

**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**



# **ANNUAL BUDGET SUBMISSION**

**FY 1981**

## **PANAMA**

**DEPARTMENT  
OF  
STATE**

*JUNE, 1979*



**UNCLASSIFIED**

USAID/PANAMA

FY 1981 ANNUAL BUDGET SUBMISSION

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TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$ Thousands)  
Decision Unit USAID/Panama

DEVELOPMENT ASSISTANCE	FY 1979	FY 1980	FY 1981 REQUEST			PLANNING PERIOD			
	Est.	Est.	Minimum	Current	AAPL	1982	1983	1984	1985
<b>Agriculture, Rural Dev. &amp; Nutrition</b>									
Grants	1,630	1,250	100	200	200	400	300	300	200
Loans	15,750	-0-	4,400	4,400	4,400	18,000	8,000	-0-	11,000
<b>Population</b>									
Grants	600	550	500	500	500	700	800	200	200
Loans	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Health</b>									
Grants	20	380	50	100	100	100	100	100	100
Loans	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>Education</b>									
Grants	635	750	450	550	550	500	400	200	300
Loans	-0-	5,500	5,000	5,000	5,000	-0-	10,000	9,000	-0-
<b>Selected Dev. Activities</b>									
Grants	975	400	1,250	1,250	1,250	300	400	200	200
Loans	-0-	5,000	-0-	2,000	4,000	-0-	-0-	10,000	8,000
<b>Subtotal Functional Accounts</b>									
Grants	3,880	3,330	2,350	2,600	2,600	2,000	2,000	1,000	1,000
Loans	15,750	10,500	9,400	11,400	13,400	18,000	18,000	19,000	19,000
<b>Other DA Accounts</b>									
Grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL DA Accounts</b>									
Grants	3,880	3,330	2,350	2,600	2,600	2,000	2,000	1,000	1,000
Loans	15,750	10,500	9,400	11,400	13,400	18,000	18,000	19,000	19,000
<b>Security Supp. Assistance</b>									
Grants	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loans	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL DA and SSA</b>									
	19,610	13,830	11,750	14,000	16,000	20,000	20,000	20,000	20,000
<b>PL 480 (non-add)</b>									
Title I (of which Title III)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)	(-0-)
Title II	(1,534)	(887)	(697)	(697)	(697)	(697)	(697)	(697)	(697)
<b>Housing Guaranties (non-add)</b>									
	(25,000)	(-0-)	(25,000)	(25,000)	(25,000)	(-0-)	(25,000)	(-0-)	(25,000)

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT  
 FY 1979 - FY 1981  
 (Thousands \$)

APPROPRIATION ACCOUNT/PROJECT NO./TITLE	L/G	FY 1979	FY 1980	Minimum	DECISION UNIT	
					USAID/PANAMA	
					FY 1981 Current	AAPI
Agriculture, Rural Dev. & Nutrition						
525-0180 Applied Agricultural Research	L	5,750				
525-0180 Applied Agricultural Research	G	1,000				
525-0187 Program Development & Support	G	130	200	100	200	200
525-0191 Watershed Management	L	10,000				
525-0200 Guaymi Area Development	G	500				
525-0216 Managed Fish Production	G		400			
525-0219 Education for Development	G		450			
525-0222 Rural Cooperative Enterprises	L		200		4,400	4,400
525-0224 Managed Fish Production (OPG)	G					
Population						
525-0204 Population II	G	600	550	500	500	500
Health						
525-0188 Program Development & Support	G	20	80		100	100
525-0220 Urban Nutrition	G		300	50		
Education & Human Resources						
525-0164 Training for Development	G	300				
525-0189 Program Development & Support	G	125	200	150	250	250
525-0202 Family Orientation Centers	G	150	350			
525-0203 Goodwill Rehabilitation Center (OPG)	G	60				
525-0209 Development Administration	L		5,500	5,000	5,000	5,000
525-0214 Workforce Development	L		200			
525-0218 Local PVO Development (OPG)	G					
Selected Development Activities						
525-0101 Special Development Activities	G	50	50	100	100	100
525-0190 Program Development & Support	G	100	150	150	150	150
525-0207 Alternative Energy Sources	G	825				
525-0217 Environmental Management	G		200			
525-0215 Alternative Energy Sources II	L					
525-0223 Employment Institute	G		5,000	1,000	2,000	4,000
525-0221 Labor Intensive Enterprises	L				1,000	1,000
FY-81 OPG's	G				300	300
Subtotal Functional Accounts		19,610	13,830	11,750	14,000	16,000

AID 1330-12 (3-79)

EXPLANATORY ANNEX TO TABLE III

Decision Unit USAID/Panama

<u>Project Title</u>	<u>Project N°</u>	<u>Change (+ or -) (\$000)</u>	<u>Explanation of Change in FY 1980 Funding Level</u>
Applied Ag. Research	525-0180	- 5,500	Mission plans to obligate in FY-79
Family Orient. Centers	525-0202	+ 350	Not shown in 1980 C. P.
Development Adm.	525-0209	- 3,000	Current design status indicates that obligation may occur in MID FY-81.
Workforce Development	525-0214	+ 2,000	Funding in C. P. artificially reduced to fit AID/W provided total Mission funding level. Current estimates are consistent with original Mission plans.
Fish Production	525-0216	+ 400	Not shown in 1980 C. P.
Educ. for Development	525-0219	+ 450	Not shown in 1980 C. P.
Urban Nutrition	525-0220	+ 300	Not shown in 1980 C. P.
Labor Int. Ent.	525-0221	+ 5,000	Not shown in 1980 C. P.

DECISION UNIT  
USAID/PANAMA

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	G/JL	OBLIGATION DATE		DATE OF NEXT PLANNED NON-ROUTINE EVAL.	CUM. PIPELINE AS OF 9/30/78	FY 1979		FY 1980		FY 1981 APPL OBLIG.	FORWARD FUNDED TO (MO/YR)	FUTURE YEAR OBLIGATIONS			
			INITIAL	FINAL			OBLIG.	EXPEND.	OBLIG.	EXPEND.			CYCL. PIPELINE	CYCL. PIPELINE	FY 1982	FY 1983 & BEYOND
525-0180	Agriculture, Rural Dev. & Nutrition	L	FY-79	FY-79			5,750	350	5,750	350	5,400					
525-0180	Applied Agricultural Research	G	FY-79	FY-79			1,000	150	1,000	150	850					
525-0187	Applied Agricultural Research	G	3/1/75	Cont.		197	130	283	64	200	114			Continuing		
525-0191	Program Development and Support	L	3/29/79	3/29/79			10,000	529	9,471	900	8,571					
525-0200	Watershed Management	G	3/30/79	3/30/79			500	100	400	300	100					
525-0216	Guaymi Area Development	G	FY-80	FY-80						400	200					
525-0219	Managed Fish Production	G	FY-80	FY-80						450	450					
525-0222	Educ. for Development (Rio Indio)	L	FY-81	FY-81						200	150					
525-0224	Rural Cooperative Enterprises	G	FY-80	FY-80						200	50					
525-0224	Managed Fish Production (OPG)	G	FY-80	FY-80						200	50					
525-0204	Population	G	FY-79	FY-83	6/82		600	31	569	550	397	12/81	700	800		
525-0188	Health	G	3/1/75	Cont.		87	20	45	62	80	54			Continuing		
525-0220	Program Development Support	G	FY-80	FY-80						300	300					
525-0164	Urban Nutrition	G	FY-73	FY-79			300	320	377	235	142					
525-0189	Education and Human Resources	G	3/1/75	Cont.		397	125	57	127	200	72					
525-0202	Training for Development	G	FY-79	FY-79		59	150	20	130	350	280	8/82		Continuing		
525-0203	Program Development and Support	C	FY-79	FY-79			60	20	40	40						
525-0209	Family Orientation Centers	C	FY-79	FY-79						5,500	5,500					
525-0214	Goodwill Rehabilitation Center (OPG)	L	FY-81	FY-81	7/83					200	100					
525-0214	Development Administration	L	FY-80	FY-80	6/82					200	100					
525-0218	Workforce Development	G	FY-80	FY-80						5,000	5,000					
525-0218	Local PVO Development (OPG)	G	FY-80	FY-80						200	100					
525-0101	Selected Development Activities	G	7/1/64	Cont.		25	50	45	30	50	40			Continuing		
525-0190	Special Development Activities	G	3/1/75	Cont.		35	100	85	50	150	55			Continuing		
525-0207	Program Development and Support	G	FY-79	FY-79			825	85	825	400	425					
525-0215	Alternative Energy Sources	L	FY-81	FY-81						200	75					
525-0217	Alternative Energy Sources II	L	FY-80	FY-80						5,000	5,000					
525-0221	Environmental Management	L	FY-80	FY-80	1/82					200	125					
525-0221	Labor Intensive Enterprises	L	FY-80	FY-80						1,000	1,000					
525-0223	Employment Institute	G	FY-81	FY-81						300	300					
	FY-81 OPG's					800	19,610	1,535	18,895	13,830	28,325		700	800		
	TOTAL															

AID 1330.8 (3-79)

DECISION PACKAGE NARRATIVE

Decision Package Minimum

USAID/Panama's FY 1981 CDSS outlined a strategy for the period 1981-1985 and identified the areas in which AID assistance will be concentrated and the problems they address. Briefly stated, the problem areas are, in priority order:

1. Rural Poverty
2. Unemployment and Underemployment (Urban poverty)
3. Public sector management deficiencies
4. Environment and energy concerns.

Today, we consider poverty and urban poverty (seen largely as a function of unemployment) to be of essentially equal priority. However, the order of priority of these problem areas will change over time; indeed, we already foresee rural poverty moving down in priority, in terms of a need for AID assistance, over the five year planning period.

The projects proposed in this ABS have been conceived as part of the strategy defined in the CDSS and relate directly to the problem areas summarized above. The new FY 1981 projects need to be viewed in the context of both the strategy and our current portfolio (including new FY 1980 projects).

RURAL POVERTY

The bulk of the Mission's present program addresses the problems of rural poverty, with particular emphasis on basic human needs. The active portfolio in this area includes projects in cooperative development, agricultural marketing, municipal development, health and education services, integrated rural development and access roads. Most of these projects will still be in implementation status through

FY 1981 and a FY 1979 applied agricultural research project will add to the range of activities oriented toward the problems of rural poverty, as will another FY 1979 initiated project assisting family orientation centers.

In FY 1980, two new projects directly related to rural poverty will be relatively small, pilot grant activities. The first is a project to expand the Ministry of Agriculture's managed fish production program, with the basic purpose of improving the nutrition of the rural poor. This project will focus on the poorest districts identified in the CDSS as the primary rural target area of the Mission and addresses an established need. Community requests for Ministry of Agriculture assistance with the construction of fish ponds far exceed the Ministry's ability to respond. An apparent worsening of the nutritional status of the poor was noted in the CDSS, and the Mission is working to verify this situation. The GOP has already expressed its interest in a follow on loan project, and the Mission believes this to be a probable future project, depending on the results of the nutrition survey currently being initiated.

The second new grant project, Education for Development, is another pilot activity with considerable promise of establishing the means for a long term involvement of the National University's Faculty of Agronomy in rural development. The purpose of the project is to increase agricultural production and improve socio-economic conditions in a defined area of one of Panama's poorest rural districts. The project will promote family gardens, tree crop development and production of non-traditional livestock. It will also include some health and nutrition education activities. While providing real benefits to the target group in the short term, perhaps the most important aspect of the project is the involvement of the National University in direct rural development efforts. The long term benefits of developing the university as a resource for development are obvious and, we believe, provide, by themselves, sufficient rationale for AID funding of this innovative activity.

In FY 1981, the Rural Cooperative Enterprise project is designed to impact on both the traditional rural development problems and the employment problems outside the Metropolitan Corridor. Because this project is primarily an employment generating activity, it is discussed more fully in the following section.

#### EMPLOYMENT PROBLEMS

The CDSS analysis of poverty identified a number of interrelated problems which result in the unemployment, underemployment, low pro-

ductivity and low incomes which characterize poverty in Panama. This analysis is primarily related to urban unemployment, but the problems clearly indicate the need for employment generating interventions in the rural areas as well. The specific employment problems on which the Mission strategy proposes to focus include inadequate private sector investment in employment creating enterprises, insufficient skill levels of the labor force, limited scope of export products, and insufficient off-farm employment opportunities in rural areas.

The Mission has defined a framework within which a range of activities will be developed to address the complex of employment related problems. This framework comprises four components of a broad program: investment promotion and employment generation, emphasizing the employment creation aspects of current and new private investment activities; labor force development and utilization, enabling the work force to take advantage of new employment opportunities; outreach programs to assure that the unemployed and marginally employed benefit to the utmost from skills upgrading and employment opportunities; analysis, coordination and evaluation activities, to provide the means for integrating the three aforementioned components and to provide the necessary information generation and application. The activities to be carried out under each component will be designed to fill existing gaps in GOP and private sector efforts already underway, and USAID activities will be closely coordinated with those of other donors.

Because the alarming extent of declining private investment and increasing unemployment has been documented only relatively recently, current Mission projects can do little to help attack the problems, with the exception of the Rural Growth and Service Centers' project. Thus we must embark on a major new effort in a field with which AID has little relevant recent experience. Because the employment related problems in Panama are so urgent, we plan to initiate our response to them in FY 1980. This has led us to alter somewhat the FY 1980 activities defined in earlier program documents (e.g., FY 1980 ABS and CP). The already scheduled Workforce Development Project has assumed additional significance, and a complementary project to stimulate labor intensive enterprises has been incorporated into the FY 1980 program, rather than FY 1981 as planned in the CDSS. These projects are representative of the two pronged attack on unemployment and underemployment which will be a mainstay of our program for the foreseeable future. That is, concentrating, on the one hand, on skills upgrading of the poor to enable them to obtain productive, adequately remunerative permanent employment and, on the other, on generating employment opportunities to assure an expanding job market.

In FY 1981, we propose at the Minimum level, another employment generating project within the framework of our attack on employment problems. This project will promote rural enterprises managed by cooperatives, the primary purpose of which is the creation of off-farm employment outside the Metropolitan Corridor. The project builds upon the experience of an earlier AID loan to Panama's cooperative sector and helps the cooperative movement expand logically into financing and operating enterprises related to the products consumed or produced by its members. This project is a vital component of the overall program being developed to implement a long-range resolution of employment problems and the first in a planned series oriented toward rural areas. The second project is directed at the establishment of the institutional mechanisms for the required research, information generation, coordination and direction of the many activities to be carried out in the long term attack on employment problems. We view the investment and employment institute as the critical factor in assuring that the labor force development and employment generation activities, of which more are planned for post-1981, are directed at the appropriate targets, utilize effectively the appropriate existing institutions, and are coordinated each with the other. We are, also, hopeful that the institution to be established can become a center of expertise on investment and employment policies and programs which would enable it to evolve, over time, into an internationally recognized and utilized resource.

#### PUBLIC SECTOR MANAGEMENT

The CDSS identified the need for a large scale, long-term upgrading of Panama's human resources, both public and private sector, as a crucial element of the development strategy. The FY 1980 Workforce Development project is the initial step in upgrading labor force skills in the context of the attack on employment problems and is oriented toward the private sector. The FY 1981 Development Management and Administration Project is the initial step in improving the public sector's capability to plan, organize and implement high priority development programs. The project will both address weaknesses in government planning and administrative structures and provide training to key middle level public officials involved in development activities consistent with our strategy. It, therefore, is complementary to and supportive of the other elements of the strategy - i.e., rural development, employment, natural resources. This project will help assure that the necessary policy and planning capabilities are sufficient to meet the challenge of the strategy and that other critical new initiatives are not hindered by inadequate or inefficient public sector management and administration.

Viewed together, the new projects proposed for FY 1981 at the Minimum level will get the Mission's country strategy strongly launched in the

priority areas of employment and public sector management. These are the two areas of higher priority which are not already adequately addressed by our present portfolio and, therefore, require a significant start up effort. With rural poverty being strongly addressed by current and planned FY 1980 projects, new projects in this area are not planned until FY 1982. The remaining area of environment and energy is addressed at the Current level, due to funding restraints and its lower relative priority.

#### Decision Package Current

At the Current level, sufficient funding will be available to initiate the program of activities planned for the long-term related to the fourth problem area mentioned above - environment and energy. The CDSS spelled out our concern for the protection of Panama's natural resource base and proposed a FY 1981 energy project. We view alternative energy activities, particularly with renewable energy sources, in the context of natural resource concerns. They also, of course, contribute to decreasing reliance on imported fuels and stimulate domestic economic activity, both factors in economic growth, another concern described in the CDSS.

Our long-term program in environment and energy was initiated with the FY 1979 Watershed Management project and will move ahead further with the planned FY 1980 pilot grant Environmental Management project. A FY 1979 pilot Alternative Energy Sources grant project will test the use of wood in generating electricity and solar and biogas sources and will study the feasibility of micro-hydroelectric generation and utilization of agricultural wastes for energy production. Building on the experience with the pilot project, Alternative Energy Sources II will loan finance operational facilities using those technologies shown to be feasible in the pilot project. These are likely to be a modest number of wood and agricultural wastes facilities and a larger number of microhydro facilities. Funding at the Current level will permit the financing of technical assistance and sufficient numbers of facilities to satisfy minimal needs and accelerate the growing momentum of the GOP in this field.

#### Decision Package AAPL

At the AAPL level we would provide full funding of the Alternative Energy Sources II project. This increment would finance about twice the number of wood fueled generating plants and quadruple the number of microhydro-electric facilities, levels that would satisfy currently estimated needs.

Bureau Code:

Decision Code:

TABLE V - FY 1981 PROPOSED PROGRAM RANKING

RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	TERM/ NEW/ CONT.	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		USAID/PANAMA		WORKFORCE (Number of Positions)	
					INCR	CUM	INCR	CUM	INCR	CUM
	<u>DECISION PACKAGE MINIMUM</u>									
	*Terminated Projects with Pipeline									
	525-0164 Training for Development	T	G	EH	(142)	(142)				
	525-0176 Rural Municipal Development	T	L	FN	(1,000)	(1,142)				
	525-0178 Grains and Perishables Marketing Sys.	T	L	FN	(1,000)	(2,142)				
	525-0179 Education Sector II	T	L	EH	(3,800)	(5,942)				
	525-0180 Applied Agricultural Research	T	L	FN	(5,400)	(11,342)				
	525-0180 Applied Agricultural Research	T	G	FN	(850)	(12,192)				
	525-0181 Rural Health Delivery System	T	L	HE	(3,450)	(15,642)				
	525-0183 Integrated Rural Development	T	L	FN	(8,000)	(23,642)				
	525-0185 Regional Growth and Service Centers	T	L	FN	(7,900)	(31,542)				
	525-0191 Watershed Management	T	L	FN	(8,571)	(40,113)				
	525-0192 Access Roads	T	L	FN	(6,500)	(46,613)				
	525-0200 Guaymi Area Development	T	G	FN	(100)	(46,713)				
	525-0202 Family Orientation Centers	T	G	EH	(280)	(46,993)				
	525-0207 Alternative Energy Sources	T	G	SD	(425)	(47,418)				
	525-0214 Workforce Development	T	L	EH	(5,500)	(52,918)				
	525-0216 Managed Fish Production	T	G	FN	(200)	(53,118)				
	525-0217 Environmental Management	T	G	SD	(125)	(53,243)				
	525-0219 Education for Development	T	G	FN	(450)	(53,693)				
	525-0220 Urban Nutrition	T	G	HE	(300)	(53,993)				
	525-0221 Labor Intensive Enterprises	T	L	SD	(5,000)	(58,993)				
	Subtotal (Non-add)				(58,993)					

\* Unliquidated balance as of 9/30/80.

TABLE V - FY 1981 PROPOSED PROGRAM RANKING

RANK	DECISION PACKAGES/PROGRAM ACTIVITY DESCRIPTION	TERM/ NEW/ CONT.	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Positions)	
					INCR	CUM	INCR	CUM
					INCR	CUM	INCR	CUM
<u>New and Continuing Projects</u>								
1.	525-0204 Population II	0	G	PN	500	500		
2.	525-0101 Special Development Activities	0	G	SD	100	600		
3.	525-0209 Development Administration	N	L	EH	5,000	5,600		
4.	525-0220 Rural Cooperative Enterprises	N	L	FN	4,400	10,000		
5.	525-0223 Employment Institute	N	G	SD	1,000	11,000		
6.	525-HG-011 Shelter and Community Upgrading PL-480, Title II				(25,000)	11,000		
7.	525-0187 Program Devel. and Support	0	G	FN	100	11,000		
8.	525-0188 Program Devel. and Support			EH	50	11,150		
9.	525-0189 Program Devel. and Support			HE	150	11,300		
10.	525-0190 Program Devel. and Support			SD	150	11,450		
11.	Operational Program Grants	0	G	SD	300	11,750		
12.								
13.	Basic Workforce					11,750	29	57
	Total Minimum Package and Related Workforce				11,750		29	57
<u>DECISION PACKAGE CURRENT</u>								
14.	525-0215 Alternative Energy Sources II	N	L	SD	2,000	13,750		
15.	525-0187 Program Devel. and Support	0	G	FN	100	13,850		
16.	525-0188 Program Devel. and Support	0	G	HE	50	13,900		
17.	525-0189 Program Devel. and Support	0	G	EH	100	14,000		
	Total Current Package and Related Workforce				2,250		29	57
<u>DECISION PACKAGE AAPL</u>								
18.	525-0215 Alternative Energy Sources II	N	L	SD	2,000	16,000		
	Total AAPL Package and Related Workforce				2,000		29	57

ACTIVITY DATA-NARRATIVE

Project: Labor Intensive Enterprises 525-0221

<u>Loan Funding:</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
(\$000)	5,000	0	5,000

Purpose: To promote and establish economically viable investments in employment creating enterprises.

Background: The Panamanian economy has not recovered from a long period of economic stagnation that began with the energy crisis and world-wide recession of 1974. High levels of public investment have been unable to offset the precipitous drop of private investment, and unemployment has risen steadily since 1974. The actual number of jobs has decreased and the percentage of non-economically active population has increased. Even though the GOP has taken some temporary emergency measures to reduce unemployment, it has become increasingly evident that private sector investment is the key to a long-term solution to expanding the job market and overcoming the economic stagnation that continues to plague Panama.

The GOP recognizes the importance of agro-industry, small scale enterprises and appropriate technology in meeting Panamanian development needs. Consequently, efforts are now being made to stimulate responsive investments and to provide access to reasonable cost credit for small scale productive enterprises. The Mission proposes to assist the GOP in locating and encouraging viable economic activities which will create or expand employment opportunities for the poor.

Project Description: As currently envisioned, the proposed project would involve the Ministry of Planning, the Ministry of Commerce and Industry, and the National Finance Bank (COFINA) in an integrated effort to attract, finance and develop small scale, labor intensive enterprises of the type most suitable to the specific needs of the Panamanian economy. Emphasis would be placed on export expansion and import substitution. The integrated nature of the project will ensure that enterprises proposed for financing are directly related to the needs of the market place and that the labor demand side of the employment equation is adequately linked to sources of trained manpower. The project will consist of credit, technical assistance and training components to develop the institutional capacity of participating organizations and to provide financing and managerial assistance to appropriate labor intensive enterprises. Market research and investigation of alternative technologies will be undertaken. The project would also include labor intensive pilot enterprise development efforts based on applied research and other analytical activities to increase employment and generate income.

Beneficiaries: Although the project will have a national focus, its primary target group will be the unemployed and underemployed living in the Panama City/Colon metropolitan corridor.

ACTIVITY DATA-NARRATIVE

Project: Workforce Development 525-0214

<u>Loan Funding:</u> (\$000)	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
	5,500	0	5,500

Purpose: To upgrade the skill level and productivity of the lower strata of Panama's labor force.

Background: Since 1974, Panama has experienced a severe recession. Symptomatic of the recession has been economic stagnation and increased unemployment. The impact has been especially great in the urban areas where both unemployment and underemployment have reached an estimated 35% of the metropolitan area labor force. The most seriously affected persons have been the lower income strata of the urban population of the Panama City/Colon corridor, currently estimated at some 145,000 individuals. Many of the members of this strata are recent migrants from the countryside who bring with them low education levels and skills that are inappropriate for urban employment. At present the Ministry of Labor, through its National Training Center and its Employment Service, as well as the Ministry of Commerce and Industry and the National Finance Bank, through their special credit programs for small industry, are attempting to address the need to provide these people both with the skills they need and the necessary vehicles to obtain credit. Small industry credit and promotion programs to date, however, have been limited, and insufficient involvement of the private sector in skills training and job placement activities has both inhibited their effectiveness and impeded the forging of strong linkages between the urban poor and employment opportunities. The GOP is aware of current weaknesses in these areas and has recently formed a series of high level commissions composed of representatives of the public and private sectors to develop joint approaches to strengthening these activities.

Project Description: The proposed project will complement the Labor Intensive Enterprises project, also proposed for FY 1980 funding, by supporting the GOP and the private sector in their efforts to prepare the workforce to take advantage of the new employment opportunities that should be opening up over the coming years. The project will be organized around three sets of activities: (a) Labor force development and utilization activities will focus on supporting and expanding current efforts in the areas of skills training and upgrading, fostering entrepreneurial talent, and job placement; (b) Outreach programs will enable the unemployed and marginally employed to take maximum advantage of these skills training opportunities as well as new employment opportunities as they become available; (c) Analysis, coordination and evaluation activities will concentrate on improving and coordinating the information flow and strengthen the linkages between labor supply and labor demand.

As presently envisioned, the GOP participating institutions will include: the Ministries of Planning, Labor, Education, and Commerce, the National Finance Bank and the Institute of Human Resources Formation. Key participants from the private sector will include the Syndicate of Panamanian

Manufacturers and the National Confederation of Private Enterprises.

Beneficiaries: The beneficiaries will be the unemployed and under-employed urban poor, primarily those residing in the metropolitan corridor.

ACTIVITY DATA-NARRATIVE

Project: Environmental Management 525-0217

<u>Grant Funding:</u> (\$000)	<u>FY 1980</u> 200	<u>FY 1981</u> 0	<u>Life of Project</u> 200
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Purpose: To strengthen the Government of Panama's capacity to plan and manage environmental protection and improvement programs.

Background: The protection and improvement of Panama's environment has until recently had relatively low priority in the formulation of national development strategy. Failure to include environmental considerations in the national planning process has often resulted in development activities that have perpetuated the depletion and degradation of some of the country's natural resources. The GOP recognizes that unless this situation improves, it will become more difficult and expensive to deal with the basic human needs of Panama's poor. The uncontrolled deforestation of the watersheds has already led to sedimentation of major water resources and a reduction in the quality and quantity of water available for irrigation, power generation and home use.

The FY 1979 Watershed Management loan project (#525-0191) will focus on the means to conserve and improve some of the principal watersheds. An environmental assessment planned for FY 1979 will identify Panama's most significant environmental problems and suggest potential projects to correct those problems.

Project Description: This proposed project will be based on the findings of the environmental assessment, will prepare the groundwork for the development of large-scale environmental protection programs and will increase the awareness of public officials and the general public of the need for measures to protect and improve the environment. Specific activities will include long-term training for government officials in environmental management, travel by these officials to study environmental programs in other countries, implementation of a small sub-project suggested by the environmental assessment and the establishment of a public awareness program.

The Ministries of Health, Agricultural Development, Housing, Planning and Economic Policy, the Institute for Hydraulic and Electric Resources and the National Institute of Water and Sewers will participate in the project, with the Ministry of Planning and Economic Policy having the lead responsibility for its implementation.

Beneficiaries: The ultimate beneficiaries will be the citizens of Panama who will benefit from environmental enhancement activities. The poor will benefit most, as they depend more on a natural environment that is of a benign nature than do their more affluent neighbors.

ACTIVITY DATA-NARRATIVE

Project: Managed Fish Production 525-0216

<u>Grant Funding:</u> (\$000)	<u>FY 1980</u> 400	<u>FY 1981</u> 0	<u>Life of Project</u> 400
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Purpose: To improve the nutrition of the rural poor.

Background: A large percentage of Panama's rural poor suffer from malnutrition. Significant shortfalls in essential amino acids normally contributed to the diet by animal protein are common. Wildlife was long ago eliminated as a principal source of protein for the rural poor. Also, deforestation and the concomitant soil erosion have so depleted the soils in much of Panama of their nutrients that they are no longer able to produce the foodstuffs needed to satisfy most of the basic food requirements of these same people. Consequently, other alternatives to traditional food production techniques are required. One proven alternative which can help correct the problem is small, community-based freshwater fish-production units.

USAID/Panama first became involved in freshwater managed fish production in 1971 through a university contract which provided technical assistance, commodities and training for the establishment of a fish hatchery and research station. Later, the Mission financed the training of individuals who subsequently formed the nucleus for the Ministry of Agriculture's Directorate of Aquaculture, which has been the principal catalyst in the dissemination of freshwater fish production technology in Panama.

The Directorate of Aquaculture initiated and AID financed some well-received and effective pilot projects. These projects resulted in a number of useful innovations which increased fish productivity. Based on the experience gained through these pilot activities, the Directorate expanded its aquacultural program considerably, to the point where there are now 200 stocked community fish ponds, financed by AID, the Government of Panama and other public and private donors. The demand for new ponds and technical assistance, however, far exceeds the Directorate's capacity to respond.

Project Description: The proposed project will expand the institutional capacity of the Directorate of Aquaculture and establish up to 30 new community fish-production units. Institutional development activities will include the qualitative and quantitative improvement of the fish hatchery, the provision of approximately 24 person months of technical assistance, 87 person months of training, and the procurement of equipment and commodities to support a larger aquaculture program than currently exists.

Beneficiaries: An estimated 2,000 families will benefit directly from this project who have an annual per capita income of less than \$200 and are concentrated in the poorest districts of Panama identified in the CDSS. The rural poor in other parts of Panama will be indirect beneficiaries of the expanded GOP institutional capability.

ACTIVITY DATA-NARRATIVE

Project: Education for Development 525-0219

<u>Grant Funding:</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
(\$000)	450	0	450

Purpose: To increase agricultural production and improve socio-economic conditions for the Rio Indio village and nearby rural communities.

Background: Poor agricultural production, malnutrition and disease are still serious problems in much of Panama. In the Rio Indio village and other nearby communities (located along the Rio Indio river, west of the city of Colon), these problems are exacerbated because the isolation of the area has made it difficult to provide the people there with services in health, nutrition and agriculture.

Project Description: The village of Rio Indio will serve as the demonstration site for the introduction, into one of Panama's poorest districts, of modern and appropriate technology in the areas of agriculture, health and nutrition. The Education for Development project will be implemented by the National University of Panama, with possible collaboration of other Panamanian institutions and a U. S. university. The project consists of the following components - agricultural activities: (1) production of family gardens and fruit trees; (2) production of goats, water buffalo and ducks; (3) establishment of a fruit tree nursery to provide plant material (seeds, cuttings, etc.) for other rural communities; and (4) quality control and marketing of all products; nutrition education: (1) courses for health workers on nutrition education and treatment of malnutrition cases and (2) nutrition courses for the village leaders; health services: (1) collection of data on disease occurrence in the Rio Indio area; (2) provision of basic medical supplies and services to the target population; and (3) expansion of existing health clinic facilities for inoculation, check-ups and disease treatment. An important aspect of this project will be the development of the National University as a resource for rural development activities in Panama.

Beneficiaries: The project will be designed to benefit all the inhabitants of the Rio Indio village and about 50% of the people in the outlying communities. It is envisioned that within 4-5 months of operation, the project will have reached about 700-1000 persons directly and about 4,500-5,000 persons in 2 years.

ACTIVITY DATA-NARRATIVE

Project: Urban Nutrition 525-0220

<u>Grant Funding:</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
(\$000)	300	0	300

Purpose: To provide a nutritious diet to Panama's low income urban population.

Background: Despite the efforts of the Government of Panama, through a modest nutrition program, to ensure a nutritious diet for all Panamanians, the national incidence of malnutrition has continued to increase steadily. In 1967, an INCAP study found that 60% of pre-school children throughout the country were malnourished. An unpublished study by the Ministry of Health in 1975 revealed that the incidence of malnutrition nationally in this same age group had increased to almost 70%. The Ministry of Health attributes the increase in large part to the rapidly worsening diets of the growing numbers of poor people in the urban centers. Two major reasons for this condition are that (1) many of the urban poor can not afford to buy nutritious foods and (2) they do not have sufficient knowledge of proper dietary habits and of the relationship between diet and health. A number of GOP programs, some with the collaboration of AID, are designed to address the issue of inadequate income. The Urban Nutrition project will help improve the capability of the urban poor to make appropriate food choices.

Project Description: The project will finance a pilot program in one poor urban neighborhood. Implemented by the Ministry of Health, the project will provide the following: (1) technical assistance to help define and analyze the specific nutrition problems of the urban poor and identify alternative solutions and to select and implement a surveillance system and evaluation methodology; (2) special studies of the nutritional status of the target population; (3) development, testing and dissemination of mass media educational materials; (4) materials and training for nutrition paraprofessionals; (5) training for mid-level nutritionists in the use of mass media in outreach educational programs; and (6) a pilot project to supply the most malnourished people with locally-produced nutritious foodstuffs either produced in an existing MOH food production program or supplied by the GOP.

Beneficiaries: The direct beneficiaries will be an estimated 20,000 persons, most of them mothers and their preschool-aged children, who are among the poorest of the urban poor. Large numbers of other persons will benefit indirectly from the project through the mass media educational programs.

ACTIVITY DATA-NARRATIVE

Project: Development Administration 525-0209

<u>Loan Funding:</u> ((\$000))	<u>FY 1980</u> 0	<u>FY 1981</u> 5,000	<u>Life of Project</u> 5,000
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Purpose: To improve the capacity of public institutions to plan and implement priority development programs.

Background: Because of administrative weaknesses, the public administration system often impedes the achievement of Panamanian national development objectives. The situation will be exacerbated as a result of the additional administrative demands imposed on the GOP under the Panama Canal Treaties, which will add a substantial management burden to an already overtaxed administrative structure. The primary factors impeding effective planning and implementation of governmental programs are an archaic administrative system, the lack of trained middle-level management personnel and an inability of the GOP to develop the statistical information, studies and surveys required to administer government programs.

Project Description: This project proposes to assist the GOP to improve its administrative capability for planning and implementing its programs. With the assistance of consultants, the General Directorate of Administrative Organization of the Ministry of Planning and Economic Policy will undertake a series of studies which thoroughly analyze the public sector administrative apparatus. Based on the recommendations resulting from these studies, projects will be designed and implemented which will: (1) reorganize present management structures; (2) develop and implement new systems and procedures which are more responsive to present requirements; and (3) develop the skills of the middle-management administrators and planners through long-term participant training, in-country courses and on-the-job training. In addition, funds will be provided for the technical assistance, training and equipment required to strengthen the GOP's capacity in information gathering, statistical analysis and program evaluation.

Beneficiaries: Initial beneficiaries of the project will be the institutions of the central government involved in development planning and administration. The improvement of government management and services will lead to an increased capacity of the GOP to develop and implement priority development programs benefitting the urban and rural poor.

ACTIVITY DATA-NARRATIVE

Project: Employment Institute 525-0223

<u>Grant Funding:</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
(\$000)	0	1,000	1,000

Purpose: To establish an institution which will analyze employment and investment problems and initiate pilot projects and provide technical assistance to resolve these problems.

Background: For at least the last decade, Panama has suffered from relatively high levels of unemployment and an inequitable distribution of income, resulting in a large proportion of relatively poor people. Unemployment rates in the early 1970s, a period of healthy economic activity, varied between 7 and 10 percent of the labor force. Since 1974, Panama's economic growth has stopped, resulting in a decline in the number of jobs, an increase in the already high unemployment rate and a reduction in the number of people looking for work. Contributing to the problem has been a continuous migration of unskilled people from the rural areas to the urban centers. There are several reasons for this situation, the most important being a decline in private investment. Even though the GOP has attempted to ameliorate this condition through large public sector investments, its efforts have not created enough new permanent jobs to match the ever-increasing excess labor supply. Now, the national government has committed itself to a strategy which will promote massive new private investment and generate new jobs. USAID/Panama proposes to support that strategy.

Project Description: This project would establish an investment and employment institute, which would (1) identify and analyze existing and potential private investment opportunities, (2) promote new investment, (3) orient private and public investment to activities which generate new employment, (4) coordinate efforts to assist the labor force to take advantage of the new employment opportunities and (5) assist marginal groups which may not be reached through normal labor market programs. The Institute would essentially be a research, information dissemination, and coordination mechanism and would involve the participation of the private sector (the Chamber of Commerce, Industry and Agriculture) and the public sector (the Ministries of Planning, Labor, Commerce and Industry, and the National Finance Bank).

Beneficiaries: The unemployed and the marginally employed poor, particularly those residing in the metropolitan areas.

ACTIVITY DATA-NARRATIVE

Project: Alternative Energy Sources II 525-0215

<u>Loan Funding:</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Life of Project</u>
(\$000)	0	4,000	4,000

Purpose: To provide energy to marginal and isolated areas of Panama.

Background: Panama has an extensive national electricity grid; however, electrical energy has not been supplied to the areas most isolated from the central highways. Many communities in these areas produce their own electricity from small diesel generators, but the cost of these generators is high. Most of the principal demand centers are being serviced by the grid, and now the national government is faced with the task of providing electricity to small villages and agro-industrial consumers living relatively close to the grid and providing services to those isolated areas which cannot be connected to the grid at a reasonably low cost.

AID will fund a FY 1979 grant project which will be implemented by the Institute for Hydraulic and Electric Resources (IRHE). Under this grant, a number of energy technologies will be tested, feasibility studies of others will be carried out, and a master plan for alternative energy sources will be prepared which will identify specific activities to be financed by the proposed Alternative Energy Sources II loan.

Project Description: It is expected that this loan project, also carried out by IRHE, will include sub-projects concerned with small hydroelectric units; units which convert agricultural wastes into electricity for refrigeration, grain drying, etc.; and units which convert solar and wind power into electricity for the same uses. Before implementation begins, the need for feasibility studies into other potential applications will also be identified. The project will complement other AID loan-funded projects like Integrated Rural Development (#525-0183) and Regional Growth and Service Centers (#525-0185). The Government of Panama will contribute at least \$2.4 million and other prospective donors may provide technical assistance.

Beneficiaries: The beneficiaries will be a large number of rural families who until now have not received reasonably priced electrical energy for work and home uses. The cost to each family benefited is expected to be relatively low: with a maximum allowable investment of \$250 per family, amortized on a 20-year basis, the monthly cost for each family should be about \$2.40.

TABLE VI PROJECT SUMMARY

NUMBER OF PROJECTS

	FY 77	FY 78	FY 79	FY 80	FY 81	
					MINIMUM	CURRENT
Implementation at Beginning of Year	17	17	17	19	28	28
Moving from Design to Implementation During Year	3	4	7	6	3	4
Design for Future Year Implementation	4	3	4	4	4	4
<b>SUBTOTAL</b>	24	24	28	29	35	36
Number of Non-Project Activities	1	1	1	1	1	1
<b>TOTAL</b>	25	25	29	30	36	37

NUMBER OF PROJECTS MOVING FROM DESIGN TO IMPLEMENTATION BY PROJECT SIZE

	FY 77	FY 78	FY 79	FY 80	FY 81	
					MINIMUM	CURRENT
Less than \$1 Million			4	4		
\$1 To \$5 Million					1	2
\$5 To \$15 Million	3	4	2	2	2	2
\$15 To \$25 Million						
More Than \$25 Million			1			

TABLE VII OPERATING EXPENSE FUNDED PERSONNEL IN POSITIONS

FUNCTIONS	FY 77				FY 78				FY 79				FY 80			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
Executive Direction	4	1			3	1			3	1			3	1		
Program Planning	5	4			2	4			4	4			3	2		
Project Design - A	4	1			4	1			4	1			5	1		
Project Implementation	14	13	2	1	11	17	1	1	14	17		1	13	18		1
Financial Management	5	13			4	13			3	13			3	14		
Mission Support - B	4	23			3	26			2	21			2	21		
Non-Mission Specific	19	5			19	7			24	10			24	11		
<b>TOTAL</b>	<b>55</b>	<b>62</b>	<b>2</b>	<b>1</b>	<b>46</b>	<b>69</b>	<b>1</b>	<b>1</b>	<b>54</b>	<b>67</b>		<b>1</b>	<b>53</b>	<b>68</b>		<b>1</b>
PLUS: PASA's (O.E. & Program)	1				1				1				4			
LESS: JAO Details	-				-				-				-			
<b>MODE Requested</b>	<b>56</b>	<b>55</b>			<b>47</b>	<b>52</b>			<b>55</b>	<b>61</b>			<b>57</b>	<b>61</b>		

FUNCTIONS	FY 81 AAPL				FY 81 MINIMUM				FY 81 CURRENT			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
Executive Direction	3	1			3	1			3	1		
Program Planning	3	2			3	2			3	2		
Project Design	5	1			5	1			5	1		
Project Implementation	13	18	1	1	13	18	1	1	13	18	1	1
Financial Management	3	14			3	14			3	14		
Mission Support	2	21			2	21			2	21		
Non-Mission Specific	24	11			24	11			24	11		
<b>TOTAL</b>	<b>53</b>	<b>68</b>	<b>1</b>	<b>1</b>	<b>53</b>	<b>68</b>	<b>1</b>	<b>1</b>	<b>53</b>	<b>68</b>	<b>1</b>	<b>1</b>
PLUS: PASA's (O.E. & Program)	4				4				4			
LESS: JAO Details	-				-				-			
<b>MODE Requested</b>	<b>57</b>	<b>55</b>			<b>57</b>	<b>52</b>			<b>57</b>	<b>61</b>		

NOTES TO TABLE VII

A/ Does not include part-time USDH secretary.

B/ Non-Mission specific includes the following:

	77	78	79	80	81	81	81
Regional Contracting Officer	1	1	1	1	1	1	1
Regional Logistics Management Officer	-	-	1	1	1	1	1
AAG	12	12	15	15	15	15	15
IIS	4	4	4	4	4	4	4
RHUDO	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
	<u>19</u>	<u>19</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>

SUPPORTING NARRATIVE ON POSITION REQUIREMENTS  
AND OPERATING EXPENSE BUDGET

The USAID Mission to Panama is committed to the realization of the goals specified in its Country Development Strategy Statement. In FY 81, with the implementation of our Workforce Development and Labor Intensive Enterprises projects and the design of the Development Administration and Employment Institute projects, we will focus on Panama's problems of unemployment in the urban sector. In the rural sector we will reach our goals to eliminate rural poverty with the implementation of our Applied Agriculture Research and Rural Access Roads projects and the design of our Rural Cooperative Enterprise project.

Tables VI, VII, VIII, and IX show the number of personnel, types of specialists, and dollars necessary to bring about these changes. Every effort possible has been made to identify accurately our personnel needs and eliminate all unnecessary costs.

Although both the number of active projects and the aggregate dollar amount of the pipeline will be greater in FY 81 than they have ever been, we anticipate no increases in either USDH or FNDH ceilings. To accommodate the Mission with the specialists needed to implement its new program, three USDH positions will need to be reallocated within the Mission; one each from the Program Office, the Executive Office and the Controller's Office to the offices of Human Resources and Technology and Employment Generation. We expect to offset these losses in our support offices through the use of IDI's, a reallocation of our FNDH staff and the utilization of part-time personnel.

The Mission has turned to and will continue to require the support of many Panamanian technicians, both as direct hire and as contract personnel. The quality and availability of these technicians are better than in most LDC's. Presently, Panamanians occupy key Mission positions as economists, training officer, engineers, agriculturalists, general service officer, health and population advisor, education advisor, and financial analysts. Most of these types of positions will have to be filled by USDH in other countries. Minimum changes are foreseen in the FNDH staffing pattern for the next two fiscal years, and all changes will be within our currently authorized ceiling of 57.

The specialists needed to supplement the Mission staff in the implementation of sophisticated projects in energy development, employment generation, and environmental management will be provided through PASA's and PSC's with the required knowledge of and experience in these fields, which are relatively new to the Agency. We propose to enter into PASA's with the Public Health Service, the Department of Labor, the Department of Energy, and the Environmental Protection Agency. We will utilize PSC's for an Industrial Economist, a FNDH engineer, and various other short-term professional services available locally.

The dollar differences between the FY 81 Current, Minimum and AAPI levels are so insignificant that there will be no change in workforce requirements at the various program levels. The difference between current and minimum levels will provide for the development of one additional project, but the increased staff time required to develop and administer this project can be obtained by transferring greater responsibilities to a foreign national economist.

#### Operating Expense Budget

USAID/Panama's budget is unique. What might appear to be a high per capita cost of providing development assistance to Panama is not the case at all. Forty-five percent of USAID/Panama's personnel (24 of 53) in FY 80 and FY 81 will be charged against regional offices. Panama will be responsible for supporting 15 USDH Auditors, 4 USDH Inspectors, 3 Regional Housing Officers, 1 Regional Contracting Officer, and 1 Regional Logistic Management Officer during this period.

Presented in this submission are separate Tables VII, Operating Expense Summary, for AAG, IIS, and the Mission. An analysis of these tables show that 28% of our FY 80 Mission allotment and 31% of our FY 81 Mission allotment correspond solely to the AAG/IIS operation. Indirect costs such as salaries of an increased Mission support staff or the cost of residential furniture have not been allocated to the AAG and IIS tables. It should be noted that the AAG budget we have presented shows a substantial increase in operational travel. This is due to the increase in size of the AAG staff by 3 USDH and 3 FNDH, a 7% increase in air fare effective May 1, 1979, and a new Auditor General policy relating to return-to-post travel on extended assignments and increased supervisory travel. It is our recommendation that separate allotments be established for both AAG and IIS, as was the case for AAG some years ago.

The establishment of separate budget and allotment for AAG and IIS is important for two reasons:

1. It provides greater comparability between our MOB Submission and those of other Missions within the region.
2. It provides the Office of Auditor General with a readily available means of analyzing its own cost effectiveness and efficiency.

Also, included with our Operating Expense Summary is a complete detail of the various line items in the budget by object class, which we feel may be helpful.

With increased Congressional concern over the cost of international development programs, the Mission has made an effort each year to be more cost conscious. Each year we become more finely tuned, and we believe the accompanying budget to be the best we have presented. In prior years,

Mission management has taken advantage of every opportunity to reduce or hold down operating expenses, and this year has been no exception. Specifically, the Mission has reduced the square footage cost of office space leased by moving the Engineering Office and the Mission conference room into smaller and less expensive space. The Mission Director himself participated in this program by exchanging his office for one approximately 43% smaller.

Previous cost reduction moves, such as the increased use of Mission leased temporary quarters to reduce costs for temporary lodging and per diem allowances, reduction in the usage of premium gasoline, the elimination of one photocopy machine and improved control over automotive replacement parts continue in effect.

The combined effects of these actions make this budget the most cost conscious budget possible.

TABLE VIII CONSOLIDATED OPERATING EXPENSE SUMMARY, MISSION, AAG, IIS

COST SUMMARIES	FY 77			FY 78			FY 79			FY 80		
	(\$000's)	RELATED WORKYRS.	UNIT COST									
US Direct Hire	1,619	45.3	35.7	1,866	46.5	40.1	1,914	43.0	44.5	2,041	50.7	40.2
FN Direct Hire	629	63.4	9.9	629	63.9	9.8	724	65.0	11.1	783	64.0	12.2
US Contract Personnel	206	3.0	68.6	120	2.0	60.0	40	1.0	40.0	285	3.9	73.1
FN Contract Personnel	81	16.0	5.0	86	15.0	5.7	48	3.5	13.7	51	3.0	17.0
Housing	449	48.3 A/	9.3	425	49.5 A/	8.6	418	46.0 A/	9.0	579	55.6 A/	10.4
Office Operations	767	XXXX	XXX	666	XXXX	XXX	889	XXXX	XXX	1,080	XXXX	XXX
TOTAL REQUEST	3,751			3,792			4,033			4,819		
Amount of Trust Fund Included in Total Requested	0			0			0			0		

COST SUMMARIES	FY 81 AAPL			FY 81 MINIMUM			FY 81 CURRENT		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire	2,305	50.5	45.6	2,305	50.5	45.6	2,305	50.5	45.6
FN Direct Hire	800	64.0	12.5	800	64.0	12.5	800	64.0	12.5
US Contract Personnel	355	5.0	71.0	355	5.0	71.0	355	5.0	71.0
FN Contract Personnel	51	3.0	17.0	51	3.0	17.0	51	3.0	17.0
Housing	656	56.5 A/	11.6	656	56.5 A/	11.6	656	56.5 A/	11.6
Office Operations	1,139	XXXX	XXX	1,139	XXXX	XXX	1,139	XXXX	XXX
TOTAL REQUEST	5,306			5,306			5,306		
Amount of Trust Fund Included in Total Requested	0			0			0		

A/ Includes two Mission leased apartments to provide temporary quarters and quarters allowances paid to PASA's.

TABLE VIII MISSION OPERATING EXPENSE SUMMARY

COST SUMMARIES	FY 77		FY 78		FY 79		FY 80		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire							1,244	31.7	39.2
FN Direct Hire							696	57.0	12.2
US Contract Personnel							285	3.9	73.0
FN Contract Personnel							51	3.0	17.0
Housing							388	37.6	10.3
Office Operations		XXXX	XXX		XXXX	XXX	621	XXXX	XXX
<b>TOTAL REQUEST</b> ▲									
Amount of Trust Fund Included in Total Requested							3,285		

COST SUMMARIES	FY 81 AAPL		FY 81 MINIMUM		FY 81 CURRENT	
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire	1,352	31.5	42.9	1,382	31.5	42.9
FN Direct Hire	706	57.0	12.4	706	57.0	12.4
US Contract Personnel	355	5.0	71.0	355	5.0	71.0
FN Contract Personnel	51	3.0	17.0	51	3.0	17.0
Housing	449	37.5	11.9	449	37.5	11.9
Office Operations	652	XXXX	XXX	652	XXXX	XXX
<b>TOTAL REQUEST</b> ▲	3,565			3,565		
Amount of Trust Fund Included in Total Requested				3,565		

TABLE VIII AAG OPERATING EXPENSE SUMMARY

COST SUMMARIES	FY 77			FY 78			FY 79			FY 80		
	(\$000's)	RELATED WORKYRS.	UNIT COST									
US Direct Hire							652	15.0	43.4			
FN Direct Hire							87	7.0	12.4			
US Contract Personnel							0	0	0			
FN Contract Personnel							0	0	0			
Housing												
Office Operations		XXXX	XXX		XXXX	XXX	157	15.0	10.5		XXXX	XXX
<b>TOTAL REQUEST</b>							408					
Amount of Trust Fund Included in Total Requested							1,304					

COST SUMMARIES	FY 81 AAPL			FY 81 MINIMUM			FY 81 CURRENT		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire	774	15.0	51.6	774	15.0	51.6	774	15.0	51.6
FN Direct Hire	94	7.0	13.4	94	7.0	13.4	94	7.0	13.4
US Contract Personnel	0	0	0	0	0	0	0	0	0
FN Contract Personnel	0	0	0	0	0	0	0	0	0
Housing	170	15.0	11.3	170	15.0	11.3	170	15.0	11.3
Office Operations	435	XXXX	XXX	435	XXXX	XXX	435	XXXX	XXX
<b>TOTAL REQUEST</b>	1,473	XXXX	XXX	1,473	XXXX	XXX	1,473	XXXX	XXX
Amount of Trust Fund Included in Total Requested									

TABLE VIII RHUDO OPERATING EXPENSE SUMMARY

COST SUMMARIES	FY 77			FY 78			FY 79			FY 80		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire							107	1.6	66.8	161	3.0	53.4
FN Direct Hire							35	2.6	13.5	49	4.0	12.3
US Contract Personnel							152	2.0	66.0	88	1.0	88.0
FN Contract Personnel							0	0	0	0	0	0
Housing							18	1.6	11.2	29	3.0	9.7
Office Operations		XXXX	XXX		XXXX	XXX	62	XXXX	XXX	87	XXXX	XXX
<b>TOTAL REQUEST</b>							<b>354</b>	<b>XXXX</b>	<b>XXX</b>	<b>414</b>	<b>XXXX</b>	<b>XXX</b>
Amount of Trust Fund Included in Total Requested												

COST SUMMARIES	FY 81 AACL			FY 81 MINIMUM			FY 81 CURRENT		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire	188	3.0	62.7	188	3.0	62.7	188	3.0	62.7
FN Direct Hire	51	4.0	12.9	51	4.0	12.9	51	4.0	12.9
US Contract Personnel	91	1.0	91.3	91	1.0	91.3	91	1.0	91.3
FN Contract Personnel	0	0	0	0	0	0	0	0	0
Housing	34	3.0	11.4	34	3.0	11.4	34	3.0	11.4
Office Operations	81	XXXX	XXX	81	XXXX	XXX	81	XXXX	XXX
<b>TOTAL REQUEST</b>	<b>445</b>	<b>XXX</b>	<b>XXX</b>	<b>445</b>	<b>XXXX</b>	<b>XXX</b>	<b>445</b>	<b>XXXX</b>	<b>XXX</b>
Amount of Trust Fund Included in Total Requested									

TABLE VIII IIS OPERATING EXPENSE SUMMARY

COST SUMMARIES	FY 77			FY 78			FY 79			FY 80		
	(\$000's)	RELATED WORKYRS.	UNIT COST									
US Direct Hire							145	4.0	36.3			
FN Direct Hire							0	0	0			
US Contract Personnel							0	0	0			
FN Contract Personnel							0	0	0			
Housing							34	4.0	8.5			
Office Operations		XXXX	XXX		XXXX	XXX	51	XXXX	XXX			
<b>TOTAL REQUEST</b>							230					
Amount of Trust Fund Included in Total Requested												

COST SUMMARIES	FY 81 ADEL			FY 81 MINIMUM			FY 81 CURRENT		
	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST	(\$000's)	RELATED WORKYRS.	UNIT COST
US Direct Hire	179	4.0	44.3	179	4.0	44.3	179	4.0	44.3
FN Direct Hire	-	-	-	-	-	-	-	-	-
US Contract Personnel	-	-	-	-	-	-	-	-	-
FN Contract Personnel	-	-	-	-	-	-	-	-	-
Housing	37	4.0	9.2	37	4.0	9.2	37	4.0	9.2
Office Operations	52	XXXX	XXX	52	XXXX	XXX	52	XXXX	XXX
<b>TOTAL REQUEST</b>	268	XXXX	XXX	268	XXXX	XXX	268	XXXX	XXX
Amount of Trust Fund Included in Total Requested									

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING  
 POSITION REQUIREMENTS - FY 1979 - 1981  
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS											
	FY 1979		FY 1980		FY 1981		Minimum		Current		AAPL	
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH
<u>EXECUTIVE DIRECTION</u>												
<u>Director's Office</u>												
Director	1		1				1					
Deputy Director	1		1				1					
All Other (Non-Professional)	1	1	1	1			1					
Subtotal Executive Direction	3	1	3	1			3	1				
<u>PROGRAM PLANNING</u>												
<u>Office of Development Planning</u>												
Program Officer	1		1				1					
Assist. Program Officer	1		1				1					
Program Economist	1		1				1					
Program Assistant		1		1				1				
All Other		1		1				1				
Subtotal Office of Development Planning	4	4	3	2			3	2				
<u>Joint Embassy/USAID Economics Office</u>												
Program Economist	1											
Economist		1										
All Other (Non-Professional)		1										
Subtotal Program Planning	4	4	3	2			3	2				

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING  
 POSITION REQUIREMENTS - FY 1979 - 1981  
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS												
	FY 1979		FY 1980		FY 1981		Minimum		Current		AAPL		
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	
<u>PROJECT DESIGN</u>													
<u>Office of Development Resources</u>													
Capital Development Officer	1		1				1						
Assist. Capital Development Officer	3		3				3						
Project Development Assistant - IDI			1				1						
All Other (Non-Professional)	*	1	*	1			*	1					
Sub Total Project Design	4	1	5	1			5	1					
* One part time USDH													
<u>PROJECT IMPLEMENTATION</u>													
<u>Office of Engineering Services</u>													
General Engineering Officer	1		1				1						
General Engineering Advisor	1		1				1						
Engineering Assistant - IDI												2	
Engineer												1	
Assist. Engineer												2	
All Other (Non-Professional)													

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING  
 POSITION REQUIREMENTS - FY 1979 - 1981  
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS											
	FY 1979			FY 1980			FY 1981			Current		
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH
<b>PROJECT IMPLEMENTATION (CONT'D)</b>												
<u>Office of Technology and Employment Generation</u>												
General Development Officer	1											
Assist. General Development Officer	1		1		1		1		1			
Project Officer - Agriculture/Watershed	1		1		1		1		1			
Project Officer - Agricultural Economist	1											
Project Officer - Energy/Environment			1		1		1		1			
Project Officer - Industrial Engineer			1		1		1		1			
Project Officer - Agric. Research			1		1		1		1			
Project Assistant - Urban Planning IDI	1											
Project Assistant - Agriculture IDI	1											
Project Assistant - Economist												
Project Assistant - Agriculture												
All Others (Non-Professional)												

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING  
 POSITION REQUIREMENTS - FY 1979 - 1981  
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	DECISION UNIT USAID/PANAMA DECISION PACKAGE																		
	FY 1979						FY 1980						FY 1981						
	Current		Minimum		AAPI		Current		Minimum		AAPI		Current		Minimum		AAPI		
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	
<u>PROJECT IMPLEMENTATION (Cont'd)</u>																			
<u>Office of Human Resources Development</u>																			
General Development Officer																			
Ass't. General Development Officer																			
Project Officer - Health/Population																			
Project Officer - Education																			
Project Officer - Manpower/Training																			
Project Assistant - Education IDI																			
Project Assistant - Training																			
Project Assistant - Population																			
Project Assistant - SDA/PL-480																			
Project Assistant - Education																			
All Other (Non-Professional)																			
Subtotal Project Implementation	14	17	13	18	18	13	13	18	18	13	18	18	13	18	13	18	18	13	18
<u>FINANCIAL MANAGEMENT</u>																			
<u>Controller's Office</u>																			
Controller																			
Deputy Controller																			
Financial Analyst/Accnt.																			
B & F Assistant - IDI																			
Accountant																			
All Other (Non-Professional)																			
Subtotal Financial Management	3	13	3	14	2	3	3	14	2	3	14	2	3	14	2	3	14	2	3



PL 480-NARRATIVE

Background

It is estimated that approximately one Panamanian in six is malnourished and that about 15% of the population consumes less than 70% of the minimum nutrients required for a healthy diet. The situation is more disturbing if one focuses on children under five years of age, where the incidence of malnutrition is about 60%.

There are several reasons for the bad nutritional condition of the Panamanian populace. First, many people cannot afford to buy nutritious foods, which are usually very expensive. This is especially true of the urban poor, many of whom are recent migrants from the urban areas. They come to the cities with no special skills, with little money, and are ill-prepared to compete for scarce jobs with the higher skilled, better educated and well established people.

Second, the poor are unable to choose the best foods for their diets because they lack the knowledge regarding nutrition and why it is important to their health. Despite this condition, few nutrition and consumer education programs have been developed to improve the ability of the poor to make good choices regarding their eating habits.

Third, the agricultural sector is not producing enough nutritional food-stuffs to provide an adequate diet for the country's population. There is relatively little agriculturally productive land in Panama, and what productive land there is has been losing its fertility from overuse and erosion. Also, Panamanian agriculture has not been utilizing available resources to produce for internal consumption those foods with the highest nutritional value. Production of these foods has generally been low in recent years. When production has been promoted by the government, the emphasis has been on production for export rather than for internal consumption.

During the period 1973-1976, rice production increased by an annual average rate of 14%. Since then, Panama has had a surplus of rice. Corn production also increased during that period, but it has remained insufficient to meet domestic needs. In fact, Panama produces less corn now than in the 1950s, and has had to import 50% of the corn it consumes. The production of beans has also decreased, so that today it is lower than it was ten years ago.

Outlook

Unless agricultural conditions improve dramatically, by 1958 Panama may have to import about 33,000 tons of corn and about 2,700 tons of beans each year to satisfy domestic demand. Milk production, currently about 70 million liters per year, will have to increase more than fourfold to meet the anticipated demand in 1985 of over 300 million liters.

But production of these and other foods is expected to decline substantially in the future because the government will probably be unable to continue its present price support and farm credit programs. Without the incentives that these programs provide, agricultural production is likely to worsen.

#### GOP Strategy

One of the goals of the Government of Panama is to provide all its citizens with the opportunity to have a nutritious diet. To achieve this goal, the GOP is placing more emphasis on defining and analyzing the nutritional problem in the country and on developing programs to attack the causes of the problem.

The GOP has requested AID's assistance--which the Agency is providing--to determine the impact of current and future GOP policies and programs concerned with malnutrition. This is only the first in a series of activities to develop such policies and programs.

#### Analysis of PL 480, Title II Program in Panama

The effectiveness of the CARE and CRS supported PL 480 Program during the last 30 years in this country is difficult to determine. Whether one looks at the Maternal-Child Health Program or the School Feeding Program, one finds that PL 480 foodstuffs have essentially been used as a welfare program. The MCH and SF programs have had few nutritional goals and little developmental orientation; nutritional education has never had a high priority; proportionally few of the poorest people have been reached; and the assistance has not been directed, in large part, to the most malnourished people.

CARE and CRS have not carried out surveys to determine the impact of their programs. GOP supported surveys have suffered from severe methodological deficiencies. Thus, there is, at this time, no empirical evidence to help us determine the nutritional and developmental impact of the PL 480 program.

Recognizing that the PL 480 program is a valuable resource not being managed and utilized as effectively as it could be, the GOP has initiated actions to restructure the program so that it more closely supports national development policies. The Ministry of Health is establishing an inter-agency commission to formulate and implement a national food and nutrition policy. The Ministry believes that production of nutritious foods and nutrition education should be the two key elements in this policy, with supplemental feeding playing a temporary role in areas of greatest need.

The Mission is presently collaborating with the Government in carrying out a nutrition survey, which is a necessary step to the formulation of a food and nutrition policy. The two Voluntary Agencies implementing the PL 480 program have, for the time being, proposed that they continue their present activities as now constituted. CRS has submitted to the Mission its program proposal for FY 1980 and indicated that it proposes a straight-line

continuation for FY 1981 and beyond. CARE has not yet submitted its proposal, although the Mission understands CARE intends to propose to increase their School Feeding program (i.e., reverse the phaseover) and discontinue their MCH program.

With the GOP formulating a policy and with a nutrition survey just being initiated, there are serious questions about the future direction and size of the PL 480 program which cannot be answered at the present time. Therefore, the Mission is not submitting herein the program proposals of the VolAgs and our comments about them. We will, during the course of the next few weeks, give priority attention to the subject and submit the necessary materials as soon as possible. We have, however, included a Table XIII which represents what we believe to be a reasonable program and one which will likely meet with the approval of both the VolAgs and the GOP.

PL 480 TITLE II1. Country PanamaSponsor's Name CRS/FY 81A. Maternal and Child Health .....Total Recipients 4,025

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
4025	SFCM	43.4		8,506
4025	CSM	43.4		11,978
4025	SFRO	43.4		--
4025	WHEAT F.	21.8		4,098
4025	OIL	21.8		17,898
4025	MILK	86.8		<u>30,640</u>
				\$73,120

B. Total Food for Work .....Total Recipients 690

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
690	SFCM	14.9		2,920
690	CSM	14.9		4,112
690	SFRG	7.4		--
690	WHEAT F.	7.4		1,391
690	OIL	3.8		<u>3,120</u>
				\$11,543

C. Aged .....Total Recipients 1,020

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
1020	SFCM	22.0		4,312
1020	CSM	22.0		6,072
1020	SFRO	11.0		--
1020	WHEAT F.	11.0		2,068
1020	OIL	5.5		<u>4,516</u>
				\$16,968

D. Orphans .....Total Recipients 610

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
610	SFCM	13.2		2,587
610	CSM	13.2		3,643
610	SFRO	6.6		--
610	WHEAT F.	6.6		1,241
610	OIL	3.3		2,709
610	MILK	13.2		<u>4,660</u>
				\$14,840

PL 480 TITLE II1. Country PanamaSponsor's Name CARE/FY 81A. Maternal and Child Health ..... Total Recipients 35,000

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
35,000	CSM	378		104,328
35,000	SFRO	378		--
35,000	NFDM	756		266,868
				<u>\$371,196</u>

B. Other Child Feeding ..... Total Recipients 7,000

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
7,000	CSM	76		20,976
7,000	SFRO	76		--
7,000	NFDM	151		53,303
7,000	OIL	19		15,599
				<u>\$89,878</u>

C. Preschool Feeding ..... Total Recipients 25,000

No. of Recipients by Commodity	Name of Commodity	KGS	(THOUSANDS)	Dollars
25,000	CSM	180		49,680
25,000	SFRO	180		--
25,000	NFDM	90		31,770
25,000	OIL	46		37,766
				<u>\$119,216</u>