and livestock production administered by the Agricultural Development Bank (BDA) and the National Bank of Panama (BNP). An IDB-financed seed improvement project complements proposed extension activities by providing needed improved inputs.

Beneficiaries: The intended direct beneficiaries will be those small, medium and larger size farmers with commercial potential as well as private sector agribusiness entrepreneurs. Smaller farmers will also benefit indirectly through increased employment opportunities on larger farms, and with expanded or new agribusiness activities.

Project Title: MICI RESTRUCTURING PROJECT  
Project No. 525-0280  
Appropriation: EHR  
Life of Project funding: \$8.0 million  
FY of Initial Obligation: FY 1986. \$3.0 million (L); \$5.0 million (G)  
FY of Project Assistance Completion Date: 1991

Goal: To accelerate and sustain the rate of Panamanian economic growth through export-oriented production and services.

Project Purpose: To provide rational and effective government stimulation and support to improve the competitive performance of the private sector.

Problem Statement: The GOP, during most of the last two decades predicated its growth strategy on import substitution and protectionism within an increasingly "statist" economy. MICI was a major regulatory and developmental instrument supporting that strategy. MICI's mandate included policy guidance, the administration of all laws and regulations which govern private sector operation, including the incentive laws, as well as the provision of information to the private sector. Further, the Minister chairs the boards of a wide range of state-owned productive enterprises. The government, in its role as employer of last resort, encouraged the acquisition of additional employees by MICI far beyond necessary work requirements and the agency is thus overstaffed.

The Ministry is now asked to play a new role as statism, protectionism and import substitution give way to a strategy based on competition, export growth and reliance on the private sector. It is ill-focused, poorly structured and inadequately manned to carry out its new role. It will be necessary for MICI to re-define its functions, establish appropriate assignment of responsibilities, develop and utilize performance indicators and evaluation mechanisms, reduce staff while retaining or acquiring appropriately qualified personnel and to attain a high degree of efficiency.

Project Description: The Project will develop a centralized Management Information System (MIS) utilizing the existing Directorate of Administration in MICI. The MIS will have the following primary objectives:

- a. Developing the Ministry budget as a management instrument for (1) achieving an improved allocation of resources; and (2) measuring the cost-effectiveness and net contribution of each program.
- b. Facilitating management decision making by means of improved systems and procedures; including better definition of objectives, work-plans to achieve those objectives, assignments of responsibility, and monitoring and evaluating of personnel, offices and programs.
- c. Provide the basis for restructuring MICI operations and determine Training needs.

The Project will enable the Ministry to:

- a. **Precisely Define Its Objectives:** High level Ministry leadership appear to have a good understanding of what objectives they want accomplished. The problem is more the translation of these objectives into program assignments to different offices within the Ministry. This is especially difficult as major reorientation occurs in government with the result that offices must be redefined or become redundant. The proposed Project would provide assistance in translating objectives into assignment of responsibilities.
- b. **Definition and Assignment of Responsibilities:** For a management system to operate, each unit must know exactly what is expected of it. Clear statements of what is expected and reasonable delegations of authority must be developed to enable adequate programs to be designed and implemented so that objectives are attained. The Project would enable such activities to take place within each Directorate.
- c. **Establishment of Performance Indicators:** The success of the Management Information System will be based on how well government offices fulfill the responsibilities assigned them. Some measurement techniques must be introduced to enable the MIS to track the progress offices are making in meeting their objectives. Periodic Performance Indicators will be established to permit performance monitoring. The Project will enable each Directorate of Administration to establish Performance Indicators and will permit the purchase of a minicomputer to assist in monitoring individual office's success in meeting performance goals.
- d. **Feedback - Follow-up:** The Management Information System (MIS) will allow data on office performance to get back to top management so that corrective actions may be taken on a timely basis. Problem areas (e.g., inept management, lack of technical skills, insufficient resources, poorly conceived assignments, unnecessary programs) can be identified while there is still time to meet strategic objectives.
- e. **Evaluation:** The Management Information System (MIS) will permit several levels of evaluation: (1) The relative importance of the objectives to the Ministry's overall goals, (2) the importance of assigned tasks in meeting goals, (3) the relative efficiency of elements in the system in contributing to the attainment of goals, (4) the adequacy of the performance indicators, and (5) the overall efficiency of the MIS in improving Ministry management.
- f. **Make organizational and procedural adjustments and**
- g. **Establish criteria for and carry out personnel training.**

The project will provide technical assistance, hardware and software, training and budgetary assistance for acquisition and retention of critical personnel, and for expansion of critical activities within the Ministry and in semi-autonomous agencies which are in the Ministry's portfolio.

Consistency of Project with USAID Country Strategy: The Mission strategy calls for governmental policy and procedural changes to stimulate and facilitate private sector responses to export opportunities and to assist it in identification of those opportunities. Further, the strategy calls for increased effectiveness and responsiveness of government. This project concentrates administrative reform efforts within the Agency which most directly and massively impacts on the private sector. It will also establish a model for administrative reform which can be selectively or universally be applied to other agencies of the GOP.

Conformance of Project to AID Policy Strategy: The project conforms to the AID Private Enterprise Policy Paper which calls for strengthening of private and governmental agencies which play key developmental roles, and calls for training of personnel at all levels. It is fully consistent with the AID Policy Paper on Institutional Development which designates management system improvement and provision of training as the most critical areas of concern in institutional development.

The project also responds to recommendations of the Jackson Plan which calls upon governments of Central America to provide appropriate incentives and to eliminate administrative roadblocks to facilitate private initiatives.

Host Country and Other Donors: The GOP will provide in kind contributions of space, personnel and equipment and will reallocate budget to support the critical activities to be undertaken as result of redefinition of functions.

Beneficiaries: The main beneficiaries of this project will be Panamanian private enterprises and their employees. Small business, which has found it difficult to comply with the complex regulations and procedures which impide their access to incentives will be accommodated by the simplified processes to be developed in this project.

Project Title: PRODUCT DEVELOPMENT AND PRODUCTIVITY IMPROVEMENT  
Project No.: 525-0272  
Appropriation: SDA  
Life of Project Funding: \$10.0 million (G)  
FY of Initial Obligation: 1987  
FY of Project Assistance Completion Date: 1992

Goal: To accelerate and sustain the rate of Panamanian economic growth through export-oriented production and services.

Project Purpose: To increase the productivity and production capability of Panamanian enterprise for competitive participation in world markets.

Problem Statement: The relatively low productivity of Panama firms impedes their ability to participate in competitive world markets. Producers have little control over the costs of factors of production however the efficient use of those factors is clearly the responsibility of the managers of private

firms. Panamanian producers accustomed to semi-monopolistic positions in protected markets have not had to grapple intensely with productivity issues. Competition for international markets will require major adjustments in the use of productive resources. Even producers for domestic markets will find it necessary to enhance productivity as the tariff reduction effects of the SAL agreement become operative and Panama shifts from a protected to an open market. At this point, only a few entrepreneurs associated with Center for Development of Productivity (CEDEPRO), a component of Panamanian Industrialist Union have anticipated the need for, and the complexities of, improvement in Panama's productivity. Every aspect of the production processes needs adjustment; and therefore entails changes in attitude, analytic tools, systems, technology, and work definitions. A major productivity improvement effort in Panama will require activities designed to:

- a. Increase productivity awareness;
- b. Develop management for productivity;
- c. Assess productivity counseling services;
- d. Provide productivity counseling services;
- e. Provide productivity training programs;
- f. Provide ready access to technology transfer systems;
- g. Establish productivity measurements

Only a few existing product lines can be considered candidates for expanded production and entry into foreign markets. Existing companies will have to adapt present products or introduce new lines to correspond to market demand and to produce them with a high degree of efficiency. No effective market search system presently serves Panama producers nor can the bulk of those producers afford the costs involved in market search, product selections, and production design. Neither, in the absence of productivity skills can they be relatively confident of success in producing those products in the face of intense international competition. It is necessary to provide a support system which links export product production with productivity improvement.

Project Description: The project provides for support of a private sector productivity center attached to the Sindicato Industrial de Panama (SIP) and operated by CEDEPRO which will undertake the following activities: 1. Conduct a campaign of productivity awareness through seminars, publications, and media outlets; 2. Carry out studies, investigations and pilot programs to determine productivity levels, establish productivity measurements and demonstrate productivity improvement. 3. Provide productivity improvement assistance to existing and newly formed firms. 4. Identify specific exportable products suitable for fabrication or processing in Panama and assist firms in producing these products with a high degree of cost effectiveness. The project would be carried out with the contracted assistance of U.S. consulting firms which would provide organizational, procedural and substantive guidance to Center personnel for the purpose of conducting productivity audits and preparing productivity improvement plans for individual firms. The International Executive Service Corps. (IESC) would also be contracted to provide product-specific production, packaging, shipping and marketing assistance to individual producers, and to assist in start up of new production facilities.

The consultants would also identify general productivity training requirements and company specific training requirements; and would design and deliver training based upon those requirements.

With the assistance of the consultants a product development unit would identify products suitable for production in Panama and suggest the technology, the organizational and management structure necessary for successful in production.

Eligibility for assistance under the project will be limited to those companies which will be minimally protected by Panama tariffs, thus concentrating effects on the export industries and/or firms operating under competitive conditions.

Consistency of Project with USAID Country Strategy: The Country strategy statement calls for stimulation of exports as the major growth motor, and recognizes that a major effort must be undertaken to reduce production costs and to concentrate production efforts where comparative advances are evident. This project responds directly to those requirements.

Conformance of Project to AID Policy Strategy: The project is consistent with AID policies which call for market oriented strategies, and emphasis on private sector organizations. The project responds to the CBI initiatives by preparing Panama firms to produce for the opened U.S. market. Further, the project helps create the conditions for successful application of governmental policies aimed at restructuring tariffs and lessening the role of government in the market place.

Several recommendations of the Jackson Plan are given substance by the project, particularly the need to: (a) develop strong and free economics with diversified production for both external and domestic markets, (b) to encourage private enterprise, (c) spur balanced trade and (d) provision of technical assistance and financial support for export promotion efforts.

Host Country and Other Donors: The SIP and its sub-organization CEDEPRO, and beneficiary firms will contribute approximately \$5 million over the 5 year life of the project through assessments and fees.

Beneficiaries: Beneficiaries will be Panamanian firms and their employees. Government will also benefit through increased tax revenues and exchange earnings.

Project Title: AGRICULTURE EDUCATION

Project No.: 525-0269

Appropriation: ARDN

Life of Project Funding: \$10 million (L); \$5.0 million (G)

FY of Initial Obligation: 1987

FY of Estimated Final Obligation: 1993

Goal: To raise agricultural productivity and increase rural income.

Purpose: To redirect Agricultural Technical training toward potential farmers, managers and extension technicians and substantially improve agriculture technical education programs presently being carried out throughout the country.

Problem Statement: There are presently 8 agriculture technical schools in Panama which are either operated by one or more government ministries or by the University of Panama. The student selection criteria, course objectives, curriculum, including academic subjects, field practice, and course hours differ considerably from one institution to another with the result that there are great variations in the quality of the education provided.

In the past, An inordinate number of students have come from the urban areas with the result that most students have little practical experience in agriculture and little interest in working in the rural areas. Upon graduation these individuals tend to avoid training or jobs on farms and generally gravitate to the cities where the competition for agriculture related jobs is high. Conversely, little emphasis is placed on preparing rural youth for careers as farmers, farm managers, technology transfer agents, or agribusiness entrepreneurs.

Finally, inconsistent government policies and operation of agricultural schools has led to overall decline in plant equipment and curriculum as well as high operational costs.

Project Description: Following an intensive evaluation, this project will provide technical assistance to carry out the following at the 8 agriculture technical schools; 1) design financial assistance packages and recruitment campaigns focused to attract students from rural areas; 2) revise existing agriculture course curricula with an orientation toward training farmers and farm managers; 3) evaluate the possibility of turning state run institutions over to the private educational foundations; 3) make recommendations regarding the appropriate administrative, financial and operational structure for each institution, and assist in implementing these recommendations; 4) design and initiate a training program to upgrade teachers both in-country and in the U.S.; 5) establish a student job placement program.

Applied agriculture education will be focused toward export crops or those commodities for which Panama has, or potentially could develop a comparative advantage in producing for export or the Panamanian market. To accomplish this, close linkages will be established with the Agriculture Technology Development Project which will identify these crops and develop and test appropriate varieties. Students will be trained in the cultivation of crops and livestock which can lead to potential careers based on profit oriented farm operations. Farm management and basic administration techniques will be taught, including methods of determining the profitability of different crops and individual and group marketing techniques.

Students from rural areas will be identified through local secondary schools and motivated to attend agriculture technical schools through local

scholarships. For selected agriculture technical school graduates, scholarships will be offered to study and work with U.S. farm families or possible attend advanced technical school in the United States.

To implement and focus project activities a technical assistance team will be contracted, improved audio visual training aids will be purchased, training facilities including classrooms, livestock facilities, dormitories and teacher living quarters will be reconditioned or built, and scholarships for short, medium and long term student and teacher training will be financed.

Conformance of project to AID policy strategy: One of the four major elements of the AID Food and Agricultural Development policy paper dated May 1982 is to develop human resources and institutional capabilities, especially to generate, adapt and apply improved science and technology for food and agricultural development. This project, by refocusing agriculture technical training toward students from the rural sector, will increase the effectiveness of on-farm application of new technology. Further, the Jackson Plan recommends an expanded program of secondary level technical and vocational education. The Agriculture Education Project responds directly to this recommendation by providing improved agriculture vocational training for farmers and extensionists.

Beneficiaries: The students receiving agriculture technical training at the technical school level, and the teachers at such institutions will be the direct beneficiaries of this project. The middle level farmers, agribusiness entrepreneurs and consumers will be secondary beneficiaries.

Project Title: LAND TITLING  
Project No.: 525-0278  
Appropriation: ARDN  
Life of Project Funding: \$15.0 million (L); \$5.0 million (G)  
FY of Initial Obligation: 1987  
FY of Estimated Final Obligation: 1993

Goal: To promote private agricultural investment and productivity.

Purpose: To establish an accurate, efficient, cost-effective land titling program.

Problem Statement: According to 1981 Agricultural Census data, 75 percent of agricultural farmland is untitled. Only 17.5 percent of the more than 102,000 farmers operating on farms greater than 0.5 hectares in size have legal title to their lands. Insecurity of tenure is a major constraint to increased agricultural productivity and improved farmer incomes. Lack of legal ownership of farmland affects credit institutions' assessment of farmer credit worthiness. It affects farmer investment, cropping patterns, husbandry practices, and soil conservation maintenance. The lack of clear title, and clear farm boundaries also affects the rate at which environmental degradation occurs. Agricultural production has expanded to areas ill-suited for

cultivation or livestock production and resulted in increased soil erosion and encroachment on forest and park reserves. In relation to the forthcoming Natural Resources Management Project (525-0248), efforts to involve the small-holder private sector in reforestation in areas where land ownership is poorly defined, will need to be supported by administrative arrangements to obtain secure tenure for affected land holders.

Project Description: During FY 1985 USAID/Panama will sponsor a detailed study of the existing constraints to the provision of land titles. This study will include an analysis of the plethora of existing laws which affect land tenure, titling and transfer, the distribution, size and number of titled and untitled land holdings, as well as the legal and intra-legal interrelationships and responsibilities of the National Directorate of Agrarian Reform within the Ministry of Agriculture Development (MIDA), the cadastral survey office within the Ministry of the Treasury, and the Controller General.

This study will also analyze the prospective economic return to agriculture if this project is undertaken in view of projected increases in production of exportable or nationally marketable agricultural products. The projected economic impact of this project will be evaluated against its estimated costs in order to determine cost/benefit. Based on its potential economic impact, a decision will then be taken whether or not the project is justifiable. In carrying out this analysis, the design team will consider whether or not untitled land would make significant difference in the production of commercial quantities of those crops which could potentially be exported as well as commodities for which Panama has a comparative advantage in producing for the national market. The Panamanian Institute for Agricultural Research (IDIAP) and USAID's Agriculture Technology Development project will assist in the identification of those crops which can be profitably produced in Panama and the percent of the country on which farming practices are limited by untitled land.

Assuming the economic analysis clearly demonstrates a need for the proposed Land Titling project, a technical assistance team will assist MIDA, the Ministry of the Treasury, the Controller General and concerned local agencies in designing and later implementing an effective land titling program. This will include legal and institutional changes needed to simplify land titling, procedures for petitioners for titles, and establishment of a mediation board to respond to claims. USAID/ Panama project resources will be employed to finance, if necessary a cadastral survey and establish information management systems to maintain and update on efficient land title registry. Panamanians will be trained in land titling procedures, and in data management systems.

Conformance of Project to AID Policy Strategy and USAID Mission Strategy: By assisting farmers to obtain clear title to the land they work, this project will help achieve the goal stated in the May 1982 Food and Agricultural Development AID Policy Paper of enabling individuals to obtain access to the resources needed to increase their productivity, incomes and well being. This project also supports the Jackson Plan conclusion that improved title registration and the defense of property rights of farmers is one of the

important elements in accelerating agricultural development. Finally, by assisting provide clear title to 75 percent of the farmland and thereby providing farmers with the security they need in order to undertake improvements, this project directly or indirectly complements every project in the agriculture sector portfolio.

Beneficiaries: More than 100,000 small and medium size farmers will benefit from the land titling program. Landless rural dwellers will indirectly benefit through increased opportunities for unfarm employment.

#### X. FUNDING LEVELS

The following chart shows, by program area, obligations and expenditures through FY 1984, and projected obligations and expenditures for FY 1985, FY 1986 and FY 1987.

FUNDING LEVELS  
(\$000)  
(SUMMARY)

|                                  | THROUGH FY 84 1/ |        | FY 85     |        | FY 86     |        | P R O P O S E D |        |
|----------------------------------|------------------|--------|-----------|--------|-----------|--------|-----------------|--------|
|                                  | OBL.             | EXP.   | OBL.      | EXP.   | OBL.      | EXP.   | OBL.            | EXP.   |
| AG., RURAL DVLPMNT. & NUTRITION  |                  |        |           |        |           |        |                 |        |
| GRANT                            | 52,184           | 26,817 | 11,565 2/ | 8,023  | 11,000    | 13,383 | 13,000          | 18,621 |
| LOAN                             | 0,084            | 4,098  | 4,525     | 1,862  | 9,300     | 4,802  | 7,000           | 7,914  |
|                                  | 44,100           | 22,719 | 7,040 2/  | 6,161  | 1,700     | 8,581  | 6,000           | 10,707 |
| POPULATION                       |                  |        |           |        |           |        |                 |        |
| GRANT                            | 2,415            | 1,565  | 90        | 906    | 0         | 34     | 0               | 0      |
| LOAN                             | 2,415            | 1,565  | 90        | 906    | 0         | 34     | 0               | 0      |
|                                  | 0                | 0      | 0         | 0      | 0         | 0      | 0               | 0      |
| EDUCATION & HUMAN RESOURCES      |                  |        |           |        |           |        |                 |        |
| GRANT                            | 5,862            | 2,074  | 2,295     | 1,014  | 5,349     | 2,195  | 2,500           | 3,850  |
| LOAN                             | 2,362            | 1,823  | 2,295     | 614    | 2,500     | 1,695  | 2,500           | 2,850  |
|                                  | 3,500            | 251    | 0         | 400    | 2,049     | 500    | 0               | 1,000  |
| SELECTED DEVELOPMENT ACTIVITIES  |                  |        |           |        |           |        |                 |        |
| GRANT                            | 29,343           | 16,190 | 7,100     | 5,400  | 11,150    | 7,554  | 9,500           | 11,058 |
| LOAN                             | 16,945           | 12,682 | 4,725     | 3,198  | 2,500     | 3,504  | 4,500           | 3,400  |
|                                  | 12,398           | 3,508  | 2,375     | 2,202  | 8,650     | 4,050  | 5,000           | 7,658  |
| SUB-TOTAL -- DVLPMNT. ASSISTANCE |                  |        |           |        |           |        |                 |        |
| GRANT                            | 89,804           | 46,646 | 21,050 2/ | 15,343 | 27,499 3/ | 23,166 | 25,000          | 33,529 |
| LOAN                             | 29,806           | 20,168 | 11,635    | 6,850  | 14,300    | 10,035 | 14,000          | 14,164 |
|                                  | 59,998           | 26,478 | 9,415 2/  | 8,763  | 13,199    | 13,131 | 11,000          | 19,365 |
| ECONOMIC SUPPORT FUND            |                  |        |           |        |           |        |                 |        |
| GRANT                            | 30,000           | 30,000 | 20,000    | 20,000 | 40,000    | 40,000 | 42,000          | 42,000 |
| LOAN                             | 30,000           | 30,000 | 20,000    | 20,000 | 40,000    | 40,000 | 42,000          | 42,000 |
|                                  | 0                | 0      | 0         | 0      | 0         | 0      | 0               | 0      |
| TOTAL -- D. A. & ESF             |                  |        |           |        |           |        |                 |        |
| GRANT                            | 119,804          | 76,646 | 41,050 2/ | 35,343 | 67,499 3/ | 63,166 | 67,000          | 75,529 |
| LOAN                             | 59,806           | 50,168 | 31,635    | 26,500 | 54,300    | 50,035 | 56,000          | 56,164 |
|                                  | 59,998           | 26,478 | 9,415 2/  | 8,763  | 13,199    | 13,131 | 11,000          | 19,365 |
| HOUSING GUARANTEES               |                  |        |           |        |           |        |                 |        |
|                                  | 25,000           | ---    | 25,000    | ---    | 25,000    | ---    | 0               | ---    |
| REGIONAL                         |                  |        |           |        |           |        |                 |        |
|                                  | 3,550            | 2,500  | 0         | 1,050  | 6,000     | 3,000  | 7,000           | 4,500  |

1/ Includes FY 84 Supplemental  
2/ Includes \$1,100 in Reobligations  
3/ Includes \$4,099 in Reobligations

Mortgage and Pipeline Analysis

By the end of the current fiscal year we estimate that the total authorized amount for active DA projects will be approximately \$130 million, the pipeline \$48 million, and the mortgage \$36 million. The corresponding figures projected for FY 1986 and FY 1987 are \$195 million, \$52 million, \$76 million, and \$234 million, \$44 million, \$91 million, respectively. Thus, based on the ABS projections, by the end of FY 1987 we expect to reduce the pipeline in both real terms and as a proportion of the total authorized portfolio. We estimate that by the end of FY 85, the mortgage will be equivalent to 28% of the total authorized amount, the corresponding proportion by the end of FY 87 is projected to be 38%. The absolute and relative increase in the mortgage results from the changing character of the portfolio over the next two years, i.e., larger higher impact projects with a longer life of project.

XI. DOCUMENTATION SCHEDULE

| <u>Project</u>                               | <u>PID</u> | <u>PP</u> |
|--|------------|-----------|
| Private Sector Export Finance                | 6/85       | 11/85     |
| MICI Restructuring                           | 9/85       | 1/86      |
| Product Development Productivity Improvement | 10/86      | 3/87      |
| Private Sector Shelter Development (HG)      | 7/85       | 1/86      |
| Land Titling                                 | 10/86      | 4/87      |
| National Extension                           | 4/86       | 9/86      |
| Agriculture Education                        | 12/86      | 5/87      |

XII. EVALUATION SCHEDULE

| <u>Project No.</u> | <u>Project Title</u>                        | <u>Next Quarter Evaluation/FY</u> | <u>Type</u> |
|--------------------|---|-----------------------------------|-------------|
| 0239               | Investment Council of Panamá (ICP)          | 1/86                              | formative   |
| 0227               | Agricultural Technology Transfer (ATT)      | 1/86                              | formative   |
| 0180               | Agricultural Technology Development (IDIAP) | 1/86                              | formative   |
| 0258               | Private Sector Scholarship (COSPAE)         | 2/86                              | formative   |
| 0257               | Natural Resources Education (OPG)           | 3/86                              | formative   |
| 0247               | Agricultural Policy and Management          | 4/86                              | formative   |
| 0240               | Small Business Development                  | 1/87                              | formative   |
| 0186               | Integrated Rural Dev. Sur de Veraguas       | 2/87                              | summative   |
| 0250               | Development Policy Studies                  | 3/87                              | formative   |
| 0239               | Investment Council of Panamá (ICP)          | 4/87                              | summative   |
| 0222               | Agricultural Cooperative Marketing          | 4/87                              | formative   |

XIII. EVALUATION PLAN NARRATIVE:

Two major themes underlie the choice of activities to be evaluated during FY 86-87. The first encompasses the area of agricultural research and extension; the second considers the impact of economic policy reorientation resulting from projects designed to assist the GOP to formulate and implement an open market economic model.

Additionally, the Mission is sponsoring economic policy studies through two projects that will be active during FY 86-87; Development Policy Studies (525-0250), which is being implemented by the Ministry of Planning and Economic Policy (MIPPE), and the Agricultural Policy Formulation and Management Project (525-0247), which is being implemented by the Ministry of Agricultural Development (MIDA). Both projects will continue the evaluation initiated two years ago of sectoral economic performance over the last decade. Unlike previous efforts, however, the main thrust of these projects is aimed at developing specific sub-sectoral policy reforms designed to reverse recessive investment trends, by channeling private resources into new areas of economic opportunity.

When enacted, many of the policy measures currently under review would shift the leadership of the economy to the private sector. Among the measures are deregulation, elimination of subsidies, the sale of public assets, and the elimination of duplication of function within the GOP. Several of the GOP counterpart institutions executing AID supported projects will be affected by major changes in their operating and political environments because of this new policy direction and tight budgets. As government policy reforms are initiated, our evaluation program will provide a mechanism through which USAID supported projects can be adjusted in order to be consistent with new institutional structures and policy directions that evolve.

The advent of the De La Espriella government in 1982 marked a turning point in the Mission's development strategy. Up to that time the GOP was still receiving large resource transfers from foreign sources, and domestic markets were highly regulated and controlled by public institutions. The combination of access to seemingly unlimited amounts of credit and the GOP policy of significant participation and subsidy of public programs in housing, credit, insurance, agriculture, industry, health care and education, have distorted the market environment. Over the last three years, evaluations, PID and PP analyses, and sectoral studies have reinforced our efforts to draw the public sector away from competition with the private sector.

In the specific case of financing small scale enterprises (SSE), formative evaluations of the credit components of two projects, Rural Growth and Service Centers (525-0185) and Employment Planning and Generation (525-0221) demonstrated to GOP officials that their clientele preferred to pay market rates of interest as a trade off for more flexible collateral requirements. Other evaluation findings noted high administrative costs, low financial returns and delays experienced in loan approval and disbursement.

The Small Business Development Project (525-0240) design marks a successful initiative toward policy change brought about by the joint USAID-GOP Study of SSE credit projects funded by IDB, IBRD and AID. As a result, the GOP has accepted the concept of market rates, and private sector management and marketing. Public sector support now consists of a small business division within the Ministry of Commerce and Industry (MICI), charged with promoting the interests of the sector. Previously this division considered itself the regulator of the sector as well as its bank.

The Panama Canal is the single most important factor in the Panamanian economy. Its continued efficient operation is vital to the United States and to world trade. In 1978 the Panama Canal treaties transferred responsibility for the management of the Panama Canal watershed to the GOP. The Watershed Management Project (525-0191) was designed to assist the GOP, through the Directorate of Renewable Natural Resources (RENARE), to absorb this tremendous responsibility as well as to start active management of other priority watershed areas. As can be expected in any project that introduces increased and broader responsibilities on a small sub-division of a large ministry, there were serious implementation problems from the start. The first formative evaluation, carried out in late 1981, detailed the specific areas of difficulty in initial implementation, and the recommendations were limited to intermediate actions.

As a small dependency of a large ministry, RENARE was not accustomed to managing its own budget, purchasing and maintaining material, contracting personnel and other administrative tasks. Its personnel had very limited professional training and experience in the field activities contemplated under the project. At about the same time the Inspector General's office (IG) performed a project audit that complemented the Mission evaluation with detailed commentary and recommendations on the financial management of the project.

Approximately one year after the IG audit report was submitted, a second formative evaluation was conducted on an obviously more mature and better organized institution. The evaluation examined the progress of project implementation in three priority watershed areas and recommended adjustments for the final phase of the project. Subsequent Mission review and PID analysis for a follow on project has drawn heavily on this evaluation work. Of particular satisfaction for the Mission is the fact that RENARE has recognized the value of the evaluation process and has initiated its own internal evaluation.

FY86 and FY 87 Evaluations: The Investment Council of Panama (ICP) Project (525-0239) was designed in 1982/1983 under different fiscal and institutional circumstances than those currently in effect. Basic assumptions of the project design were strong budgetary support from the GOP, an expanding world economy and a solid flow of investment prospects generated by the Caribbean Basin Initiative. The reality is that the project supports a newly created GOP institution that has the task of promoting private investment during a period of continuing worldwide economic contraction and GOP budget austerity,

the latter resulting in reduced allocation to the ICP. The FY 86 planned formative evaluation will re-examine the project design rationale, and the need for reallocations of USAID and GOP resources under the current economic and fiscal environment. The FY 86 formative evaluation will provide the Mission and the GOP with a means to make final adjustments in the project. The FY 87 summative evaluation will, among other things, examine the costs and benefits of the ICP project over the short run and make recommendations on how the GOP could further attract export-oriented investments in light of policy reforms.

Also, during FY 86 three agricultural sector projects will be evaluated. These three projects are in agricultural extension services (Agricultural Technology Transfer), agricultural field research (Agricultural Technology Development) and high level policy development and administration (Agricultural Policy Formulation and Management). The importance of bringing research and extension closer together within the Ministry of Agricultural Development (MIDA) will be an important aspect of the institutional analysis of the first two projects and may prove to be a useful test for the third project which will, among other things, seek to develop an intra-ministerial flow of information and to mobilize institutional support necessary to provide appropriate technology to farmers in a timely and cost effective manner. This intensive examination of the interplay between extension services, and policy and management will give MIDA a unique opportunity to analyze and forge the institutional links necessary to become responsive to both farmers and consumers.

The Agricultural Technology Transfer (ATT) project is limited in geographical scope to the province of Chiriqui. The evaluation scheduled early in FY 1986 will be the first formative evaluation of this project and will emphasize the institutional capacity of the Ministry of Agricultural Development's extension services division (SENEAGRO) to expand into a national system through a follow-on project in FY 1986. The follow-on project will also incorporate findings from the Agricultural Technology Development Project evaluation which will be carried out in conjunction with the ATT evaluation.

The Private Sector Scholarship Project (0258) and the Natural Resources Education grant (525-0257) are two projects that seek to amalgamate private sector initiative and resources into permanent, self-supporting non-profit institutions. Evaluations of both of these projects in FY 86 will, in addition to the normal testing of project performance against design, review the progress made by both institutions towards the goal of financial and operational self-sufficiency.

As discussed earlier, our small scale enterprise strategy has evolved from a highly structured, subsidized, public sector managed assistance package into a free market, private sector credit program with public sector assistance limited to the provision of technical services for the small entrepreneur. The scheduled FY 87 formative evaluation of the Small Business Development Project (525-0240) will measure the progress of the credit component and analyze the Small Business Directorate component of the project

to determine the administrative efficiency and the ability of the Directorate to respond to changing demands.

The Mission is in the process of extending the PACD of the Integrated Rural Development Project (525-0186). The justification for this extension is based on a recent formative evaluation supplemented by additional analysis carried out by a joint USAID/Panama - GOP team. The summative FY 87 evaluation will examine project implementation since the last evaluation as well as the impact of the project since its inception.

The Development Policy Studies Project supports three general activities, economic studies, training, and public dissemination of findings. The FY87 formative evaluation will assess each of these activities' accomplishments and the improved analytical capacity of MIPPE.

The FY 87 formative evaluation of the Agricultural Cooperative Marketing project (525-0222) will focus principally on the success of project management in establishing an efficient cost-effective credit and information support system for client cooperatives. Administrative and financial self-sufficiency will be an important issue at this juncture because of mission interest in loosening the financial and regulatory control that the GOP exercises over the cooperative movement in Panama.

#### XIV. IMPLEMENTATION OF THE GRAY AMENDMENT

In accordance with the requirements of the Gray Amendment, USAID/Panama will seek to identify and offer contracting opportunities to economically and socially disadvantaged enterprises, historically Black colleges and universities, and private and voluntary organizations which are controlled by individuals who are Black Americans, Hispanic Americans or Native Americans, or who are economically and socially disadvantaged, including women. The Mission's project design process includes, as a required section of each PID, a basic procurement plan for goods and services which will be needed from the project design stage through the life of the Project. For the PP, the Mission includes a section which provides details on the procurements needed for the Project. The PP procurement plan will list: a disaggregation of contracts by type (goods or services), estimated contract amount, estimated dates of contracting, and type of contract envisioned (AID-direct or host country). The final part of the procurement plan consists of a presentation of the efforts made to identify and contract with individuals and organizations covered by the Gray Amendment. USAID/Panama's PID for the Natural Resources Management, PID (525-0249), provides an excellent description of the Mission's process and approach to complying with the requirements of the Gray Amendment.

#### XV. WOMEN IN DEVELOPMENT

Through the Mission's design and evaluation processes, we are complying with AID's policy directives and the existing legislative mandate which provide that within our overall development assistance program, attention be paid to projects, programs and activities which tend to integrate women into the domestic economy and improve their income potential and economic productivity.

As noted earlier in the action plan, a fundamental objective of the Mission's development strategy is to devote our resources to those activities which can contribute to and stimulate economic growth and productivity. Several of the programs and activities to be developed will focus on improving and stimulating the productivity of both women and men. Training to be provided to men and women under the proposed CAPS project and the Agricultural Education Project, for example, or, assistance for increasing worker productivity under the Mission's planned product development and productivity improvement project will hopefully result in the further integration of women into the national economy and more importantly, increasing overall economic growth and productivity. As a part of the evaluations planned for several projects in FY 86 and 87, information will be obtained on whether existing projects have, for example, increased women's access to credit, agricultural services, vocational or other job-related training, and to agricultural cooperatives. In addition, the effectiveness of these projects and activities in integrating women into the national economies and increasing income potential and productivity will be analyzed.

IV. MISSION MANAGEMENT

USAID/PANAMA

Operating Expense Budget For FY 1984

|                                     | <u>FUNCTION</u><br><u>CODE</u> | <u>DOLLAR</u><br><u>FUNDED</u> | <u>UNITS</u> | <u>NOTE</u> |
|-------------------------------------|--------------------------------|--------------------------------|--------------|-------------|
| <u>U.S. DIRECT HIRE</u>             |                                |                                |              |             |
| U.S. Citizen Basic Pay              | U100                           | 1522.0                         |              |             |
| PT/TEMP U.S. Basic Pay              | U101                           | 1136.0                         | 22.0         |             |
| Educational Allowances              | U102                           | 18.0                           | .8           |             |
| Retirement-U.S.                     | U105                           | 83.0                           | 18.0         |             |
| Other AID/W-Funded O.C. 12          | U107                           | 95.0                           |              |             |
| Other Mission Funded O.C. 12        | U109                           | 29.0                           |              |             |
| Post Assignment-Travel              | U110                           | 20.0                           |              |             |
| Post Assignment-Freight             | U111                           | 10.0                           | 4.0          |             |
| Home Leave - Travel                 | U112                           | 75.0                           | 4.0          |             |
| Home Leave - Freight                | U113                           | 19.0                           | 6.0          |             |
| Education Travel                    | U114                           | 14.0                           | 6.0          |             |
| All other Code 215 Travel           | U115                           | 19.0                           | 15.0         |             |
|                                     | U117                           | 4.0                            | 4.0          |             |
| <u>FOREIGN NATIONAL DIRECT HIRE</u> |                                |                                |              |             |
| Basic Pay                           | U200                           | 1151.0                         |              |             |
| Overtime Holiday Pay                | U201                           | 940.0                          | 37.8         |             |
| All Other Code 11 - FN              | U202                           | 6.0                            | .2           |             |
| All Other Code 12 - FN              | U203                           | 4.0                            |              |             |
| Benefits Former FN Personnel        | U204                           | 197.0                          |              |             |
|                                     | U205                           | 4.0                            |              |             |
| <u>CONTRACT PERSONNEL</u>           |                                |                                |              |             |
| US PSC - Salary/Benefits            | U300                           | 1020.0                         |              |             |
| All Other - US PSC Costs            | U302                           | 80.0                           | 1.5          | A           |
| FN PSC - Salary & Benefits          | U303                           | 56.0                           |              |             |
| All Other FN PSC Costs              | U304                           | 42.0                           | 2.0          | B           |
| Manpower Contracts                  | U305                           | 2.0                            |              |             |
| JCC Costs paid by AID/W             | U306                           | 735.0                          | 51.0         | C           |
|                                     | U307                           | 105.0                          | 1.5          | D           |
| <u>HOUSING</u>                      |                                |                                |              |             |
| Rent                                | U400                           | 681.0                          |              |             |
| Utilities                           | U401                           | 55.0                           | 3.0          |             |
| Quarters Allowances                 | U402                           | 12.1                           |              |             |
| Purchases Res.Furn/Equip.           | U404                           | 458.0                          | 22.0         |             |
| Trans./Freight - Code 311           | U405                           | 81.0                           |              | E           |
| Official Residence Allowances       | U406                           | 60.0                           |              |             |
| Representation Allowances           | U408                           | 3.4                            |              |             |
|                                     | U409                           | 1.5                            |              |             |
| <u>OFFICE OPERATIONS</u>            |                                |                                |              |             |
| Rent                                | U500                           | 919.0                          |              |             |
| Utilities                           | U501                           | 186.0                          |              |             |
| Building Maint./Renovation          | U502                           | 64.0                           |              |             |
| Office Furniture/Equipment          | U503                           | 10.0                           |              |             |
| Vehicles                            | U504                           | 87.0                           |              | F           |
| Other Equipment                     | U505                           | 41.0                           |              | G           |
| Transportation/Freight              | U506                           | 13.0                           |              | H           |
| Furn/Equip/Vehicle Repair/Maint     | U507                           | 15.0                           |              |             |
| Communications                      | U508                           | 80.0                           |              |             |
| Security Guard Services             | U509                           | 66.0                           |              |             |
| Printing                            | U510                           | 34.0                           |              |             |
| Site Visits-Mission Personnel       | U511                           | 29.0                           |              |             |
| Site Visits-AID/W Personnel         | U513                           | 46.0                           | 242.0        |             |
| Information Meetings                | U514                           | 22.0                           | 14.0         |             |
| Training Attendance                 | U515                           | 3.0                            | 3.0          |             |
| Conference Attendance               | U516                           | 20.0                           | 15.0         |             |
| Other Operational Travel            | U517                           | 16.0                           | 13.0         |             |
| Supplies and Materials              | U518                           | 3.0                            | 1.0          |             |
| FAAS                                | U519                           | 98.0                           |              |             |
| All other Code 25                   | U520                           | 10.0                           |              |             |
|                                     | U524                           | 77.0                           |              |             |
| Total OE Budget                     |                                | 5,293.0                        |              |             |
| Reconciliation                      |                                | 1,393.0                        |              |             |
| Operating Allowance Request         |                                | 3,900.0                        |              |             |

USAID/PANAMA

Notes for FY 1986 Operating Expense Budget

A. U302 & 303: U.S. PSC Salary Benefits and Other Costs

- (1) A PSC will provide services in the EXO for a 12 month period in areas of personal and real property management, transportation, shipment of effects, maintenance; monitoring situs country excess. Perform analysis of internal management systems, methods and procedures.
- (2) A PSC will provide services to the Controller's Office for a 6 month period to assist in the conversion of accounting data to the new Mission Accounting & Control System (MACS).

B. U304 & 305: FN PSC-Salary Benefits and Other Costs

The following two Foreign National PSC's will provide services to the Controller's Office for a period of 12 months each:

- (1) Financial Analyst - Analyze and advise on the financial aspects of developing and implementing AID projects. Conducts financial analysis of various aspects of the internal operations of the Controller's Office and GOP Agencies.
- (2) Junior Accountant - Maintain accounting records for operating expenses, RHUDO funds, PD&S funds, and Special Projects.

C. U306: Manpower Contracts

The scope of work of the management services contract is to provide the USAID Mission to Panama with janitorial, travel, word/data processing, communications and records, motor pool, excess property, security, warehouse and other types of general services required for its operations.

D. U307: JCC Costs Paid by AID/W

One JCC is an Economist who will be terminating April 1986. Responsibilities include economic analysis of proposed and on-going USAID/Panama Mission projects. The second JCC is in the Agriculture Sector and is responsible for implementation of various development activities and to advise Host Government officials regarding Agriculture Policy.

E. U405: Residential Furn/Equip.

| <u>ITEM</u>             | <u>QTY.</u> | <u>AMOUNT</u> |
|-------------------------|-------------|---------------|
| Res.Furn. (sets)        | 6           | 66,000        |
| Balcony/Dinnette (sets) | 12          | 1,800         |
| Humidifiers             | 12          | 2,280         |
| Refrigerators           | 6           | 3,600         |
| Washers                 | 4           | 1,600         |
| Dryers                  | 5           | 1,500         |
| Stove Gas               | 3           | 1,350         |
| Freezers                | 1           | 600           |
| Hot Water Heater(elec)  | 2           | 320           |
| Ironing Board           | 6           | 90            |
| Utility carts           | 6           | 300           |
| Rugs(12 x 15)           | 5           | 1,000         |
| Rugs (12 x 9)           | 5           | 750           |
|                         |             | <u>61,190</u> |

F. U504: Office Furniture & Equipment

| <u>ITEM</u>                 | <u>QTY</u> | <u>AMOUNT</u>    |
|-----------------------------|------------|------------------|
| Sofas                       | 10         | 8,000            |
| Lounge Chairs               | 10         | 3,575            |
| Tables End                  | 12         | 3,000            |
| Reception Sofa/Chair        | 1          | 1,000            |
| Desks W/Credenza            | 8          | 6,400            |
| Desks (Work stations)       | 8          | 4,400            |
| Conf. Table                 | 1          | 1,200            |
| Chairs, Conf. Table         | 12         | 4,800            |
| Calculators                 | 10         | 2,000            |
| Typewriters                 | 5          | 2,500            |
| WANG: Software Interconnect |            |                  |
| Options and UPS             |            | 50,000           |
| TOTAL                       |            | <u>\$ 86,875</u> |

G. U-505: Vehicles

| <u>ITEM</u>            | <u>QTY</u> | <u>AMOUNT</u>   |
|------------------------|------------|-----------------|
| LTD (AP-0025)          | 1          | \$10,000        |
| Club Wagon (PP-0053)   | 1          | 9,000           |
| Chev. Truck (PNP-0041) | 1          | 15,000          |
| Jeep (PNP-0053)        | 1          | 6,500           |
| Total                  |            | <u>\$40,500</u> |

H. U506: Other Equipment

| <u>ITEM</u>                      | <u>QTY</u> | <u>AMOUNT</u> |
|----------------------------------|------------|---------------|
| Air Conditioner<br>(13-15000BTU) | 15         | \$ 7,500      |
| Fan Floor                        | 3          | 375           |
| Fan Table                        | 3          | 150           |
| Wid. Fan                         |            | 5,000         |

USAID/PANAMA  
Operating Expense Budget For FY 1987

| <u>FUNCTION CODE</u>                | <u>DOLLAR FUNDED</u> | <u>UNITS</u> | <u>NOTES</u> |
|-------------------------------------|----------------------|--------------|--------------|
| <u>U.S. DIRECT HIRE</u>             |                      |              |              |
| U100                                | 1725.0               | -            |              |
| U.S. Citizen Basic Pay              | U101                 | 1157.0       | 22.0         |
| PT/TEMP U.S. Basic Pay              | U102                 | 19.0         | .8           |
| Educational Allowances              | U106                 | 91.0         | 18.0         |
| Retirement-U.S.                     | U107                 | 96.0         |              |
| Other AID/W-Funded O.C. 12          | U109                 | 29.0         |              |
| Other Mission Funded O.C. 12        | U110                 | 46.0         |              |
| Post Assignment-Travel              | U111                 | 21.0         | 9.0          |
| Post Assignment-Freight             | U112                 | 137.0        | 9.0          |
| Home Leave - Travel                 | U113                 | 36.0         | 13.0         |
| Home Leave - Freight                | U114                 | 67.0         | 13.0         |
| Education Travel                    | U115                 | 21.0         | 16.0         |
| All other Code 215 Travel           | U117                 | 5.0          | 4.0          |
| <u>FOREIGN NATIONAL DIRECT HIRE</u> |                      |              |              |
| U200                                | 1,266.0              |              |              |
| Basic Pay                           | U201                 | 987.0        | 37.8         |
| Overtime Holiday Pay                | U202                 | 7.0          | .2           |
| All Other Code 11 - FN              | U203                 | 13.0         |              |
| All Other Code 12 - FN              | U204                 | 208.0        |              |
| Benefits Former FN Personnel        | U205                 | 51.0         |              |
| <u>CONTRACT PERSONNEL</u>           |                      |              |              |
| U300                                | 1,042.0              |              |              |
| US PSC - Salary/Benefits            | U302                 | 55.0         | 1.0 A        |
| All Other - US PSC Costs            | U303                 | 46.0         |              |
| FN PSC - Salary & Benefits          | U304                 | 29.0         | 1.0 B        |
| All Other FN PSC Costs              | U305                 | 2.0          |              |
| Manpower Contracts                  | U306                 | 837.0        | 55.5 C       |
| JCC Costs paid by AID/W             | U307                 | 73.0         | 1.0 D        |
| <u>HOUSING</u>                      |                      |              |              |
| U400                                | 698.0                |              |              |
| Rent                                | U401                 | 55.0         | 3.0          |
| Utilities                           | U402                 | 13.0         |              |
| Quarters Allowances                 | U404                 | 504.0        | 22.0         |
| Purchases Res.Furn/Equip.           | U405                 | 66.1         |              |
| Trans./Freight - Code 311           | U406                 | 55.0         | E            |
| Official Residence Allowances       | U408                 | 3.4          |              |
| Representation Allowances           | U409                 | 1.5          |              |
| <u>OFFICE OPERATIONS</u>            |                      |              |              |
| U500                                | 1,319.0              |              |              |
| Rent                                | U501                 | 465.0        |              |
| Utilities                           | U502                 | 70.0         |              |
| Building Maint./Renovation          | U503                 | 110.0        |              |
| Office Furniture/Equipment          | U504                 | 8.0          | F            |
| Vehicles                            | U505                 | 32.0         | G            |
| Other Equipment                     | U506                 | 11.0         | H            |
| Transportation/Freight              | U507                 | 12.0         |              |
| Furn/Equip/Vehicle Repair/Maint     | U508                 | 94.0         |              |
| Communications                      | U509                 | 73.0         |              |
| Security Guard Services             | U510                 | 36.0         |              |
| Printing                            | U511                 | 30.0         |              |
| Site Visits-Mission Personnel       | U513                 | 47.0         | 239          |
| Site Visits-AID/W Personnel         | U514                 | 24.0         | 14           |
| Information Meetings                | U515                 | 5.0          | 4            |
| Training Attendance                 | U516                 | 27.0         | 19           |
| Conference Attendance               | U517                 | 18.0         | 13           |
| Other Operational Travel            | U518                 | 4.0          | 3            |
| Supplies and Materials              | U519                 | 116.0        |              |
| FAAS                                | U520                 | 11.0         |              |
| All other Code 25                   | U524                 | 126.0        |              |
| Total OE Budget                     |                      | 6,030.0      |              |
| Reconciliation                      |                      | 1,385.0      |              |
| Operating Allowance Request         |                      | 4,665.0      |              |

USAID/PANAMA  
Notes for FY 1987 Operating Expense Budget

A. U302 & 303: U.S. PSC Salary benefits and Other Costs

A PSC will provide technical assistance to the EXO for a 12 month period in areas of personal and real property management, transportation, shipment of effects, maintenance; monitoring situs country excess; perform analysis of internal management systems, methods and procedures.

B. U304 & 305: FN PSC-Salary Benefits and Other Costs

The Foreign Service National PSC (Financial Analyst will analyse and advise on the financial aspects of developing and implementing USAID projects. Conducts financial analysis of various aspects of the internal operations of the Controller's Office and GO? Agencies.

C. U306: Manpower Contracts

The scope of work of the management services contract is to provide the USAID Mission to Panama with janitorial, travel, word/data processing, communications and records, motor pool, excess property, security, warehouse and other types of general services required for its operations.

D. U307: JCC Costs Paid by AID/W

The JCC is responsible for implementation of various development activities in the Agriculture sector and to advise the Host Government in specific areas of research and extension, natural resource management, cooperative marketing and agriculture policy.

E. U405: Residential Furn/Equip.

| <u>ITEM</u>            | <u>QTY.</u> | <u>AMOUNT</u>   |
|------------------------|-------------|-----------------|
| Res.Furn. (sets)       | 5           | 55,000          |
| Humidifiers            | 6           | 1,140           |
| Refrigerators          | 6           | 3,600           |
| Washer                 | 4           | 1,600           |
| Dryer                  | 5           | 1,500           |
| Stove Gas              | 2           | 850             |
| Hot Water Heater(elec) | 2           | 320             |
| Ironing Board          | 3           | 40              |
| Utility carts          | 6           | 300             |
| Rugs(12 x 15)          | 5           | 1,000           |
| Rugs (12 x 9)          | 5           | 750             |
|                        |             | <u>\$66,100</u> |

F. U504: Office Furniture & Equipment

| <u>ITEM</u>           | <u>QTY</u> | <u>AMOUNT</u> |
|-----------------------|------------|---------------|
| Desks W/Credenza      | 4          | 3,200         |
| Desks (Work stations) | 4          | 2,200         |
| Typewriters           | 5          | 2,500         |
| TOTAL                 |            | \$ 7,900      |

G. U-505: Vehicles

| <u>ITEM</u>            | <u>QTY</u> | <u>AMOUNT</u> |
|------------------------|------------|---------------|
| Sedan (PP-0050)        | 1          | \$ 7,500      |
| Sedan (PP-0051)        | 1          | 7,500         |
| Sedan (PP-0052)        | 1          | 7,500         |
| Chev. Panel (PNP-0051) | 1          | 9,000         |
| Total                  |            | \$31,500      |

H. U506: Other Equipment

| <u>ITEM</u>                      | <u>QTY</u> | <u>AMOUNT</u> |
|----------------------------------|------------|---------------|
| Air Conditioner<br>(18000 BTU)   | 5          | \$ 2,500      |
| Air Conditioner<br>(13-15000BTU) | 15         | 7,500         |
| Fan Floor                        | 3          | 400           |
| Fan Table                        | 3          | 200           |
|                                  |            | \$10,600      |

FY-86 - STAFFING

| <u>OFFICE</u> | <u>USDH</u>   | <u>FSNDH</u>   | <u>USPSC*</u>               | <u>FSNPSC*</u>                     |
|---------------|---|--|-----------------------------|------------------------------------|
| <u>DIR</u>    | Director<br>Deputy<br>Secretary<br>Sec. P/T                                       | Adm/Prot Asst  |                             |                                    |
| <u>ODP</u>    | Program Off<br>A/Prog Off<br>Prog Econ<br>Prog Econ (JCC) <sup>1/</sup>           | Prog. Spec.<br>Sr Part Tng Spec<br>Part Tng Spec<br>Secretary  |                             | Tng Asst                           |
| <u>CDR</u>    | Proj Dvl Off<br>A/Proj Dvl Off<br>A/Proj Dvl Off                                  | Prog Spec<br>Secretary<br>Secretary  | Eval Off                    |                                    |
| <u>CONT</u>   | Controller<br>Acct Fin Analyst  | Secretary<br>Clk/Steno<br>Bud Analyst<br>Supv Acct Tech<br>Acct Tech<br>Acct Tech<br>Acct Tech<br>Supv Vou Exam<br>Vou Exam<br>Vou Exam<br>Fin Analyst<br>Fin Analyst<br>Cashier<br>MACS Comp Spec<br>Jr Acct (OE) |                             | Fin Analyst(OE)                    |
| <u>EKO</u>    | Executive Off   | Adm Mgt Spec<br>Secretary<br>Personnel Asst<br>Admin Asst Proc   | Mgt Asst (OE)               |                                    |
| <u>AGR</u>    | Ag Dvl Off<br>D/Ag Dvl Off<br>Asst Ag Dvl Off<br>Project Officer<br>Ag Econ (JCC) | Prog Specialist<br>Prog Specialist<br>Secretary<br>Secretary<br>Clk/Steno  | Nat Res Adv                 |                                    |
| <u>PSD</u>    | Trd/Dvl Officer<br>HRDO/Skills<br>A/Priv Ent Off <sup>2/</sup><br>IDI             | Proj Specialist<br>Secretary<br>Secretary<br>Clk/Steno <sup>3/</sup>   | Proj Manager<br>Bus Advisor | Proj Asst<br>Proj Asst<br>SBD Asst |

<sup>1/</sup> Delete 4/86

<sup>2/</sup> IDI to Reg Psn 2/86

<sup>3/</sup> FSNDH P/T

| <u>OFFICE</u> | <u>USDH</u>                  | <u>FSNDH</u>          | <u>USPSC</u>   | <u>FSNPSC</u>   |
|---------------|------------------------------|-----------------------|--|---|
| <u>ENG</u>    |                              | Engineer<br>Secretary |  | Engineer<br>Engineer  |
| <u>RCO</u>    | Contract Off                 | Proc Agent            |  |   |
| <u>RLA</u>    | Reg Leg Adv                  |                       |  |   |
| <u>RHUDO</u>  | Reg Hsg Off<br>A/Reg Hsg Off | Secretary             | Reg Fin Spec<br>Reg Urb Prog Spec<br>Reg Hous Policy<br>Spec<br>Reg Trg Spec<br>Pan Prog Imp Adv | Reg Trg Dir<br>Reg Engr Spec<br>Pan Trng Spec<br>Clk/Typist<br>Secretary<br>Secretary |

FY 86

ORGANIZATIONAL PLAN

|                               |     |
|-------------------------------|-----|
| <u>OFFICE OF THE DIRECTOR</u> |     |
| USDH                          | - 3 |
| USPT                          | - 1 |
| FSDH                          | - 1 |

|                           |     |
|---------------------------|-----|
| <u>REG. LEGAL ADVISOR</u> |     |
| USDH                      | - 1 |

|                             |     |
|-----------------------------|-----|
| <u>REG. CONTRACT OFFICE</u> |     |
| USDH                        | - 1 |
| FSDH                        | - 1 |

|  |                |
|--|----------------|
| <u>REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE</u> |                |
| USDH   | - 2 (HC and P) |
| FSDH   | - 1            |
| USPSC  | - 1            |
| FSDH   | - 7            |
| TCNPSC   | - 1            |

|                         |     |
|-------------------------|-----|
| <u>EXECUTIVE OFFICE</u> |     |
| USDH                    | - 1 |
| FSDH                    | - 4 |
| USPSC                   | - 1 |

|                                |         |
|--------------------------------|---------|
| <u>OFFICE OF DEV. PLANNING</u> |         |
| USDH                           | - 3     |
| USJCC                          | - 1     |
| FSDH                           | - 4     |
| FSDH                           | - 1 (P) |

|                                 |         |
|---------------------------------|---------|
| <u>OFFICE OF DEV. RESOURCES</u> |         |
| USDH                            | - 3     |
| FSDH                            | - 3     |
| USPSC                           | - 1 (P) |

|                                 |      |
|---------------------------------|------|
| <u>OFFICE OF THE CONTROLLER</u> |      |
| USDH                            | - 2  |
| FSDH                            | - 14 |
| FSDH                            | - 2  |

|                              |         |
|------------------------------|---------|
| <u>OFFICE OF AGRICULTURE</u> |         |
| USDH                         | - 4     |
| USJCC                        | - 1     |
| FSDH                         | - 5     |
| USPSC                        | - 1 (P) |

|                                    |         |
|------------------------------------|---------|
| <u>OFFICE OF PRIV. SECTOR DEV.</u> |         |
| USDH                               | - 3     |
| USPSC                              | - 2 (P) |
| IDI                                | - 1     |
| FSDH                               | - 3 (P) |
| FSDH                               | - 3     |
| FSDH-PT                            | 1       |

|                              |         |
|------------------------------|---------|
| <u>OFFICE OF ENGINEERING</u> |         |
| FSDH                         | - 2     |
| FSDH                         | - 2 (P) |

All positions are funded unless indicated as HC (Housing Guarantee) or P (Project).

FY-87 - STAFFING

| <u>OFFICE</u> | <u>USDH</u>   | <u>FSNDH</u>   | <u>USPSC*</u>                                   | <u>FSNPSC*</u>                     |
|---------------|---|--|---|------------------------------------|
| <u>DIR</u>    | Director<br>Deputy<br>Secretary<br>Sec. P/T   | Adm/Prot Asst  |   |                                    |
| <u>ODP</u>    | Program Off<br>A/Prog Off<br>Prog Econ  | Prog. Spec.<br>Sr Part Tng Spec<br>Part Tng Spec<br>Secretary  |   | Tng Asst                           |
| <u>ODR</u>    | Proj Dvl Off<br>A/Proj Dvl Off<br>A/Proj Dvl Off  | Prog Spec<br>Secretary<br>Secretary  | Eval Off <u>1/</u>                              |                                    |
| <u>CONT</u>   | Controller<br>Acct Fin Analyst<br>IDI   | Secretary<br>Clk/Steno<br>Bud Analyst<br>Supv Acct Tech<br>Acct Tech<br>Acct Tech<br>Acct Tech<br>Supv Vou Exam<br>Vou Exam<br>Vou Exam<br>Fin Analyst<br>Fin Analyst<br>Cashier<br>MACS Comp Spec<br>Jr Acct (OE) |   | Fin Analyst(OE)                    |
| <u>ENO</u>    | Executive Off   | Adm Mgt Spec<br>Secretary<br>Personnel Asst<br>Admin Asst Proc   | Mgt Asst(OE)                                    |                                    |
| <u>AGR</u>    | Ag Dvl Off<br>D/Ag Dvl Off<br>Asst Ag Dvl Off<br>Project Officer<br>Ag Econ (JCC) <u>2/</u> | Prog Specialist<br>Prog Specialist<br>Secretary<br>Secretary<br>Clk/Steno  | Nat Res Adv                                     |                                    |
| <u>PSD</u>    | Trd/Dvl Officer<br>HRDO/Skills<br>A/Priv Ent Off  | Proj Manager<br>Secretary<br>Secretary<br>Clk/Steno <u>3/</u>  | Proj Manager <u>2/</u><br>Bus Advisor <u>2/</u> | Prog Asst<br>Prog Asst<br>SBD Asst |

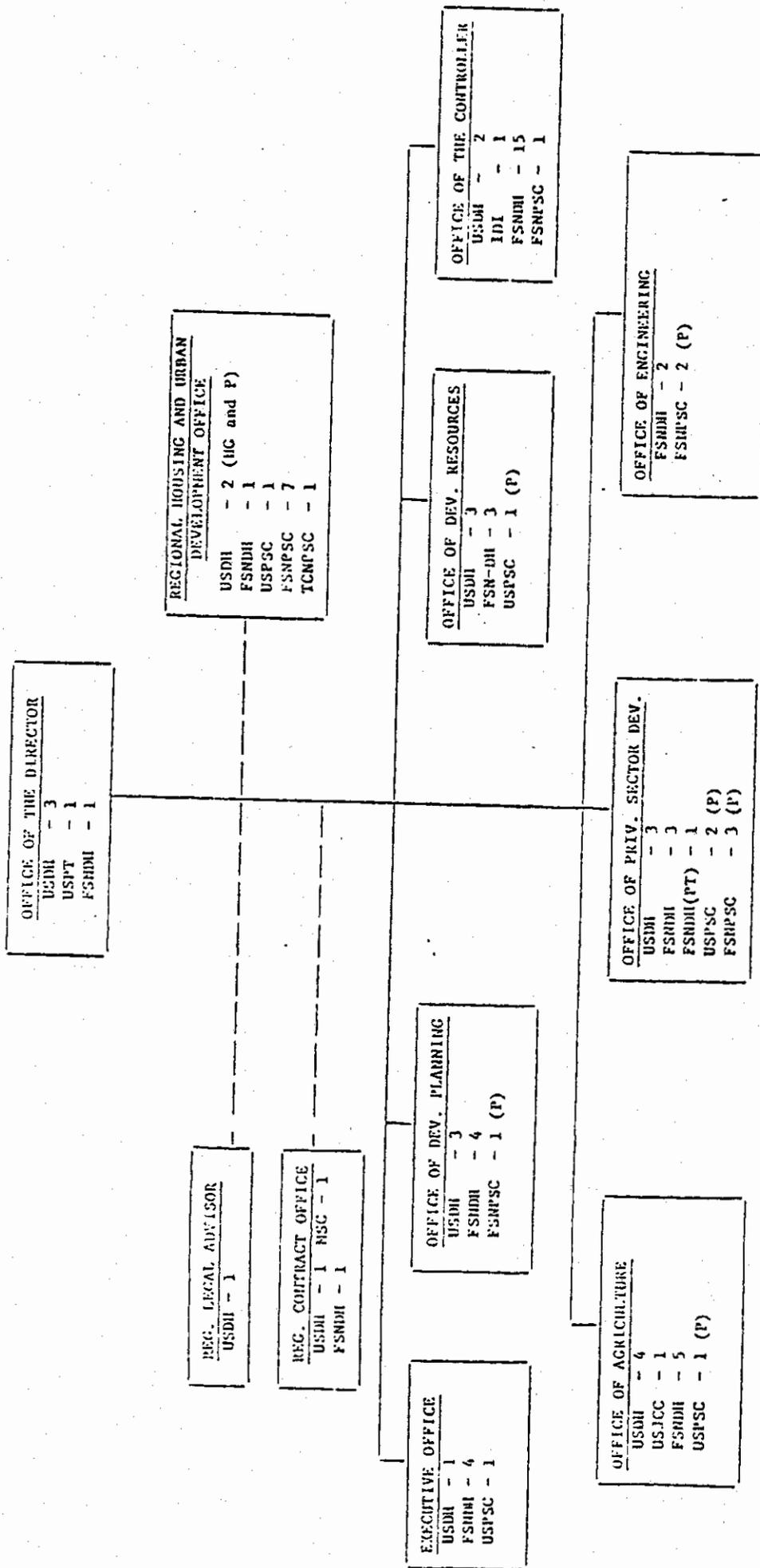
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2/ Delete 8/87

3/ FSNDH P/T

| <u>OFFICE</u> | <u>USDH</u>                  | <u>FSNDH</u>          | <u>USPSC</u>   | <u>FSNPSC</u>  |
|---------------|------------------------------|-----------------------|--|--|
| <u>ENG</u>    |                              | Engineer<br>Secretary |  | Engineer<br>Engineer Aid   |
| <u>RCO</u>    | Contract Off                 | Proc Agent            |  |  |
| <u>RLA</u>    | Reg Leg Adv                  |                       |  |  |
| <u>RHJDO</u>  | Reg Hsg Off<br>A/Reg Hsg Off | Secretary             | Reg Fin Spec<br>Reg Pol Spec <u>1/</u><br>Reg Urb Dev Spec<br>Reg Trg Spec | Reg Trg Dir<br>Reg Engr Spec<br>Pan Trng Spec<br>Pan S&L Adv<br>Clk/Typist<br>Secretary<br>Secretary |

ORGANIZATIONAL PLAN



\* All positions OE funded unless indicated as HC (Housing Guarantee) or P (Project).

FY 1986  
DESCRIPTION OF DUTIES  
US-FSN-PSCS

| <u>OFFICE</u> | <u>USPSC</u> | <u>FSNPSC</u> | <u>DESCRIPTION</u>  |
|---------------|--------------|---------------|---|
| ODP           |              | Training Asst | Assists the Participant Training Specialist in processing participant applications and in travel and training arrangements.   |
| ODR           | Eval Officer |               | Schedules, coordinates, assists in project evaluations; drafts Mission policy and procedures of evaluation functions; assists project officers in evaluation planning and implementation.   |
| CONT          |              | Fin Analyst   | Analysis and advise on financial aspects of developing and implementing AID projects including analysis of internal USAID and GOP financial operations.   |
|               |              | Jr. Acct.     | Maintain OE accounting records, RHUDO, PD&S and special project funds.  |
| EXO           | Mgt. Asst.   |               | Provide technical assistance in areas of personal and real property management, transportation, shipment of effects, maintenance; monitoring Situs Country excess; perform analysis of internal management systems, methods and procedures. |
| AGR           | Nat Res Adv  |               | Project development assistance to RENARE in the implementation of the Natural Resources Management Project.   |
| PSD           | Proj Mgr     |               | Project Manager for ICP-ADEPA project and coordinator for CBI investment and export promotion activities.   |
|               | Bus Adv      |               | Advisor to the business component of the Small Business Development project.  |

| <u>OFFICE</u> | <u>USPSC</u>                  | <u>FSNPSC</u> | <u>DESCRIPTION</u>   |
|---------------|-------------------------------|---------------|--|
| PSD           |                               | Proj Asst     | Coordinate population and health activities and prepare project documents on related activities.   |
|               |                               | Proj Asst     | Coordinate activities for EPG, APEDE and small business projects.  |
|               |                               | SBD Asst      | Coordinate all projects re administration, support and monitoring activities during implementation of small business development project.  |
| ENG           |                               | Engineer      | Performs field inspections of projects under construction and making reports, recommendations and certifications.  |
| RHUDO         | Reg Fin Spec                  |               | Implementation of HG and other shelter and urban development activities such as financial management reviews, preparation of financial sections of PIDs/PPs, conducts analyses of financial components of Program Implementation Plans, evaluates program procedures, etc.   |
|               | Reg Housing Policy Specialist |               | Assists in preparation of National Housing Policy methodologies, analyses of financial and institutional aspects of shelter policy and development, analysis and design of resource mobilization instruments and policies, and designs and delivers training on financial and institutional development issues related to Latin American Training Center (LATC). |
|               | Reg Urb Dev Spec              |               | Assists in the preparation of urban development analyses and methodologies, examines macro   |

OFFICE

USPSC

FSNPSC

DESCRIPTION

|       |               |                  |  |
|-------|---------------|------------------|--|
|       |               |                  | economic policies as they relate to urban development strategy, analyzes municipal development strategies and programs and designs and delivers training programs in support of LATC.  |
| RHJDO | Reg Trg Dir   |                  | Provides assistance in carrying out country training needs assessment, supporting Central American training plan preparation and implementation, coordination of country and regional seminars and mobilizing training resources.                      |
|       | Reg Trg Spec  |                  | Manages, promotes and directs activities of Latin American Training Center and coordinates LATC with other institutions participating directly in other AID sponsored training activities or other providers of training in Central and South America. |
|       | Reg Engr Spec |                  | Provides technical engineering review of water, sewage, other infrastructure and subdivision design and development of projects including environmental considerations.  |
|       |               | Pan Trng Spec    | Provides support to Mission Training Officer in housing and urban development as well as CAPS program.   |
|       |               | Pan Prog Imp Adv | Assists in implementation of Pan and HG programs and support TA to BHN and Savings and Loan Systems (TCN).   |

| <u>OFFICE</u> | <u>USPSC</u> | <u>FSNPSC</u> | <u>DESCRIPTION</u>   |
|---------------|--------------|---------------|--|
|               |              | Pan S&L Adv   | Provides support to BHN and S and L system in setting up S and L Bureau in BHN, establishing auditing division, setting up financial planning decisions, developing procedures for project review division, etc. |
|               |              | Clk/Typist    | Self-explanatory   |
|               |              | Secretary     | Self-explanatory   |
|               |              | Secretary     | Self-explanatory   |