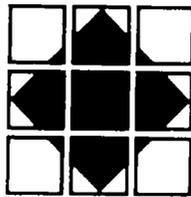


REPUBLIC OF PANAMA
MINISTRY OF AGRICULTURAL
DEVELOPMENT
NATIONAL SECTORAL PLANNING
DIRECTORATE

QUARTERLY REPORT
JANUARY 1 - MARCH 31, 1986
No: IV

USAID/PANAMA
AGRICULTURAL POLICY FORMULATION &
MANAGEMENT PROJECT
(525-0247)
CONTRACT NO. LAC-0247-C-00-5030-00



THE PRAGMA CORPORATION

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President
Jacques Defay

Established 1977

Clients

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World Bank
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IFAD
OAS
Peace Corps

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Private Sector Development
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Jamaica
St. Kitts/Nevis

**Agricultural Policy Formulation & Management Project
(No. 525-0247)**

QUARTERLY REPORT

January 1 - March 31, 1986

Prepared by:

**THE PRAGMA TEAM
Panama, Republic of Panama**

**Agency for International Development
Contract No. LAC-0247-C-00-5030-00**

INTRODUCTION

I am pleased to submit the Pragma Corporation's Quarterly Report for the period January 1 through March 31, 1986. This Report includes six chapters, as follows:

- Chapter I. Summary
- Chapter II. Major Events of the Quarter
- Chapter III. Progress Toward Project Objectives
- Chapter IV. Major Problems and Constraints Encountered
- Chapter V. Planned Activities
- Chapter VI. Individual Team Member's Quarterly Reports


Tulio Arvelo Duran
Chief of Party
Pragma/Panama

QUARTERLY REPORT
The Pragma Corporation
Panama, Republic of Panama

Agricultural Policy Formulation and Management Project
(No. 525-0247)

January 1 - March 31, 1986

Chapter I. SUMMARY

A. Principal Accomplishments of the Quarter

During this quarter a complete seven-member team of long-term technical advisors was in place in Panama. During the quarter, the Pragma team:

- Reviewed and helped finalize the 1986 Annual Operating Plan (POA)
- Helped develop and critically review USAID Agricultural Strategy Statement.
- Initiated the process of consulting public agricultural sector institutions, on the Five Year Agriculture Sector Development Plan.
- Introduced a new regional information system for typifying production and marketing problems in two pilot areas.
- Identified tentative topics for medium-term policy analysis to be undertaken during the year in the areas of livestock/feedgrains, input markets, export marketing channels, and commercialization of credit.

B. Major Problems

Certain difficulties, present in previous quarters, continued during this quarter. These include:

1. Institutional uncertainties within the Ministry of Agricultural Development, such as structural and personnel changes were adopted. The frequency and nature of these changes would suggest that functional responsibilities within MIDA require additional re-definition. A careful review of functions and alternative organizational structures would appear advisable. Such a review would complement previous in-depth analyses performed by international agencies, which would incorporate new governmental orientations toward providing services to private producers.

2. Lack of counterpart funds. In the absence of counterpart funds (especially per diem), Project operations (mobility of non-Pragma staff) were severely constrained.

3. Problems related to satisfying the conditions precedent of the Grant Agreement between USAID and the GOP. In February, it became clear that the GOP had not satisfied USAID's conditions precedent for disbursing funds to rehabilitate and remodel a building to house MIDA personnel in Panama City.

4. The settling of new team members was adversely affected by general strikes in February and March.

C. Activities Planned for April through June 1986

1. Provide technical advice to counterparts in the preparation of the Five Year Agricultural Sector Plan (Plan Quinquenal).

2. Initiate appropriate steps to be taken to prepare the Annual Operating Plan (POA) for 1987. Such activities will continue in successive quarters.

3. Provide assistance in preparing the 1987 budget and presentation materials. This activity will continue through October 1986.

4. Continue work on an improved project inventory system, linked with project prioritization.

5. Finalize and secure the approval of the Project Implementation, Financial and Training Plans.

6. Monitor the 1986 Annual Operating Plan.

7. Develop an improved data bank.

8. Consider developing/modifying existing sampling frames, and offer recommendations.

Chapter II. MAJOR EVENTS OF THE QUARTER

● In January, two Pragma long-term advisors, the Agricultural Policy Analyst and Project Specialist, arrived. In late February, the last member of the team, the Information Specialist, arrived. During their orientation, all three individuals were introduced to their principal counterparts and to USAID personnel as well as settled into their new homes and responsibilities. The Chief of Party was on annual leave during the month of February.

● This quarter, which coincided with the beginning of the Panamanian fiscal year, was accompanied by a series of governmental activities which affected the Project. These included: policy pronouncements made by the President of the Republic and the Ministry of Planning and Economic Policy, the approval by the Legislative Assembly of the Budget Law and the introduction and approval (in March) of important legislation, which affects Agricultural and Industrial Incentives, and the Labor Code.

The announced economic policy provided general rather than specific guidance regarding the government's orientation toward the use of market indicators for resource allocation and export development. However many of the announced agricultural policies maintained an ideological orientation derived from the past import substitution and social development policies.

The new legislation was prompted by World Bank and International Monetary Fund requirements and established the stage for export-oriented development strategies. The Agricultural Incentives Law required the Ministry of Agricultural Development (MIDA) to develop a five year agricultural development plan within 90 days of the promulgation of the law. In anticipation of the signing of the law, there were several discussions among Project team members and counterparts during February and March regarding the form and content of the DNPS' response to this directive.

- The 1986 Annual Operating Plan (POA) was finalized in January. Pragma team members advised their counterparts during the final stages of its production. A preliminary comparison of the 1986 budget and POA was developed.

- Carnaval celebrations and a general strike during February and March slowed work activities and settling-in of recently arrived counterparts.

- Pragma team members analyzed possible impacts of the Agricultural Incentives Law of March 20, 1986. In sum, it was concluded that the Agricultural Incentives Law, Ley No. 2 of 1986, embodies a philosophy to move the agricultural sector toward competitive market and to promote exports. The critical problems of the agricultural sector such as access to marketing channels and lines of marketing credit are not addressed directly. Finally, a body of existing legislation which authorizes MIDA to establish price and market controls is not modified or abrogated by the new Ley No. 2. The new law does not unequivocally establish its precedence over other legislation and decrees.

- The regional informational system to typify production/commercialization problems was introduced on a pilot basis in Herrera and Veraguas provinces.

- Medium-term policy analyses to be undertaken during the year were identified in the areas of livestock/feedgrains, input markets, export marketing channels and commercialization credit.

Chapter III. PROGRESS TOWARD PROJECT OBJECTIVES

1. Component I: Agricultural Policy Analysis

a. The newly incorporated Pragma Agricultural Policy Analyst, in conjunction with the Chief and Deputy Chief of Party and counterparts, identified tentative subject areas for intensive analysis in the medium term. These include: livestock/feedgrains, input markets, export marketing channels, and commercialization credit.

b. A regional informational system for typifying production and marketing problems in two pilot areas was introduced. This information can serve as a base for monitoring the impact of policy changes as well as basic data for future policy analysis.

2. Component II: Agricultural Programming and Management Support

a. The "final" version of the 86 Annual Operating Plan (POA) was released.

b. The team helped develop and critically review the draft of USAID's Agricultural Strategy

c. The process of consulting planning personnel in public agricultural institutions in order to prepare the Five Year Agriculture Sector Plan was initiated. This activity involves other Project components as well, especially Component I.

3. Component III: Information Support

a. The Information Specialist did not arrive until March 1986, and therefore little work was done on this component this quarter.

Chapter IV. MAJOR PROBLEMS AND CONSTRAINTS ENCOUNTERED

During the quarter, certain chronic problems continued in the areas related to: lack of counterpart funds, counterparts' time principally directed toward issues of immediate importance (fire-fighting), imperfect coordination of Pragma and counterpart team members -- exacerbated by the lack of an approved work plan. With respect to the latter, draft work plans for the calendar year 1986 have been circulating for comments and approval since November 1985. Formal approval by the Executive Committee of the Project is pending.

In the absence of available counterpart funds (especially per diem), Project operations (mobility of non-Pragma staff) were limited. This issue culminated in a series of crisis meetings between USAID and MIDA with respect to another USAID-financed project, leading to a determination by USAID that its level of support should correspond to GOP contributions. David Cole, Pragma's Management Specialist in Public Administration & Finance, participated in these meetings. His recommendations regarding financial disbursements, programming and reporting -- to be implemented within the Project -- should alleviate many of the problems. However, USAID's actions with respect to its level of support have not been timed in consideration of potential improvements resulting from such recommendations.

During February, it became clear that the GOP had not satisfied USAID's conditions precedent for disbursing funds to rehabilitate and remodel a building to house MIDA personnel in Panama City. The issue of adequate office space to accommodate Project personnel remains. Possible solutions revolve around: continuing the "interim" arrangement to lease office space in the "chalet" or other facilities; acquiring a permanent GOP-owned building; or renting offices adequate to house all of MIDA/Panama. The difficult financial circumstances of the GOP will affect any rental solution.

Pragma participation in preparing the Five Year Plan was hampered by:

(1) ill-definition of responsibilities and division of labor between FAO technicians working in the DNPS on an Irrigation Planning Project and the PRAGMA team. As a result, the responsibility for advising the DNPS remained unclear until the Chief of Party and DNPS Director clarified the issue and resolved methodological differences between the two teams.

(2) past orientation and experience of DNPS personnel with central planning activities involving a small portion (5-10%) of the rural population. Thus they have limited contact with the private sector and little knowledge of true potentials, or means for "orienting" them. Although many theoretically recognize the importance of reducing direct state participation in the sector, this is the area in which they are best prepared to "plan". Few are prepared to suggest areas in which the state should reduce its role, or its staff. These facts reflect political and technical realities, the latter of which will be addressed throughout the life of Project.

During the quarter, Pragma received unclear signals from USAID regarding the responsibility for planning and carrying out long and short-term training. The issue will be resolved next quarter.

In January, changes in the structure and personnel assignments within MIDA were announced. The changes were prompted by the recognition of the limitations of the existing young agricultural extension organization and included: disaggregation of the extension directorate into extension, agricultural technical assistance; livestock technical assistance; and engineering directorates. Additional changes involved the transfer of the Department of Agroindustrial Research to the above-mentioned agricultural technical assistance directorate, the transfer from Panama to Santiago of the directorate of institutional development, and personnel changes. Such changes within MIDA lead to continued institutional uncertainty. The frequency and nature of these changes would suggest that functional responsibilities within MIDA require additional re-definition. A careful review of functions and alternative organizational structures would appear advisable. Such a review would complement previous in-depth analyses performed by international agencies, yet incorporate new governmental orientations toward providing services to private producers.

Chapter V. ACTIVITIES PLANNED FOR APRIL THROUGH JUNE 1986

This chapter is a duplicate of Part C of Chapter I.

1. Provide technical advice to counterparts in the preparation of the Five Year Agricultural Sector Plan (Plan Quinquenal).
2. Initiate appropriate steps to be taken to prepare the Annual Operating Plan (POA) for 1987. Such activities will continue in successive quarters.
3. Provide assistance in preparing the 1987 budget and presentation materials. This activity will continue through October 1986.
4. Continue work on an improved project inventory system, linked with project prioritization.
5. Finalize and secure the approval of the Project Implementation, Financial and Training Plans.
6. Monitor the 1986 Annual Operating Plan.
7. Develop an improved data bank.
8. Consider developing/modifying existing sampling frames, and offer recommendations.

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QUARTERLY REPORT

January 1 - March 31, 1986

Agricultural Policy Formulation & Management Project
(No. 525-0247)

VI - INDIVIDUAL TEAM MEMBERS'S QUARTERLY REPORTS

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INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA Team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: DAVID S. COLE

Position: Management Specialist in Public Administration and Finance

Period Covered: January 1 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER

A. A summary of the approved 1986 investment and operating budgets for MIDA was prepared.

B. Continue reviewing and evaluating the present budgeting process of MIDA and the related process with MIPPE and other appropriate public and private sector agencies and institutions.

The review and evaluation of the present budgeting process of MIDA and the related process with MIPPE and other public agricultural sector agencies and institutions was completed, although some differences in opinion as to procedure need to be verified prior to my completion of a memo on this matter.

The appropriate private sector agencies and institutions will be covered at a later date.

C. Develop recommendations for formalizing working arrangements in coordination with DNPS Personnel, as well as MIDA's Directorates of Finance and Administrative Services.

A memo was written regarding the counterpart staff desired and the approximate percentage of their working time that would be needed. Since I have had only one short meeting with the Directors of Finance and Administrative Services, I have not yet had the time to discuss nor identify the counterpart staff desired from these two (2) directorates.

D. Assist in the implementation of budget procedure and formulation changes.

This is still in process and although not formalized, some of the changes include the presentation of a draft project and program oriented 1987 budget or Annual Operating Plan (financial) by the end of May or early June 1986. Other changes including better justification of budget requests is being documented.

E. Present a summary of the 1986 budget and its comparison with the 1986 POA.

This is being accomplished from a financial standpoint through a monthly budget report that compares the approved budget, budget funds received from the Government, costs incurred and balance, on a project and program basis.

F. Establish as best as possible, a method of comparing the progress of the implementation of the POA with the use of the budget.

From a financial standpoint, this is being accomplished, but from a physical standpoint, it is still not yet fully implemented. Most staff involved in this activity will not be available to discuss this matter until after the completion of the 5-year plan in June 1986.

G. Assist in the preparation of the 1987 POA and 5-year plan, in a revised format.

This is in process and meetings have been held, but my role in this 5-year plan has not yet been defined.

H. Assist in the modification and/or design of a Project Monitoring System.

This item has not yet been discussed in any depth due to other more important priorities to date.

I. Present recommendations for the programming and more efficient use of MIDA's 1986 budget.

This is in process but is not yet finished. Some recommendations have been made and others are under consideration, but nothing has been officially accepted nor implemented as of yet.

J. Review Administrative and Financial Procedures.

This was started in March and will be ongoing.

K. Recommend and implement an inventory system that includes control of plant equipment, vehicles and the respective MIDA stores involved.

This matter has only briefly been touched upon and will be pursued further during the next quarter.

2. UNPLANNED ACTIVITIES DURING THE QUARTER.

A. There were several lengthy meetings with DNPS and FAO staff to discuss the outline and the methodology for the upcoming five-year plan.

B. Several debriefings were held with AID staff at their request.

C. The staff of MAC (World Bank Project) gave a debriefing regarding their consultant activities with the various institutions within the Panamanian Agricultural Sector.

D. A one day trip was made to the province of Coclé (Penonomé) to assist in the implementation of the format for the "Tipification of Problems."

E. A two day trip to David (at the request of AID), for a meeting regarding problems with the implementation and execution of AID's Agricultural Technology Transfer Project. This was followed by an all day meeting in Santiago (at AID's request) regarding the future execution and financial funding strategy for the project.

F. Two meetings each were held with the Regional Directors of Veraguas and Coclé to discuss the general operations and activities of their regions, specifically regarding decision-making responsibility and authority and the problems encountered therein.

G. Initial meeting with Julio Robles.

4. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

A. As a result of my one week trip to Santiago, it is now apparent that I will have to spend much more time away from the main office than I had anticipated. Practically all of the operational and decision-making activities take place in Santiago and therefore much more travel time as well as my time will have to be spent there and in the various regional offices.

B. After the last two meetings each with the Regional Directors of Veraguas and Coclé, it appears that there is a definite difference of opinion between the National Directors and the Regional Directors regarding the implementation and execution of programs and projects. However, before making any final evaluation, it will be necessary to obtain the opinions of all National and Regional Directors.

C. Since the 1986 POA was not structured in a manner to allow direct comparison to the 1986 budget, a lot of unanticipated time has been used and will continue to be used throughout 1986 in order to present some kind of relationship. This same problem will be faced anew in 1987 if the five-year plan presently in preparation does not include quantifiable project and program information.

D. The presentation of a centralized system to control the use of gasoline and vehicles (both for specific programs and projects and directorates) was not well received, due to the political implications and ramifications envisioned within MIDA. However, alternative solutions are presently under consideration.

E. Due to a number of local strikes, particularly a gasoline strike that created tremendous shortages, my initial trip to begin working with the staff in Santiago was delayed almost three (3) weeks, thereby setting me back in my work schedule.

4. ACTIVITIES PLANNED FOR NEXT QUARTER

- | | |
|--|-------------------------------|
| A. Continue reviewing and evaluating the present budgeting process of MIDA with MIPPE, with recommendations for improvement. | APR. 1986 |
| B. Finalize recommendations for formalizing working arrangements in coordination with DNPS Personnel, as well as MIDA's Directorates of Finance and Administrative Services, and other Agricultural Sector Institutions if possible. | APR. 1986 |
| C. Review Administrative and Financial Procedures. | APR 1986 & monthly thereafter |
| D. Assist in the preparation of the 1987 POA and 5-year plan, in a revised format. | APR-JUN 1986 |
| E. Memo re authority decision-making division between National and Regional Directorates | APR-MAY 1986 |
| F. Establish as best as possible, a method of comparing the progress of the implementation of the POA with the use of the budget. | Monthly |
| G. Present recommendations for the programming and more efficient use of MIDA's 1986 budget. | MAY-JUN 1986 |
| H. Recommend and implement an inventory system that includes control of plant equipment vehicles and the respective MIDA stores involved. | APR-JUN 1986 |
| I. Assist in the modification and/or design of a Project Monitoring System. | JUN-AUG 1986 |
| J. Assist in the preparation of the draft and final 1987 budget request presentations. | APR-OCT 1986 |

INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA Team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: XAVIER COMAS

Position: Project Specialist

Period Covered: January 20 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER.

This was my first quarter in Panama. When I arrived (January 20) I had a short-term workplan (January 20 - February 15) containing only three items:

i) getting settled (looking for an apartment, getting to know the city, etc.);

ii) getting to know, and establishing a work routine with, both the Pragma team and Lic. Liliana de De La Penha, my principal Panamanian counterpart; and

iii) learning the basics about the needs and ways of operation of the Panamanian administration in general, and those of the Departamento de Proyectos Especificos (DPE) in particular.

Today all these objectives are well on their way towards being accomplished.

By the end of my first month in Panama, I had already had the opportunity to learn about the needs and expectations of my counterpart. Thus, I prepared a second, more specific work plan. The goals set forth there for the remainder of the quarter were:

i) to begin working on an "Instructivo Metodológico para la Priorización de Proyectos";

ii) to refine project identification, typification and monitoring system(s);

iii) to bring to Panama SAEPA, a computerized system for the economic and financial analysis of agricultural projects.

The first and last of the above goals were accomplished as planned. The second, though, was only marginally tackled, for I had to take care of other, unplanned, more pressing tasks.

2. UNPLANNED ACTIVITIES DURING THE QUARTER.

Translating into Spanish one third of "Proposed Agricultural Strategy," an AID document.

A one day field trip to Santiago de Veraguas to participate in the presentation of the 1986 P.O.A.

A two-day field trip to the province of Chiriqui with AID and Rutgers University officials. The purpose of the trip was to visit several of IDIAP'S and Rutgers University's agricultural technology transfer projects.

Participating in a large number of meetings with the PRAGMA team, with AID, with MAC, and with DNPS and FAO officials. The purpose of the meetings with the latter two groups was to prepare the "Plan Quinquenal".

Initiating a new project inventory system within the DNPS. This work, which I had originally scheduled for the second and third quarters, was moved to the first quarter to accommodate a previously established D.P.E. work plan.

A two-week trip to Washington, D.C. to work at the Economic Development Institute of the World Bank. The purpose of the trip was to prepare and test SAEPA's manual. Even though the probability of having to make such a trip was known well in advance, it finally occurred later than expected and it required a longer stay than expected. In these ways, the trip to Washington can be considered an unplanned activity.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

The main problems encountered can be divided in three basic groups:

i) Problems related with getting settled. Due to the occurrence of a general strike in March, some paperwork mistakes on the part of AID, and a change in the rules (with retroactive effects) on the way temporary living quarters allowances were computed, the whole process of getting settled and being able to move into our apartment in Panama became an emotional, as well as a financial, nightmare.

ii) Problems of establishing a work routine with my Panamanian counterpart. Upon my arrival, I encountered considerable resistance on the part of my principal Panamanian counterpart. This resistance, coupled with her taking a month's vacation shortly after my arrival, and my being given an office in a building different from where she and her people are located, made my establishing a work routine with the D.P.E. people rather difficult. Fortunately, this work routine has now been established, and my rapport with the D.P.E. has become easy and cordial.

iii) Plan Quinquenal. In a way totally unforeseen the resources of the DNPS are now fully committed to the preparation of a "Plan Quinquenal". The work on that "Plan," which is supposed to be completed by the end of June, has, distorted our regular work plans. It is likely that in the immediate future, the demand placed on my time by the plan will be even greater. It is therefore also likely that all the activities originally planned for the second quarter will be affected by the "Plan."

4. ACTIVITIES PLANNED FOR NEXT QUARTER.

It is uncertain how much of my time and effort will be required by the "Plan Quinquenal". I know, nevertheless, that I must give it primary attention. Working on the "Plan" is, thus, the first item in my agenda for the second quarter. The rest of the activities that I will perform, as the "Plan" permits, are:

i) To finish the work on the "Instructivo Metodológico". It should be ready by the end of April.

ii) To continue working on the project inventory system. By the end of the quarter, a first version of this inventory should be ready for testing.

iii) To start the work on a computerized system for project problem identification and monitoring. The first step will be to set forth methodologies for project problem typification, and for physical and financial project monitoring. I will prepare the second of these two methodologies in collaboration with David Cole, our team financial specialist.

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INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA Team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: ZENON GARCIA

Position: Program and Planning Specialist

Period Covered: January 1 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER.

The activities planned for the first quarter of 1986, included in the October - December Quarterly Report, were accomplished as follows:

A. Reviewed draft document Plan Operativo Anual 1986 and suggested final revisions, based upon: 1) The review with BDA, IMA, IDIAP, ISA, and ENASEM personnel of critical problems and short-term targets; 2) Export policies of non-traditional agricultural goods; 3) USAID's agricultural sector assessment; 4) Assessments made by technicians within the Department of Short and Medium Term Planning; and 5) Consultations and interchanges with DNPS Directors, Reynaldo Pérez and Carlos Palacios, and PRAGMA team members, Robin Zeitz and Máximo Seré.

B. Prepared several draft tables of contents for the five year plan, based on lengthy discussions with counterparts, consultations with Project Directors, and plenary sessions with MIDA-PRAGMA and FAO professionals.

C. Prepared summary of procedures and methods for working on the Medium Term Plan, and frameworks of reference for sections of the five year plan.

i) Macro-economic and sectorial quantitative variables and basic indicators were prepared for period 1970-1984.

ii) Basic data for demand forecasting (income and price elasticity estimates) were prepared based upon the Encuesta de Hogares and Censo 1980. These data were used in:

a) An Extended Linear Expenditure System (ELES), which performed poorly, and

b) A non-linear expenditure system of the form $y = e^{(a - b/x)}$, which has performed satisfactorily.

iii) Basic data to forecast domestic supply of agricultural sector is being prepared.

iv) Performance of the agricultural sector 1970-1985 is being analyzed.

- The following planned activity was not performed:

The seminar- workshop, originally planned for 11-12 March, was postponed and rescheduled. This seminar will not be appropriate at the moment particularly because of the pressure experienced of late by the DNPS.

2. UNPLANNED ACTIVITIES DURING THE QUARTER.

Review of the MIDA-FAO Planning Model, involving linear programming, and advising on its application.

Due to the interest of the DNPS in using a linear programming model for resource allocation and production targets at the regional level, a fast evaluation of the objective function, restrictive equations and relevant data was performed in February. We advised that a simpler aggregate technique to forecast would be preferable since relevant variables of resource allocation (such as prices of factors of production, commodities, and flexibility of decisions) are not internalized in the model. In other words, there is no way to simulate decisions of producers with the existing linear programming model. In addition, the methods used for gathering the basic data seem to have substantial errors of collection and estimation.

Monitoring and follow up system to POA 1986 -- assisted the counterparts in formalizing their ideas to monitor and follow up activities of Plan Operativo 1986.

Attended a lecture on "Control de Gestion" by M.A.C.

Analysis of the Ley de Incentivos -- assisted the Chief and Deputy Chief of Party in analyzing the direct and indirect effects of the new agricultural incentives law (Ley 2).

Field visits.

Due to the regional planning approach by the Minister and Vice-Minister of MIDA, I made four field trips, one to Santiago/Veraguas and three to MIDA's regional office near Colon (Ruena Vista), which were fact-finding missions.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

Throughout the quarter, the problems encountered were of three basic types.

i) Counterparts are highly distracted by "brush fire fighting." It is important for the DNPS to organize a small team to give proper treatment to these circumstantial problems.

ii) Coordination of PRAGMA and DNPS actions must be improved. For example, the process of securing consensus on the content of the five year plan 1986-1990 was more cumbersome and complex than expected, causing considerable time delays.

iii) It is a must for PRAGMA to develop a clear statement of policy and procedure, because objective expectations of USAID, MIDA, PRAGMA in this project are not the same, and it is too time-consuming to resolve and/or accommodate conflicting priorities and objectives.

4. ACTIVITIES PLANNED FOR NEXT QUARTER

	A	M	J	REMARKS	COUNTERPART IN CHARGE
<u>FIVE YEAR PLAN 1986 - 1990</u>					
Macro-Economic Analysis 1970-1985	—			In progress	A.Herrera
Demand Forecast	—			In progress. There is a change in counterparts.	
Strategy of Financial Sector		—		Counterpart not yet assigned.	
<u>MONITORING POA 1986</u>					
Monitoring System Procedures	—				D.Vásquez
First Quarter Evaluation		—			N.Romero
Problem identification and field visits			—		

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INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA Team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: MAXIMO SERE

Position: Agricultural Policy Analyst

Period Covered: January 20 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER.

The activities to be undertaken during the quarter were tentatively listed during orientation in Pragma's Washington D.C. offices. The majority of these activities were satisfactorily accomplished; those remaining are being redefined by the Pragma and Panamanian Planning Sector Directors of the Project.

Completed Activities:

- Met with USAID/Panama personnel associated with the Agricultural Policy Formulation and Management (APF & M) Project.
- Met with Ministry of Agricultural Development and National Planning Directorate personnel involved with the APF & M Project.
- Arranged for housing for the family and schooling for the children. Settled into the new home.
- Held introductory meetings with the Pragma Chief and Deputy Chief of Party (Tulio Arvelo Duran and Robin Zeitz) and the Director of the DNPS (Reynaldo Pérez).
- Initially familiarized myself with the principal problems in the agricultural sector and those affecting the Panamanian economy as a whole. This activity involved:

Reading and analyzing the following documents: Frank Conklin, "Panama Agricultural Sector Assessment," (USAID/Panama, 1985/86), and University of Minnesota, "Las Políticas de Precios y Comercio Internacional en el Sector Agropecuario," (Panama 1984).

Field trips to the provinces of Veraguas and Herrera (See Point 2.)

"Formal" information interchanges with Pragma team members (Tulio Arvelo Duran, Robin Zeitz, and Zenón García)

Individual meetings with the Chief and Deputy Chief of Party.

Identified the principal macroeconomic and agricultural policy guidelines. Read and analyzed the following:

USAID/Panama, Proposed Agricultural Strategy (February 1986).

World Bank, Structural Adjustment Loan documentation, 1983.

R. Luciani, Document on Economic Policy, MIPPE, Dec. 1985

Plan de Lineamientos, Objetivos y Acciones para el Desarrollo de Panamá.

Speech of the President of the Republic, January 1986.

Juan Belt, Comparison of Economic Policy Reform Plans, USAID/Panama memorandum.

Individual meetings with the Chief and Deputy Chief of Party.

- Developed a preliminary annual work plan related to agricultural policy analyses.

Activities to be Defined

In order to implement a plan of policy studies, agricultural policy areas which have the highest priority in the medium to longer term must be identified. The following subject areas have been suggested for consideration:

a. Study, analysis and formulation of alternative policies for the meat subsector (beef, poultry, pork, fish) and the feedgrain (corn, sorghum) subsector.

b. Study and analysis of the marketing of agricultural inputs (to be implemented using short-term consultants.)

Activities Not Completed

A guide for the study and analysis of commodities was not prepared. This activity, in the future, will be focused toward those commodities which are subject to medium-term policy studies in addition to those with export potential.

2. UNPLANNED ACTIVITIES DURING THE QUARTER.

- Supervision of the implementation of the System for Identifying and Typifying Problems. Preparation of an instructional guide for filling out and processing associated informational work sheets.
- Field trips to Veraguas and Herrera provinces.

- Meeting with Regional Directors, Regional Planners, Extension Agents and other technicians in Santiago, Citre and Santa María.
- Visit to the asentamiento of San José in Veraguas.
- Translation into Spanish of part of the USAID/Panama document on the "Proposed Agricultural Strategy."
- Rewrote of part of the chapter "El Rol del Sector Agropecuario en el Contexto de la Economía en el Mediano y Largo Plazo" in the Annual Operating Plan, (Plan Operativo Anual, 1986).
- Participated in regional meetings of public agricultural sector institutions in Buena Vista and Santiago to discuss Regional Development Plans. The Vice Minister of Agricultural Development presided over these meetings.
- Participated in the development of the contents and methodology for the Medium Term Agricultural Development Plan.
- Analysed the Agricultural Incentives Law.
- Participated in meetings to discuss the draft document on USAID/Panama's proposed agricultural strategy.
- Participated in meetings with the Pragma team, and USAID (David Schaer and Frank Conklin) to discuss Project work plans and perspectives.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

In general, technical staff of the Department of Short and Medium Term Planning within the DNPS have their energies directed toward "fire-fighting" issues and programming tasks, rather than policy analysis. In order to develop the Agricultural Policy Analysis component, it is absolutely necessary that a permanent, stable group of analysts be created as a unit distinct from other "planning" tasks. Such a group was envisioned in the Project design.

4. ACTIVITIES PLANNED FOR NEXT QUARTER.

The principal activities for the next quarter are:

- Assist in the production of a medium term agricultural development plan, the Plan Quinquenal, in the areas of evolution of the agricultural sector and agricultural policy instruments, agricultural development strategy, agricultural policies and policy instruments.
- Extend the coverage of the System for Identifying and Typifying Agricultural Policy Problems.

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INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA Team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: JULIO CESAR ROBLES

Position: Information Specialist

Period Covered: February 18 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE PAST QUARTER

This was my first month, with the Pragma team and most of my activities were directed toward becoming acquainted with the agricultural statistics system of Panama, as well as searching for an apartment and arranging electricity and telephone service.

With my counterpart, I met with Heads of information or statistics-related departments in major public agricultural sector institutions which in some way generate, collect, process and/or publish agricultural information. The main objective was to get a systematic flow of information to the Department of Information and Statistics within MIDA/DNPS, even before it was published and determine the methodology used if there was data collection. Persons were contacted at the following institutions: Instituto de Seguro Agropecuario (ISA), Instituto de Mercadeo Agropecuario (IMA), Instituto Panameño Autonomo de Cooperativas (IPACOOOP), Banco de Desarrollo Agropecuario (BDA), Oficina de Regulación de Precios (ORP). Within the Directorate of Census and Statistics (the Dirección de Estadística y Censos, DEC), the main source of statistical information in Panama, I met with personnel in the director's office, the Sampling Section, the Agricultural Census section, and the Cartographic Section.

Every institution was very open and helpful, but each one requested a formal written request from the Ministry of Agricultural Development (MIDA) before providing any information or data.

The Statistics and Census Directorate (DEC) is using a multiple list frame. The list from the last census is treated as two sub-populations classified in large and small operations and the criteria of classification changes in each Province according to the frequency distribution of the population. The large operations are stratified and have different probabilities of selection according to their size. The small operations are treated in clusters called "segments" and are stratified following different criteria. These frames are for livestock (cattle, hogs and chickens), grains (rice, corn and beans) and industrial surveys (coffee, tobacco and sugar cane).

2. UNPLANNED ACTIVITIES DURING THE PAST QUARTER.

Given the brief period of time I was in Panama during this quarter, almost all activities were of an orienting nature, and no unplanned activity merits special attention.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

The DEC tries to use census information in the best way possible by building frames for selecting samples for each of the continuous surveys. The difficulty with this kind of frame is that it is impossible to determine the degree of incompleteness and double counting. Each frame is for specific crops and livestock and would not be efficient for other crops or general purpose sampling. The data collection is more expensive because each survey only collects information for 3 or 4 crops or livestock.

Since the list frame methodology was implemented more than fifteen years ago, some understandable resistance to change was sensed.

4. ACTIVITIES PLANNED FOR NEXT QUARTER.

- Follow-up visits with the different institutions to attempt to systematize flows of information for the data bank.
- Change the structure of the data bank to make it easier to retrieve information.
- Identify candidates to be trained for short and long-term training in statistics, computers and library bank creation and maintenance.
- Visit other institutions such as the Banco Nacional de Panamá, that generate, collect, process and/or publish agricultural sector information, in order to explore the possibilities of cooperation.
- Investigate the possibility of developing an area sampling frame.

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INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: ROBIN ZEITZ

Position: Deputy Chief of Party

Period Covered: January 1 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER.

Planned activities completed during the period January - March, 1986 include:

- Reviewed and helped finalize the 1986 Annual Operating Plan (POA)
- Helped develop and critically review USAID Agricultural Strategy
- Initiated Pragma team participation in the Five Year Agriculture Sector Plan.
- Helped introduce regional informational system for typifying production and marketing problems.
- Oriented newly arrived long-term technical advisors and assisted them in their settling process.
- Identified activities to be initiated next quarter required for 1987 POA and Budget preparation.

More detailed information is provided in the following paragraphs.

A. Improve formulation and monitoring process of agricultural sector programs

The review of the "final" 1986 Annual Operating Plan (POA) and incorporation of some additional suggestions occurred during January and the beginning of February. The POA is important since it represents a first effort to consolidate all public agricultural sector planning activities into one document. Whether this document can serve as a "blueprint" for coherent and integrated actions during the year is another matter. This document has several serious flaws. It was produced during a period of uncertainty when policy directives and orientations remained unclear. No attempt is made to prioritize, nor to link the "programmed" activities with required human and

financial resources. Hence, it is likely that much of what is "programmed" is wishful thinking. Finally, the POA was produced without previous consideration as to how it should be monitored, who will perform such tasks, and to whom the reports will be directed.

In recognition of this latter point, the intention to assist in development and modification of a POA monitoring system was included as a programmed activity for the quarter. Only preliminary meetings have occurred. The Department Head of Short and Medium Planning/DNPS, in consultation with Zenon García, has developed monitoring forms, and assigned two (2) persons in his Department to perform the monitoring function. Unfortunately, these persons have also been assigned to work on the Five-Year Agricultural Plan. Hence, one intent -- to have full-time monitoring personnel -- has not been accomplished. Furthermore, both the format for monitoring, and contents of such reports should be reviewed.

As alluded to above, an important activity of the quarter, to continue next quarter, related to the preparation of a Five-Year Agricultural Plan (Plan Quinquenal). The DNPS is required by the Agricultural Incentives Law (passed March 20, 1986) to produce a Plan Quinquenal within 90 days of the promulgation of the Law. The idea of a Plan is a direct response to desires expressed by the private sector for orientation over the period 1986-90. The PRAGMA staff communicated to the Directors and staff of the DNPS that such a document normally requires considerable time, and cautioned that a realistic approach must be taken. During much of February and March, meetings were held to discuss the content, methodology and assignment of PRAGMA and counterpart personnel to specific task groups of the Five-Year Plan.

Plans for preparing the 1987 Annual Operating Plan (POA) and Budget were initiated in March. The POA will be a direct outgrowth of the Plan Quinquenal, and the budget will be prepared subsequent to initial POA documentation. Thus, lessons learned while preparing last year's POA will be applied.

Beginning the last week in January, through the first week in March, I participated in development and critical review of USAID Agricultural Strategy. Such assistance was requested by David Schaer and Frank Conklin of the Agricultural Office. In addition to providing useful input into the USAID decisionmaking process, it was viewed as an opportunity to preview strategic considerations for use in the Panamanian Plan Quinquenal.

B. Improve project monitoring system

Due to concentrated effort on the Five-Year Agricultural Plan, most of the activities programmed for improved project monitoring did not take place during the quarter. An improved project inventory system, linked to a project reporting system was initiated during the quarter. Two project-specific workshop/seminars on methodology and computer applications were identified and tentatively programmed for later in the year.

C. Follow-up on regional planning informational system -- typification of production/ commercialization problems

The typification scheme was introduced, as planned, in two provinces (Herrera and Veraguas). The reporting worksheet was modified, and the system was extended to Cocolé province. Prior to expanding the system to other regions, definite assignment of counterparts is necessary, as well as clarification of whom on the PRAGMA team should have prime responsibility for advising and following-up on the typification system.

D. Administrative Matters

In addition to various "routine" administrative matters, attended to during the quarter, principal activities involved the orientation of arriving long-term technical advisors Maximo Seré, Xavier Comas, and Julio Robles. Among the major tasks were the review and initial integration of their individual workplans within the Project. An important, pending activity not completed during the quarter relates to preparation of the documentation required to purchase computer hardware and software.

2. UNPLANNED ACTIVITIES DURING THE QUARTER.

Two field trips to Santiago, both related to the Annual Operating Plan (POA), took place during the quarter. The first one, in January, included working sessions with National Directors on goals or targets for the 1986. In addition, a debriefing on the new MIDA structure was presented on this occasion. The second trip, in early February, was intended as a presentation of the POA and the draft Agricultural Incentives Law. But the meeting became a closed session; hence subject matter discussed during the trip related to the implementation of the Typification System.

Briefing materials were prepared for a USAID Project review, held March 14. The Mission Director and senior Mission staff were present and favorably received the information presented. Remaining concerns centered about the Mission Director's desire for frequent communications on current events within the agricultural sector, and the need for developing mechanisms for "translating" policy recommendations into actions.

At the request of USAID, assistance was provided in developing a Project training plan.

Analysis of the recently promulgated Agricultural Incentives Law, and briefing memoranda for the USAID Director were prepared.

Assistance was provided to the GOP in preparing documentation needed to satisfy remaining conditions precedent.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED.

During the quarter, four major problem areas were encountered. In the absence of available counterpart funds (especially per diem), Project operations (mobility of non-Pragma staff) were limited. The issue culminated in a series of crisis meetings between USAID and MIDA with respect to another USAID-financed project, leading to a determination by USAID that its level of support should correspond to GOP contributions. David Cole, Pragma's Management Specialist in Public Administration & Finance, participated in these meetings. His recommendations regarding financial disbursements, programming and reporting -- to be implemented within the Project -- should alleviate many of the problems. However, USAID's actions with respect to its level of support have not been timed in consideration of potential improvements resulting from such recommendations.

During February, it became clear that the GOP had not satisfied USAID's conditions precedent for disbursing funds to rehabilitate and remodel a building to house MIDA personnel in Panama City. The issue of adequate office space to accommodate Project personnel remains. Possible solutions revolve around: continuing the "interim" arrangement to lease office space in the "chalet" or other facilities; acquiring a permanent GOP-owned building; or renting offices adequate to house all of MIDA/Panama. The difficult financial circumstances of the GOP will affect any rental solution.

Pragma participation in preparing the Five Year Plan were hampered by:

(1) ill-definition of responsibilities and division of labor between FAO technicians working in the DNPS on an Irrigation Planning Project and the PRAGMA team. As a result, the responsibility for advising the DNPS remained unclear until the Chief of Party and DNPS Director clarified the issue and resolved methodological differences between the two teams.

(2) past orientation and experience of DNPS personnel with central planning activities involving a small portion (5-10%) of the rural population. Thus they have limited contact with the private sector and little knowledge of true potentials, or means for "orienting" them. Although many theoretically recognize the importance of reducing direct state participation in the sector, this is the area in which they are best prepared to "plan". Few are prepared to suggest areas in which the state should reduce its role, or its staff. These facts reflect political and technical realities, the latter of which will be addressed throughout the life of Project.

Finally, during the quarter, Pragma received unclear signals from USAID regarding the disposition of training activities. The responsibility for planning and carrying out long and short-term training activities remained unclear at the close of the quarter. The issue will be resolved next quarter.

4. ACTIVITIES PLANNED FOR NEXT QUARTER (April - June 1986).

Improve formulation and monitoring process of agricultural sector programs

- Assist in the preparation of the Five-Year Plan, especially those chapters related to strategic programs and projects (Ch. VII), the agricultural strategy, policy and policy instruments. April - June
- Help prepare workshop/seminar on the five-year plan, including acquiring feedback from the private sector. May
- Assist in the initial preparation of the 1987 Annual Operating Plan (POA) June - following
- Assist in improving program and project monitoring system(s) June - following

Administrative Matters

- Help finalize computer specifications so USAID can issue a PIO/C June
- Assist in finalizing Pragma's work plan and clarifying long and short-term training issues. May - June

INDIVIDUAL TEAM MEMBER'S QUARTERLY REPORT
Agricultural Policy Formulation & Management Project
PRAGMA team - USAID Project No. 525-0247
Ministry of Agricultural Development
Republic of Panama

Name: TULIO ARVELO DURAN

Position: Chief of Party

Period Covered: January 1 - March 31, 1986

1. STATUS OF ACTIVITIES PLANNED FOR THE QUARTER.

A methodological guideline was prepared for the elaboration of the Five Year Plan to be used by the counterpart team.

The implementation of the POA 86 was accomplished and the monitoring process is ongoing. Monthly reports are being produced.

All team members arrived as planned and we gave logistical support Messrs. Comas, Seré and Robles and their families.

We initiated the process of elaboration of the Project's 1986 Implementation Plan which includes the Financial Plan and an overall Training Plan (Short Term and Long Term).

I took my vacation during February.

2. UNPLANNED ACTIVITIES DURING THIS QUARTER.

During this quarter efforts were concentrated in discussing, elaborating, and approving the new Incentives Law for the agricultural sector. The discussion at the Congressional level took place during the first two weeks of March, and the Incentives Law was approved on March 20th.

I had several lengthy meetings with the new Director of the Agricultural Office at USAID/P, Mr. David Schaer, and we developed a working strategy and revised Implementation Plan.

3. COMMENTS ON SPECIAL PROBLEMS ENCOUNTERED

We encountered normal problems at the beginning of the year. However a general strike complicated the establishment of routine office procedures with members. These uncontrollable events made this a period of anxiety for all of us but was particularly difficult financially and emotionally for some team members.

Since the new Incentive Law changes the procedures for implementing the Commodity Commissions, their reorganization and meetings with the private sector and the Commissions were postponed until the next quarter.

4. ACTIVITIES PLANNED FOR NEXT QUARTER.

The following activities are planned for the next quarter:

- Revision and discussion with the counterparts of the methodological Guidelines prepared in this quarter for implementation purposes.

- Conclusion and approval of the 1986 Implementation Plan, the Financial Plan and the Training Plan for the Project.

- Joint elaboration with the counterpart of the Five Year Plan (1987-1991).

- Policy Seminar on Planning Strategies.

- Elaboration of Policy Memos on issues related to the Agricultural Sector for the USAID Director.