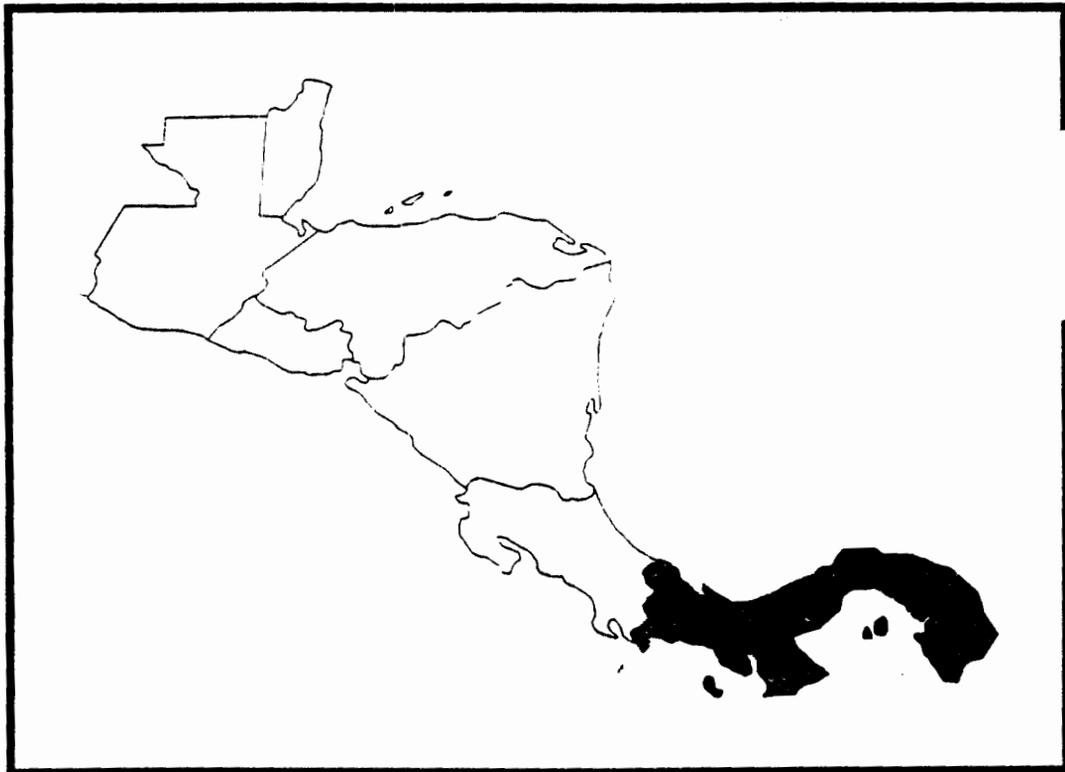


*PANAMA  
ACTION PLAN*

*1993 to 1994*



*JANUARY 1992  
USAID/PANAMA*

**USAID/PANAMA**  
**FY 1993-1994 ACTION PLAN**

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## I. STATUS OF STRATEGIC OBJECTIVES

### A. REFINEMENTS IN STRATEGIC OBJECTIVES/PERFORMANCE INDICATORS

USAID/Panama's Economic Assistance Strategy, approved in May, 1991, formulates three strategic objectives conforming to the recently established LAC Bureau objectives: Consolidation of Democratic Processes and Institutions; Economic Diversification and Export Led Growth; and Successful Implementation of the Canal Treaties.

The Mission reviewed its formulation of strategic objectives in the context of the new Program Performance Assessment System (PPAS) with assistance from LAC and consultant staff. As a result of this review the Mission determined that the strategic objectives, as stated in the Strategy, are more properly defined as broader statements of program sub-goals linked to the Mission's overall goal of contributing to the creation of a "Democratic, Free-Enterprise Oriented Panama." This Action Plan reflects this adjustment; it identifies five strategic objectives and related performance indicators and program outputs selected by the Mission as a consequence of its preliminary work with the PPAS.

The Mission considered a sixth strategic objective defined as "Improved Public Sector Efficiency" under the program sub-goal of "Increased Economic Growth and Employment." In the process of refining the objectives tree we determined that program and project activities initially subsumed under this strategic objective were more properly identified with the objective of "Strengthened Competent Civilian Government Institutions" which, in turn, supports the program sub-goal of "Consolidation of Democratic Processes and Institutions." In making this decision the Mission concluded that the more fundamental purpose of our assistance to public sector institutions in Panama, such as the Ministries of Finance and Planning and the Controller General, is to improve the GOP's stewardship of public resources and accountability to its citizens. These activities are therefore more closely related to the objective of democratization than to that of economic growth. These decisions are reflected in the Mission's Objective Tree (see Figure 1) and Tables 1A, 1B and 2 in Annex A. The close relationship between the LAC Bureau and Mission objectives is demonstrated in Figure 2.

Currently, performance indicators and program outputs have been developed for the five strategic objectives and work is underway to develop a system that will assist the Mission in tracking progress towards achievement of the selected indicators and outputs.

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MISSION

GOAL

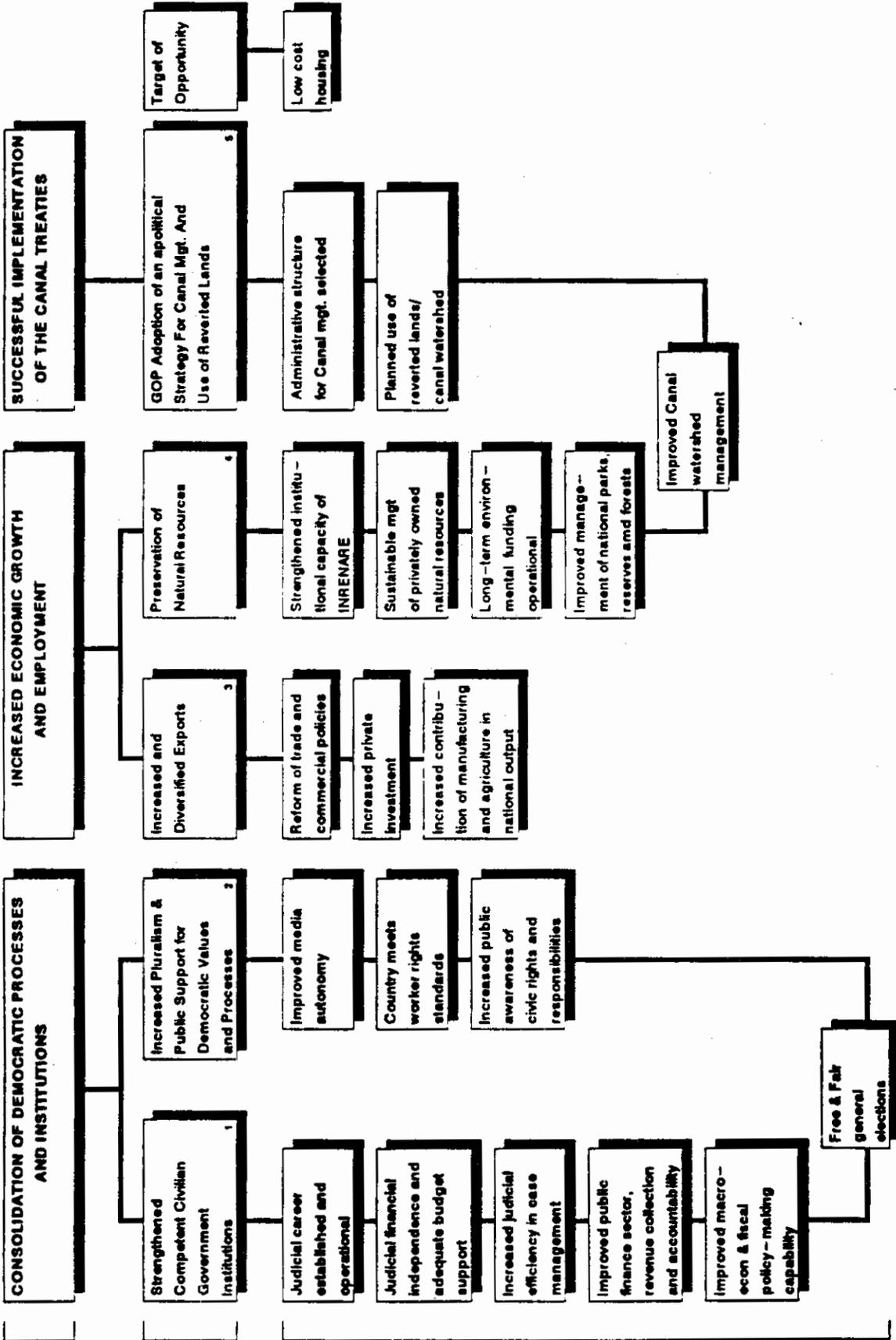
MISSION PROGRAM SUBGOALS

STRATEGIC OBJECTIVES

PROGRAM OUTPUTS

# A DEMOCRATIC FREE-ENTERPRISE PANAMA

Figure 1



**Figure 2**  
**USAID/PANAMA**  
**RELATIONSHIP BETWEEN BUREAU AND MISSION OBJECTIVES**

<b>LAC OBJECTIVES &amp; SUB-OBJECTIVES</b>
<p><u>I. SUPPORT THE ACHIEVEMENT OF BROADLY – BASED SUSTAINABLE ECONOMIC GROWTH</u></p> <p>A. Encourage economic policies that promote investment, productive employment and outward-oriented diversification</p> <p>D. Encourage preservation and sustainable use of the natural resource base</p> <p><u>II. SUPPORT THE EVOLUTION OF STABLE, PARTICIPATORY DEMOCRATIC SOCIETIES</u></p> <p>A. Strengthen civilian government institutions</p> <p>B. Strengthen public participation in democratic process</p> <p><u>III. RESPOND TO SPECIFIC CHALLENGES</u></p>

<b>MISSION PROGRAM SUBGOALS &amp; STRATEGIC OBJECTIVES</b>
<p><u>II. INCREASED ECONOMIC GROWTH AND EMPLOYMENT</u></p> <p>3. Increased and diversified exports</p> <p>4. Preservation of natural resources</p> <p><u>I. CONSOLIDATION OF DEMOCRATIC PROCESSES AND INSTITUTIONS</u></p> <p>1. Strengthened competent civilian government institutions</p> <p>2. Increased pluralism and public support for democratic values and processes</p> <p><u>III. SUCCESSFUL IMPLEMENTATION OF THE CANAL TREATIES</u></p> <p>5. GOP adoption of an apolitical strategy for Canal management and use of reverted lands</p>

Most of the Panama project portfolio is less than two years old. We will, therefore, continue to seek to refine the current strategic objectives and performance indicators as implementation of the Mission's relatively young portfolio proceeds and we progress with development of the tracking system. For example, activities related to the sub-goal on the Canal Treaties and its corresponding strategic objective will receive modest programmatic inputs over the planning period and, thus, the question of "manageable interest" may arise. Nonetheless, successful implementation of the Treaties will remain a critical U.S. foreign policy objective throughout the 1990s, and the Mission strongly believes that it is of sufficient importance to be highlighted at the level of a strategic objective.

#### **B. PROGRAM PERFORMANCE**

Twenty-one years of military dictatorship ended for Panama on December 20, 1989. The country is now entering its third year of open participatory democracy. In two short years, the economy has notably rebounded with growth of 4.7% in 1990 and an estimated 6.1% in 1991. Unemployment, while still high, has declined significantly. Negotiations to clear arrears with the International Financial Institutions have been completed, paving the way for Panama to obtain credits needed for continued economic expansion. The basic political infrastructure is in place, a civilian controlled police force has been established and the rule of law has been restored. U.S. economic assistance was a key contributor to many of these accomplishments.

The strategic objectives selected by the Mission for the Action Plan period do not reflect these short-term achievements; rather, they build on what has been accomplished and concentrate on longer term institutional development efforts in areas such as democratic institution building, trade and investment promotion, and natural resources management.

Most of the projects which will support these efforts were initiated in FY 1991 and are in the early stages of implementation. Progress toward meeting strategic objectives, therefore, is also in its early stages. Annex B to the Action Plan contains the Mission's policy dialogue agenda for each of the strategic objectives and a corresponding workplan for 1992.

#### **Mission Strategic Objective 1: Strengthened Competent Civilian Government Institutions**

Three areas of the Government are the focus of this objective: the Judiciary (including the court system, the Public Ministry and the police), public sector financial management and accountability,

and economic and fiscal policy making. Each area is important to create the credibility needed to generate domestic and international confidence in the capacity of the Government to fulfill its basic responsibilities. We have not included indicators under this objective related to the development of a civilian controlled police force. This program is financed with Foreign Assistance Act funds transferred to the Department of Justice's International Criminal Investigative Training Assistance Program (ICITAP). ICITAP is responsible for implementing activities designed to develop and strengthen civilian control of the police force. Under the current financing and implementation arrangements, the Mission has only a coordinating role with respect to ICITAP activities and is therefore not in a position to establish specific objectives and indicators for ICITAP.

The question of "justice" (often ill defined by the Panamanian public as the sentencing of civilian and military officials from the Noriega regime) is one of the most prominent in Panama. Despite severe resource constraints -- both funding and trained personnel -- and the perception that little is being done to bring criminals from the previous administration to justice, institutional progress is being made: important modifications to the legal code proposed by the Supreme Court have been enacted by the legislature; the large backlog of pending cases is being disposed of at about four times the 1990 rate; the percentage of pre-trial detainees has been reduced; the Judicial Career implementing regulations have been promulgated; and technical assistance and training to address internal organizational and administrative matters in the justice system have been started.

In the areas of public finance/accountability and economic policy development, a Code of Ethics for all Government employees has been published and the process of establishing an independent Office of the Auditor General has been initiated. Other activities have been limited primarily to contracting actions needed to initiate technical assistance and training. Implementation of these activities will begin in earnest in 1992.

**Mission Strategic Objective 2: Increased  
Pluralism and Public Support for Democratic  
Values and Processes**

Panamanians have put their new freedoms to use. They form and join organizations, hold meetings, elect leaders, march and protest, all without fear of retribution. Ideas are expressed freely and openly in the media, including criticism of the Government. Panamanians have begun to consider these liberties, as well as the basic right to be free from arbitrary arrest, torture or murder at the hands of the state, as a normal part of life.

Elections were held in January, 1991, to fill vacant seats in the 67 member Legislative Assembly. A new political framework -- government and loyal opposition -- resulted from the breakup of the governing coalition in April, 1991. Despite widespread concerns, Panama's parties displayed a political maturity that bodes well for the future. Several major political parties chose new leaders in open conventions. The Legislative Assembly also selected new leaders for the current session and the legislature has demonstrated surprising political maturity in passing controversial but crucial legislation in 1991. Leaders from government, business and labor held successful tripartite discussions on the respective roles and relationships of their organizations and arrived at a consensus on the need for reform of the labor code, currently one of the most serious constraints to new investment in Panama.

Proposed constitutional reforms have passed the first of two steps in the Legislative Assembly and a national referendum on constitutional amendments (including the elimination of Panama's military forces) is scheduled for 1992. Work is also already underway for the next national elections in 1994.

With an entire generation of Panamanians having grown up under dictatorial rule, the progress made over the past two years in developing a grassroots, participatory democratic process is encouraging. It is generally recognized and understood by Panamanians themselves, however, that much remains to be done. Planned training and technical assistance activities will reinforce the efforts of Panamanians to continue with this process.

**Mission Strategic Objective 3: Increased and Diversified Exports**

To increase the competitiveness of Panamanian products in the international market place, the Government has developed an economic reform program accepted by the International Financial Institutions. The Government has begun the process of implementing important reforms such as reducing tariff rates and eliminating price controls and import quotas, as well as adopting policies to promote investment. A new law to govern export processing zones, now under consideration in the Legislative Assembly, is an example of such measures.

In identifying and agreeing to the various reforms, the Government has taken care to discuss the issues with those groups that will be affected by the changes in an effort to reach consensus. While desirable, this has resulted in prolonged and, at times, heated debate between government, business and labor leaders. It also resulted in a process that took more time to complete than initially contemplated. Although many of the reforms

are now in place, there is strong opposition to economic liberalization from some in the agricultural and industrial sectors.

Nevertheless, many of Panama's public and private sector leaders have welcomed President Bush's visionary Enterprise for the Americas Initiative. A Bilateral Investment Treaty with the U.S. entered into force in 1991. In addition, a Bilateral Trade and Investment Framework Agreement was signed in July, 1991. In August, 1991, Panama announced its intent to join GATT and, in September, President Endara pledged to join the Central American integration process. Panama has also become an active participant in the Partnership for Democracy and Development.

True progress in increasing and diversifying exports (including continued improvements in the policy environment) will largely depend on the initiative of the private sector. For most of 1991, therefore, the Mission carried on a dialogue with the private sector to help define its priorities and to identify the most appropriate role for each of its diverse groups consistent with these priorities. This process, while slow in coming to fruition, also caused many elements of the private sector to look beyond their narrow interests toward the broader role of the private sector in the long-term economic growth of Panama. The Mission believes this will result in a project (to be initiated in 1992) that is both carefully defined and viewed by the entire private sector as "its" project, thus greatly strengthening the long-term impact that can be expected from planned activities.

**Mission Strategic Objective 4: Preservation  
of Natural Resources**

Panama's natural resource base is critical to sustained economic growth. Also, because of its location and the importance of its tropical forests to the world's environment, preservation of Panama's natural resources takes on additional significance.

A growing number of Panamanians recognize the urgency of taking positive steps to enhance the local capacity to better manage its natural resource base. Specific areas of concern are the rate of deforestation, loss of habitat, and deterioration of watersheds (particularly the Canal watershed). The National Institute of Natural and Renewable Resources (INRENARE) is responsible for managing the country's natural resource base, but it lacks the human and financial resources needed to carry out all of its mandated tasks. The private sector, primarily through the National Conservation Association (ANCON), is becoming increasingly active and is growing in importance in terms of its contributions to conservation activities.

Mission assistance in support of this strategic objective is directed at strengthening the institutional capacity of INRENARE; increasing the participation of the private sector in sustainable protection and management of the resource base; improving management of national parks, reserves and forests; and developing a long-term environmental funding source through a debt-for-nature swap. The debt swap has been the subject of lengthy and detailed discussions/negotiations with the GOP which has indicated its support for the debt swap scheme. Final agreement is linked to its negotiations with the commercial banks on debt rescheduling. Execution of the debt swap is now anticipated by the second quarter of CY 1992. Implementation of activities designed to achieve the strategic objective will begin in earnest once the debt swap is completed.

**Mission Strategic Objective 5: GOP Adoption  
of an Apolitical Strategy for Canal Management  
and Use of Reverted Lands**

As the GOP prepares to assume full control of the Canal and the reverted lands, USAID/Panama is well positioned to provide assistance requiring limited financial input on two key issues: analysis of the administrative structure for Canal management and planning for the use of the reverted lands.

To date, there has been minimal GOP action on either of these issues. An ad hoc commission appointed by President Endara submitted a report in September, 1991, which contains several important recommendations, among them that the mechanism chosen for administering the Canal be free of all political influence and that a non-partisan, permanent commission be established to coordinate the planning both for Canal administration and use of the reverted lands. No action has been taken on these recommendations although it is expected that the President will accept them and take the necessary steps to see that they are implemented.

Due to the importance of the Canal as an economic resource for Panama, it is also a major political issue. For that reason, it is essential that there be a continual and open public debate as the Government considers its options. USAID/Panama will focus its efforts on providing technical assistance to help develop background information and analyze those options; the assistance will not include recommendations for actions but will leave that step for appropriate GOP authorities. Once those decisions are made, further assistance is planned to help formulate the necessary policies and guidelines at the operational level.

**C. MONITORING AND EVALUATION STATUS AND PLANS**

As noted in paragraph I.A, above, the Mission has only recently identified the specific performance indicators for its strategic objectives and program outputs. Application of the PPAS precepts has already resulted in the elimination of one strategic objective. In that the Mission's portfolio is just entering the implementation phase, establishing a baseline for each strategic objective and program output has not been an overwhelming task, although additional work is planned to refine the baseline and, as appropriate, modify certain indicators. This will be accomplished during the initial phase of project implementation and, to the extent possible, will be project funded. PD&S funds may also be needed in some instances to carry out the associated tasks.

Where feasible, data collection and analysis over the Action Plan period will also be done as part of project implementation. The Mission is not certain, however, that the demands related to this new monitoring system can be met using project resources. It is anticipated that additional PD&S funds will be needed. The implications in terms of the demand on staff time are also unknown at this time. The Mission will track the impact during the coming year and will describe the consequences in next year's Action Plan.

The selection of performance indicators at both the strategic objective and program output levels involved the entire Mission staff working in inter-division groups. As a result, the linkages among the strategic objectives were reinforced and are highlighted by the fact that, in two cases, a single program output is shared by two strategic objectives (see Figure 1 on p. 2).

The linkage just described will help the Mission perform program-level evaluations to assess the impact of our assistance. Specific evaluations beyond those currently included in the various projects have not been planned in detail but are contemplated during the Action Plan period. In the interim, the constant monitoring of project implementation and the performance indicators will allow the Mission to assess the extent to which progress is being made.

## II. COUNTRY PERFORMANCE RELATED TO BUREAU OBJECTIVES

The following section provides Mission comments on the performance scoring for Panama contained in 91 STATE 417545.

### A. MACROECONOMIC REFORM PROGRAM

The score for Panama reflects the delays experienced in Panama's adoption of a structural reform program with the IBRD and IDB. In November 1991, however, Panama signed its minutes of negotiation with both institutions, thus successfully concluding the pending discussions on economic reforms. Since November, the Panamanian legislature has passed reform bills for Social Security and the tax system. A privatization framework law, at press, has passed its first reading in the legislative process. Final passage requires a second and third debate; however, GOP executive and legislative leaders have reached a political agreement on the substance of the draft law which should facilitate final passage. The Mission recommends reconsideration of Panama's score in light of recent progress in its negotiations with the IFIs.

### B. TRADE REGIME

The score for Panama on trade policy does not take into account the fact that the first stage of Panama's tariff reform program was implemented in August 1991. This initial action on tariff policy lowered maximum tariffs in agriculture and industry, respectively, to 90 and 60 percent. At the same time, specific tariffs (which will be eventually eliminated) were reduced to the equivalent of the 90-60 ceiling. Furthermore, in October, 1991, the GOP Cabinet approved a decree which will lower maximum tariffs to 50 and 40 percent on March 1, 1993. This progress also should be reflected in Panama's score.

### C. EDUCATION SECTOR

USAID/Panama expressed its reservations about the new education sector indicators adopted by LAC in 91 PANAMA 10702, dated November 15, 1991. The excessive data requirements and major element of subjective judgment involved in these indicators suggest that they are of doubtful utility in providing information about the state of primary education in the LAC countries. Moreover, there is little empirical evidence to prove that high scores in the LAC indicators strongly correlate with higher educational performance. For example, there are countries with centralized educational systems in the industrialized world that have high educational achievement. There are no magic numbers for optimal

expenditure on textbooks. Output measures of educational performance ought to be the basis for comparing countries. A Panama, where nearly everyone attends primary school, should not be eclipsed by a Guatemala, where supposedly decentralized, computerized, equipped and nondiscriminatory primary education reaches a scant three-quarters of the primary-aged population. The score for Panama should be adjusted accordingly.

#### **D. DEMOCRACY AND HUMAN RIGHTS**

The Country Team continues to be concerned with Freedom House's persistent low scoring of Panama with respect to political rights and civil liberties. In October 1991, a letter was sent by U.S. Embassy/Panama to Freedom House providing additional information on the progress made in Panama since 1989 in consolidating democracy and promoting political rights and civil liberties. The Freedom House scores Panama with 7 points for the 1989-90 period, which coincides with the Noriega regime, and 6 points for both the 1990-91 and 1991-92 periods under the elected Government of Guillermo Endara. This clearly does not reflect fairly the stark contrast between the political rights and civil liberties that existed under Noriega and the free exercise of those rights and liberties under the current Government. Nor does it reflect the fact that, for the first time in decades, Panama held free, fair and open elections in 1991 for nine legislative seats and 167 municipal representatives. We strongly believe that the Freedom House scoring needs to be adjusted to reflect the current realities of Panama, including an elected government that has produced a truly decisive break with the past 21 years of military dictatorship. An adjustment in Panama's score is needed to acknowledge these changes.

### **III. PORTFOLIO ANALYSIS: NEW AND TERMINATING PROJECT/NON-PROJECT INITIATIVES**

#### **A. DISCUSSION OF NEW INITIATIVES**

The Mission plans no new starts in FY 1993 as it will focus on the implementation of on-going projects started in FYs 1990-1992. In FY 1994, the Mission proposes authorizing two new starts which will support its economic growth and Canal Treaties strategic objectives. The two projects are Small and Micro Business Development (525-0316) and Canal Studies (525-0321). Copies of the respective NPDs and Table 5 are attached at Annex C.

One of the first objectives of the re-established USAID/Panama program was getting the business sector back on its feet as quickly as possible. To this end, components under the Immediate Recovery

Project and the Economic Recovery Program were authorized to assist with stimulating employment. In addition, the Private Sector Reactivation Program was approved to rejuvenate the country's financial sub-sector. The Mission is now building on these early efforts by focusing on activities to improve the sector's performance over the long term. The first of these activities is the Trade and Investment Project scheduled to begin in FY 1992. That project's objectives are to improve the export and investment climate of the country through changes in Panama's regulatory and policy framework and to better equip producers desiring to enter into international trade. The Small and Micro Business Project proposed for FY 1994 will complement that project by focusing on the small firm side of the business spectrum where, traditionally, most innovation and job growth has occurred. It is also where nearly three-quarters of Panama's private sector jobs are located. The project will also continue with the efforts begun under the Trade and Investment Project to remove regulatory and policy restrictions that hamper the sector and it will seek ways to improve the small entrepreneur's access to existing sources of credit as well as their access to technical assistance.

The Canal Studies Project will directly assist the Mission with achievement of its objective related to the successful implementation of the Canal Treaties. The project will build on the activities of two existing projects -- Natural Resources Management and Economic Policy Development. Activities under the first project include improving management of the Canal's watershed and establishment of a land-use planning/coordinating mechanism for all of the reverted Canal lands. The second project contains funds for initial analysis to examine how reverted lands could be made available for private sector use and to develop options for management of the Canal. Resources from the proposed project will be utilized to carry out detailed analyses and prepare operational level plans and policies necessary for effective administration and handling of the Canal by Panamanians.

#### **B. DISCUSSION OF TERMINATING ACTIVITIES**

Excluding PD&S and SDA activities, USAID/Panama's portfolio in FY 1992 consists of 20 active projects (plus two HGs) and two new starts. As shown in Figure 3, the Mission will be gradually reducing the number of active projects over the next three years.

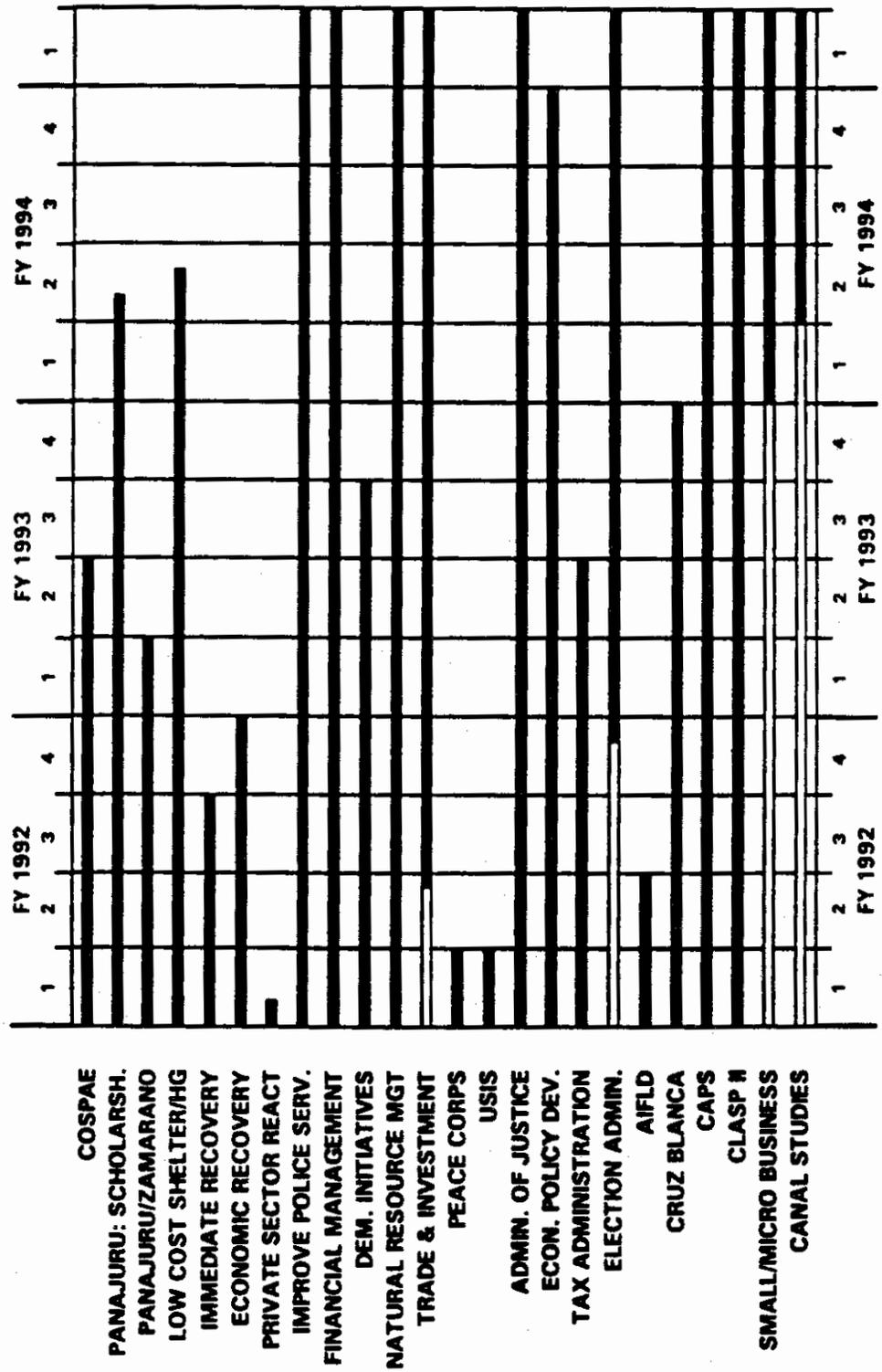
Of the total of 22 projects, three are Section 632 (a) transfers to other USG organizations. Two of those (Peace Corps and USIS) were completed by the end of the first quarter of FY 1992. The third project is the ICITAP assistance to establish a civilian controlled police force; it is expected to continue throughout the Action Plan period.

# USAID/PANAMA

## PROJECT TIMELINE

OCTOBER 1, 1991 TO DECEMBER 31, 1994

FIGURE 3



For the remaining 19 projects, 12 are now expected to terminate by the end of FY 1994 (4 in FY 1992, 5 in FY 1993, and 3 in FY 1994). It is also anticipated that the full amount of funds available under the two HGs will be fully drawn down during FY 1994.

As implementation proceeds with these projects, some adjustments in this schedule may be necessary. At a minimum, however, the Mission expects to have nine active projects at the end of FY 1994 -- seven from the existing portfolio and two new starts in that year. As noted above, the ICITAP-implemented Improved Police Services project will also be active; however, it will be managed and reported on by ICITAP.

#### IV. RESOURCE REQUIREMENTS

USAID/Panama's focused program is based upon funding levels established at the May 1991 Strategy review. As indicated in the following table, the Mission's DA mortgage declines from \$17.64 million to \$6.64 million at the end of FY 1994. The expected program budget for Panama during the Action Plan period is adequate to fund on-going and new projects within the planned LOP time frames. All ESF requirements will be used to finance the ICITAP-implemented Improved Police Services Project.

USAID/Panama Resource Requirements  
FY 1992 - FY 1994  
(\$000)

	FY 92	Mort	FY 93	Mort	FY 94	Mort
FN	5,100	6,000	3,100	3,000	3,100	
EHR	2,000	8,640	2,000	6,640	2,000	4,640
PSEE	<u>9,900</u>	<u>3,000</u>	<u>4,900</u>	<u>1,500</u>	<u>4,900</u>	<u>2,000</u>
<b>Total DA</b>	<b>17,000</b>	<b>17,640</b>	<b>10,000</b>	<b>11,140</b>	<b>10,000</b>	<b>6,640</b>
ESF	10,000	30,000	10,000	20,000	10,000	10,000
OE	3,030		3,356		3,255	
USDH	13		12		10	
FSNDH	8		8		8	
FSNPSC	41		37		35	

In these times of decreasing levels of resources, the Mission will also examine debt reduction mechanisms as potential funding sources to support its program goals and strategic objectives. Specifically, the Mission will utilize existing Agency provisions on debt swaps and, to the extent possible, the bilateral debt relief provisions to be enacted in conjunction with the Enterprise for the Americas Initiative to obtain long-term funding in the areas of natural resources, privatization, and institutional development in both the public and private sectors.

The Mission's OE requirements reflect the planned reduction in U.S. staff as agreed upon at the May 1991 Strategy review and in FSN staff as projected by the Mission in the August 1991 submission on "FY 1993 ABS: Personnel Levels." All U.S. contractors are project funded and, to the extent possible, the same holds true for FSN contractors. Since no Trust Funds are available for Panama, the OE control levels, as reflected in the above table, are essential to manage our portfolio as currently structured. Every effort has been made to keep OE costs at minimum levels (e.g., negotiating long-term leases with limits on rent increases).

When operations were re-established in 1990, the Mission obtained office space in an excellent central location at very favorable rental rates. In an effort to centralize the location of all USG agencies at Post, however, plans are being finalized to move several organizations, including USAID, to a building now under lease by FBO. The building, located one block from the Chancery, requires FBO-mandated capital improvements. We understand that each agency will be asked to finance the associated costs on a pro-rata basis (based on the amount of space to be occupied). A final budget has not been established, but it is estimated that our share will be \$400,000-\$500,000. Additional costs estimated at \$100,000-\$150,000 will be incurred for items such as moving furniture, installing carpeting, lighting and partitions, and installing the computer system. Funds for this relocation are in addition to the OE requirements shown in the above table. They will be required in late FY 1992 or early FY 1993.

The small and declining staff levels planned for USAID/Panama are appropriate for the Mission's program. Staff cuts beyond those already contemplated are not feasible for several reasons. First, while narrowly focused, implementation of the portfolio is staff intensive due to the institution building nature of the projects; each has a policy agenda that requires close monitoring and continual dialogue. They also involve significant levels of technical assistance and training which require coordination and management. Second, the demands for monitoring and evaluating progress against strategic objectives will be staff intensive.

Third, the technical nature of projects such as Administration of Justice and Housing Guarantees requires close supervision by qualified staff. Finally, as the Enterprise for the Americas Initiative and the Partnership for Democracy and Development move forward, demands on staff time is also anticipated to increase in terms of advice, participation in discussions and reporting.

USAID/Panama will not require additional personnel during FYs 1993-1994 to administer the Non-Federal Audit (NFA) program. An examination of our audit universe indicates that no more than seven NFAs will be required per fiscal year. This work load can be absorbed by the current number of financial analysts in the Controller's Office.

## V. MISSION INITIATED ISSUES

### A. DA FUNDING LEVELS

As noted in Section IV, resource requirements to implement the USAID/Panama program are based on levels established at the May, 1991, Strategy review. The Mission recognizes that the tight budget situation will require difficult decisions on funding allocations and has heard informally that fairly substantial cuts for Panama can be anticipated. In view of the relatively small size of our funding needs, however, any reductions in levels below those previously established will have a proportionately higher (and negative) impact on program implementation and achievement of objectives. Given the narrowly focused portfolio for Panama, which is concentrated on areas central to the Bureau's objectives as well as to broader U.S. foreign policy interests, any such funding reductions should be minimized.

### B. MISSION OFFICE SPACE

For the Mission to move to new office space in accordance with the Embassy's plan to consolidate all elements of the country team into two locations, additional OE funding beyond the control level will be required. Determining the actual amount required and when the funds will be needed depends on further analysis and information to be provided by FBO.

**Table 3**  
**USAID/PANAMA**  
**ESTIMATED FUNDING REQUIREMENTS AND SOURCES (\$000)**

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
<b>Strategic Objective: 1. Strengthened competent civilian government institutions</b>					
DA - Objective 1	4800	1500	600	2000	2000
ESF - Objective 1 (ICITAP)	10000	10000	10000	10000	10000
<b>Strategic Objective: 2. Increased pluralism and public support for democratic values and processes</b>					
DA - Objective 2	3500	4100	2900	2000	2000
<b>Strategic Objective: 3. Increased and diversified exports</b>					
DA - Objective 3	2500	900	2000	1750	1750
<b>Strategic Objective: 4. Preservation of natural resources</b>					
DA - Objective 4	5000	3000	3000	3000	3000
<b>Strategic Objective: 5. GOP adoption of an apolitical strategy for Canal management and use of reverted lands</b>					
DA - Objective 5	500		1000	750	750
<b>DA: ALL OBJECTIVES</b>	<b>16300</b>	<b>9500</b>	<b>9500</b>	<b>9500</b>	<b>9500</b>
PD & S	400	300	300	300	300
Selected Development Activities	300	200	200	200	200
<b>TOTAL DA</b>	<b>17000</b>	<b>10000</b>	<b>10000</b>	<b>10000</b>	<b>10000</b>
<b>TOTAL ESF</b>	<b>10000</b>	<b>10000</b>	<b>10000</b>	<b>10000</b>	<b>10000</b>
<b>TOTAL REQUEST</b>	<b>27000</b>	<b>20000</b>	<b>20000</b>	<b>20000</b>	<b>20000</b>

**TABLE 7  
USAID/PANAMA  
SUMMARY PROGRAM FUNDING TABLE (\$000)**

LAC Bureau Sub - Objectives	Mission Strategic Objective	Project Title Development Assistance	Project No.	FY 92	FY 93	FY 94
II. A. Strengthen civilian government institutions	1	- Financial Management Reform	525 - 0306	1800		
		- Improved Administration of Justice	525 - 0312	3000	1500	600
		- Improving Police Services (ESF)	525 - 0305	10000	10000	10000
II. B. Strengthen public participation in democratic processes	2	- Democratic Initiatives	525 - 0307	950		
		- Improved Election Admin	525 - 0317	550	2100	900
		- CLASP II	525 - 1001	2000	2000	2000
I. A. Encourage economic policies that promote investment, productive employment and outward - oriented diversification	3	- Trade and Investment	525 - 0309	2000		
		- Economic Policy Development	525 - 0313	500	900	
		- Small and Micro Business Development	525 - 0316			2000
I. D. Encourage preservation and sustainable use of the natural resource base	4	- Natural Resource Management	525 - 0308	5000	3000	3000
III. Respond to specific challenges	5	- Economic Policy Development	525 - 0313	500		
		- Canal Studies	525 - 0321			1000
<b>TOTAL DA for objectives</b>				<b>16300</b>	<b>9500</b>	<b>9500</b>
PD&S Selected Development Activities				400	300	300
				300	200	200
<b>TOTAL DA</b>				<b>17000</b>	<b>10000</b>	<b>10000</b>
<b>TOTAL ESF</b>				<b>10000</b>	<b>10000</b>	<b>10000</b>
<b>PROGRAM TOTAL</b>				<b>27000</b>	<b>20000</b>	<b>20000</b>

## **ANNEX A**

**Table 1A: Monitoring the Achievement of Strategic Objectives**

**Table 1B: Monitoring the Achievement of Program Outputs**

**Table 2: Strategic Objective Program Overview**

Table 1A

USAID/PANAMA

ANNEX A

MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

LAC Bureau Objective: II. Support the evolution of stable, participatory democratic societies

LAC Bureau Sub-Objective: A. Strengthen civilian government institutions

Mission Strategic Objective: 1. Strengthened competent civilian government institutions

Performance Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
1. Judicial branch independent of executive branch		Limited Exec Branch influence 12-91	Full independence 12-94	Limited Exec Branch influence 12-91	Independent budget 12-92	GOP reports
2. Internationally recognized election results		Results ignored by military 05-89	Results accepted 05-94	Special election results accepted 01-91	Referendum results accepted 06-92	1. International observers 2. Independent media
3. Decreased public sector wage and salary expenditures as % of GDP	% of GDP	12.1% 1990	9.8% 1993	11.9% 1991	10.9% 1992	1. World Bank 2. GOP reports
4. Public sector savings	% of GDP	-1.8% 1990	3.3% 1993	-0.1 1991	1.6% 1992	1. World Bank 2. GOP reports

**Table 1B**  
**USAID/PANAMA**  
**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

- LAC Bureau Objective:** II. Support the evolution of stable, participatory democratic societies
- LAC Bureau Sub-Objective:** A. Strengthen civilian government institutions
- Mission Strategic Objective:** 1. Strengthened competent civilian government institutions (Page 1 Of 3)
- Program Outputs:**
- A. Judicial career established and operational
  - B. Judicial financial independence and adequate budget support
  - C. Increased judicial efficiency in case management
  - D. Improved public finance sector and accountability
  - E. Improved macro - economic and fiscal policy making capability

Program Output Indicator	Unit	Base - Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
a1. Merit promotion and selection of judicial employees	2000 profsnis	Law requiring judicial career passed in 1987	All aspects of judicial career operational by 1995	Judicial career implementing regulations issued	All new positions filed according to published standards	1. Official Gazette 2. GOP reports
a2. Procedures for ethical review in place	2000 profsnis	Arbitrary hiring and dismissal of judges and prosecutors Pre - 1990	Written policies and procedures consistently applied - 1995	Judges/prosecutors removed for cause thru peer review	Written procedures approved by Judicial Council	Judicial Council reports
b1. Judicial financial management systems in place	budget offices	Central control Manual system	Automated system Decentralized Budget by program plan	Central control Manual system	Introduce automation and prepare procedures manuals	GOP reports

**Table 1B**  
**USAID/PANAMA**  
**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

**Mission Strategic Objective:** 1. Strengthened competent civilian government institutions (Page 2 Of 3)

Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
b2. Judicial budget allocated based on need	\$ millions	\$23.3 Million 1990 Justice budget	To be determined	\$25.8 Million 1991 Justice budget	\$37.3 Million 1992 Justice budget	1. GOP reports 2. Project reports
c1. Automated case management system in place		No automated procedures	Automated system 1995	No automated procedures	Pilot program in Panama City Municipal and Circuit court	Project reports
c2. Decreased number pretrial detentions		92% of prisoners 1990	40% of prisoners 09-95	84% of prisoners 09-91	75% of prisoners 12-92	GOP reports
c3. Time period for stages of case processing adhered to	No. cases back-logged	20000 criminal cases 06-90	Elimination of backlog 1996	17800 criminal cases 09-91	14000 criminal cases 12-92	1. Case flow analysis 2. GOP reports
d1. Integrated financial mgt. system installed	4 functions	Existing procedures 1-92	Integrated fin. mgt. system 06-96	None	20% of reforms for budget, public debt cash mgt., and accounting implemented	1. GOP reports 2. Project reports
d2. Increased no. of impartial post audits gov. - wide	Audits	Existing procedures 1-92	Comprehensive audit system 06-96	None	20% of audit system reforms implemented 12-92	1. GOP reports 2. Project reports

Table 1B

USAID/PANAMA

MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

ANNEX A

Mission Strategic Objective:

1. Strengthened competent civilian government institutions (Page 3 Of 3)

Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
e1. Strengthened skills in policy analysis and formulation	Number economists trained	None 01-92	100 06-94	None	Training initiated for 50 economists 06-92	1. GOP reports 2. Project reports
e2. Timely publication of official economic data	Number data series moved to user-mngd PC netwk	None 01-92	6 01-94	None	3 12-92	Controller General
e3. Increased participation in economic policy making	Number public presentations of study results	None 01-92	12 06-94	None	6 12-92	GOP reports

**Table 2**  
**USAID/PANAMA**  
**STRATEGIC OBJECTIVE PROGRAM OVERVIEW**

**ANNEX A**

**Strategic Objective: 1. Strengthened competent civilian government institutions**

Program Outputs	Activities	Sources of Support Title/No.
A. Judicial career established and operational	<ul style="list-style-type: none"> <li>- Technical assistance in development and application of personnel management systems</li> <li>- In-service training in personnel management</li> </ul>	Improved Administration of Justice 525-0312
B. Judicial financial independence and adequate budget support	<ul style="list-style-type: none"> <li>- TA and training in development of integrated financial management</li> <li>- TA and training in planning and budgeting</li> <li>- Policy dialogue for adequate budget</li> </ul>	
C. Increased judicial efficiency in case management	<ul style="list-style-type: none"> <li>- Establishing a computerized case management system</li> <li>- Long-term training in case management</li> <li>- Establishing a legislative and jurisprudence data base</li> </ul>	
D. Improved public finance sector, revenue collection and accountability	<ul style="list-style-type: none"> <li>- Integrated financial management system involving three GOP agencies</li> <li>- TA and in-country training</li> </ul>	Financial Management Reform 525-0306 Tax Administration Improvement 525-0314
E. Improved macro-economic and fiscal policy making capability	<ul style="list-style-type: none"> <li>- TA and studies</li> <li>- In-country training in economics</li> </ul>	Economic Policy Development 525-0313

Table 1A

USAID/PANAMA

ANNEX A

MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

LAC Bureau Objective: II. Support the evolution of stable, participatory democratic societies

LAC Bureau Sub-Objective: B. Strengthen public participation in the democratic process

Mission Strategic Objective: 2. Increased pluralism and public support for democratic values and processes

Performance Indicator	Unit	Base - Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
1. Voting rights exercised by increasing numbers of eligible voters	Number of votes cast	40% eligible voters participated in special election 1/91	70% participation in general election 5/94	40% participation in special election 1/26/91	48% of eligible voters participate in national referendum 6/92	1. GOP Electoral Tribunal 2. Independent media 3. International observers

**Table 1B  
USAID/PANAMA  
MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

- LAC Bureau Objective:** II. Support the evolution of stable, participatory democratic societies
- LAC Bureau Sub-Objective:** B. Strengthen public participation in the democratic process
- Mission Strategic Objective:** 2. Increased pluralism and public support for democratic values and processes (Page 1 of 2)
- Program Outputs:**
- A. Improved media autonomy
  - B. Country meets worker rights standards
  - C. Increased public awareness of civic rights and responsibilities, and participation in elections
  - D. Free and fair general elections

Program Output Indicator	Unit	Base - Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
a. Repeal/modification of anti - press laws, decrees, regs	3 legal documents	3 09-78	3 modified 06-92	Legislation proposed 09-91	Repeal/modification 06-92	1. GOP reports 2. Independent media
b. No generalized system of preferences (GSP) penalties imposed	penalty	Formal complaint filed (1991)	No penalty assessed (1992)	Formal complaint filed	No penalty assessed	USTR
c. Increased civic action and participation in non - govt organizations	No. of members	TO BE DETERMINED				

**Table 1B**

**USAID/PANAMA**

**ANNEX A**

**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

**Mission Strategic Objective:** 2. Increased pluralism and public support for democratic values and processes (Page 2 of 2)

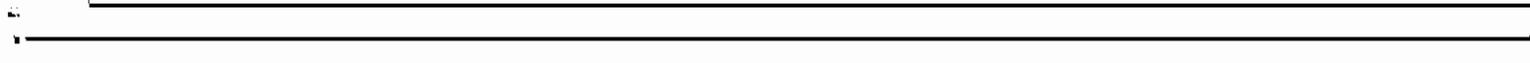
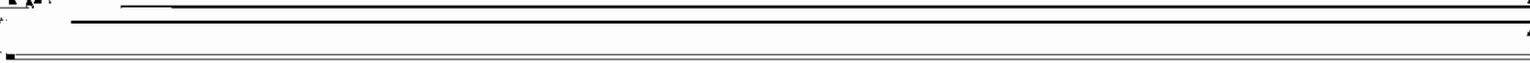
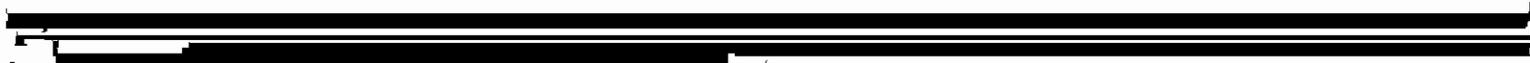
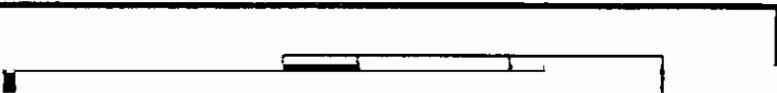
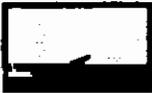
Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
d1. Cleansed voter registration list	Voter list	Fraudulent voter list 05-89	Complete accurate list - 05-94	Special election list - 01-91	Updated, cleansed referendum list 05-92	1. GOP reports 2. Independent media
d2. General election recognized as free and fair	Election results	Annulment of results 5-89	Results of general elections validated 5-94	Results of special election validated 1-91	Results of referendum validated 6-92	Reports of international observers and media

**Table 2**  
**USAID/PANAMA**  
**STRATEGIC OBJECTIVE PROGRAM OVERVIEW**

ANNEX A

**Strategic Objective: 2. Increased pluralism and public support for democratic values and processes**

Program Outputs	Activities	Sources of Support Title/No.
A. Improved media autonomy	<ul style="list-style-type: none"> <li>- Roundtable on proposed press legislation</li> <li>- Seminars/workshops on ethics, basic writing/editing, investigative reporting, economic/business reporting</li> </ul>	Democratic Initiatives 525-0307
B. Country meets worker rights standards	Democratic labor's participation in tripartite conferences and working groups	AIFLD 525-0319
C. Increased public awareness of civic rights and responsibilities, and participation in elections	<ul style="list-style-type: none"> <li>- Media programs on social and economic systems in a democracy</li> <li>- Democracy fairs at universities</li> <li>- Youth leadership training activities and seminars</li> <li>- Civic and voter education campaigns</li> <li>- Training workshops and internships for scholarship students in leadership and community development</li> <li>- Follow-on activities in civic participation for returned scholars</li> </ul>	Private Sector Scholarship Foundation PVO 525-0258 PANAJURU Local Scholarship PVO 525-0281 Democratic Initiatives 525-0307 Improved Election Admin. - 525-0317 CAPS - 525-1000 CLASP II - 525-1001
D. Free and fair general election	<ul style="list-style-type: none"> <li>- Cleansing voter lists</li> <li>- Strengthening of Election Tribunal</li> <li>- Installation of computer system to manage voter list</li> <li>- Communications network established</li> </ul>	Democratic Initiatives 525-0307 Improved Election Admin. - 525-0317



**Table 1B**  
**USAID/PANAMA**  
**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

- LAC Bureau Objective:** 1. Support the achievement of broadly-based, sustainable economic growth
- LAC Bureau Sub-Objective:** A. Encourage economic policies that promote investment, productive employment and
- Mission Strategic Objective:** 3. Increased and diversified exports
- Program Outputs:** A. Reform of trade and commercial policies  
 B. Increased private investment  
 C. Increased contribution of manufacturing and agriculture to national output

Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
a. Unweighted average tariff	Tariff rate	33% 1989	To be determined	To be determined	To be determined	IBRD
b. Private investment (% of GDP)	%	1.6% 1989	13.3% 1994	12.5%	12.7%	IMF
c1. Value added in manufacturing/GDP	% (1980 prices)	8.3% 1989	9.2% 1994	8.6%	8.8%	IMF GOP
c2. Value added in agriculture/GDP	% (1980 prices)	10.7% 1989	11.2% 1994	10.6%	10.8%	IMF GOP

**Table 2**  
**USAID/PANAMA**  
**STRATEGIC OBJECTIVE PROGRAM OVERVIEW**

**ANNEX A**

**Strategic Objective: 3. Increased and diversified exports**

<b>Program Outputs</b>	<b>Activities</b>	<b>Sources of Support Title/No.</b>
<b>A. Reform of trade and commercial policies</b>	<ul style="list-style-type: none"> <li>- Carry out analyses and studies to identify needed reforms, and estimate their effects</li> <li>- Conduct public education campaigns and other lobbying efforts</li> </ul>	Trade and Investment Promotion 525-0309 Small and Micro Business Development 525-0316
<b>B. Increased private investment</b>	<ul style="list-style-type: none"> <li>- Seek legislation to expand export producing zones</li> <li>- Promote linkages between producers and existing credit sources</li> <li>- Identify potential export products for Panama and prepare product development plans</li> </ul>	Trade and Investment Promotion 525-0309 Economic Policy Development 525-0313 Small and Micro Business Development 525-0316
<b>C. Increased contribution of manufacturing and agriculture to national output</b>	<ul style="list-style-type: none"> <li>- Provide advice directly to producers in such areas as accounting, marketing, plant layout, and improved crop varieties</li> <li>- Establish data bases on product prices, specifications and standards in international markets</li> </ul>	Trade and Investment Promotion 525-0309 Small and Micro Business Development 525-0316

**Table 1A**

**USAID/PANAMA**

**ANNEX A**

**MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES**

- LAC Bureau Objective:** I. Support the achievement of broadly-based, sustainable economic growth
- LAC Bureau Sub-Objective:** D. Encourage preservation and sustainable use of the natural resource base
- Mission Strategic Objective:** 4. Preservation of natural resources

Performance Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
1. Decline in rate of deforestation	Hectares deforested each year	70,000* annual 12/91	10,000 6/97	70,000* 12/91	65,000 12/92	LANDSAT Images (GIS)
2. Deterioration of 5 key watersheds arrested	Water-sheds	0 protected	5 protected	0 protected	0 protected	1. GOP reports 2. MARENA Project Manager reports 3. LANDSAT Images (GIS)
3. Decreased rate of loss of habitat	Hectares of habitat	50,000* 12/91	0 6/97	50,000* 12/91	45,000 12/92	LANDSAT Images (GIS)

\* to be confirmed by LANDSAT remote sensing

**Table 1B**

**USAID/PANAMA**

**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

- LAC Bureau Objective:** i. Support the achievement of broadly-based, sustainable economic growth
- Lac Bureau Sub-Objective:** D. Encourage preservation and sustainable use of the natural resource base
- Mission Strategic Objective:** 4. Preservation of natural resources (Page 1 of 2)
- Program Outputs:**
- A. Strengthened institutional capacity of INRENARE
  - B. Sustainable management of privately owned natural resources
  - C. Long-term environmental funding operational
  - D. Improved management of national parks, reserves and forests
  - E. Improved Canal watershed management

Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
a1. INRENARE improves in GOP performance classification	GOP rating (A to D)	D 1990	A 06-94	D 1990	C 12-92	GOP Controller General
a2. Financial and management accounting systems established	System	None 12-91	System 12-92	None 12-91	System 12-92	1. Audit Report 2. INRENARE reports
b. 6000 has. of land reforested	Hectares	None 12-91	6000 06-98	None 12-91	100 12-92	NATURA reports
c1. NATURA Endowment established and capitalized	Fund	None 12-91	Fund 12-92	None 12-91	Fund 06-92	1. Audit Report 2. NATURA reports

**Table 1B**  
**USAID/PANAMA**  
**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

Mission Strategic Objective: 4. Preservation of natural resources (Page 2 of 2)

Program Output Indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
c2. Natura funding provided to public and private environmental organizations	\$ Millions	None 12-91	\$15 06-98	None 12-91	\$0.6 06-92	NATURA reports
d1. 14 park mgt plans developed and implemented	Park mgt plans	None 12-91	14 06-98	None 12-91	5 12-92	INRENARE reports
d2. Illegal incursions in 14 parks and reserves controlled	Parks	None 12-91	14 06-98	None 12-91	2 12-92	INRENARE reports
e. Interagency coordinating committee operating	Committee	None 12-91	1 3-92	None 12-91	1 3-92	INRENARE reports

**Table 2**  
**USAID/PANAMA**  
**STRATEGIC OBJECTIVE PROGRAM OVERVIEW**

ANNEX A

**Strategic Objective: 4. Preservation of natural resources**

Program Outputs	Activities	Sources of Support Title/No.
A. Strengthened institutional capacity of INRENARE	<ul style="list-style-type: none"> <li>- Strengthen INRENARE's overall admin. and financial mgt. systems</li> <li>- Develop INRENARE's technical capacity to plan, monitor and assess policies and actions related to natural resources</li> </ul>	<p style="text-align: center;">Natural Resource Management 525-0308</p>
B. Sustainable management of privately owned natural resources	<p>Local NGOs strengthened to:</p> <ul style="list-style-type: none"> <li>- promote sustainable ag practices;</li> <li>- carry out education programs, and</li> <li>- implement reforestation activities</li> </ul>	
C. Long-term environmental funding operational	<ul style="list-style-type: none"> <li>- NATURA established as an on-going institution</li> <li>- NATURA's endowment fund capitalized and procedures for administering the fund installed</li> </ul>	
D. Improved mgt. of national parks, reserves and forests	<ul style="list-style-type: none"> <li>- Trained staff placed in 14 parks/reserves</li> <li>- Physical infrastructure and managerial/financial sub-systems necessary to support staff installed</li> </ul>	
E. Improved Canal Watershed Management	<ul style="list-style-type: none"> <li>- Interagency Coordination Committee sponsors annual conference</li> <li>- Canal watershed management plan prepared</li> </ul>	

**Table 1A**  
**USAID/PANAMA**  
**MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES**

- LAC Bureau Objective:**      iii. Respond to specific challenges
- LAC Bureau Sub-Objective:**      A. Foster regional integration and cooperation
- Mission Strategic Objective:**      5. GOP adoption of an apolitical strategy for canal management

Performance indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
1. GOP strategy adopted by 1996	Strategy	No strategy exists 1990	Strategy adopted 1996	No strategy exists 12/91	GOP formalizes mechanism to develop strategy 12/92	1. GOP reports 2. Independent media

**Table 1B**

**USAID/PANAMA**

**ANNEX A**

**MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS**

- LAC Bureau Objective:** III. Respond to specific challenges
- LAC Bureau Sub-Objective:** A. Foster regional integration and cooperation
- Mission Strategic Objective:** 5. GOP adoption of an apolitical strategy for canal management
- Program Outputs:**
  - A. Administrative structure for canal management selected
  - B. Planned use of reverted lands/canal watershed

Performance indicator	Unit	Base-Line value/date	Target value/date	Current Year 1991 value/date	1992 Target value/date	Data Source
a. Options for Canal management generated and debated publicly		Debate ad hoc, not based on analysis 1990	Administrative structure determined, operating as "shadow" to PCC 12/1997	GOP begins formalizing administrative structure to consider options 12/1991	Administrative structure has begun formal analysis of options 12/1992	1. GOP reports 2. Independent media
b. Central coordination mechanism established to analyze options for use of reverted areas		No mechanism exists 12/1991	Administrative structure and operating procedures in place to manage reverted lands 12/1995	GOP begins formalizing administrative structure to consider options 12/1991	Administrative structure has begun formal analysis of options 12/1992	1. GOP reports 2. Independent media

**Table 2**  
**USAID/PANAMA**  
**STRATEGIC OBJECTIVE PROGRAM OVERVIEW**

ANNEX A

**Strategic Objective:**     **5. GOP adoption of an apolitical strategy for Canal management and use of reverted lands**

Program Outputs	Activities	Sources of Support Title/No.
A. Administrative structure for Canal management selected	<ul style="list-style-type: none"> <li>- Research alternative mechanisms for administering the Canal, and carry out public dissemination activities to describe the alternatives and their relative merits</li> <li>- Develop policies and guidelines on most promising mechanisms</li> </ul>	Economic Policy Development 525-0313
B. Planned use of reverted lands/ Canal watershed	<ul style="list-style-type: none"> <li>- Examine methods for allocating reverted areas and prepare policies and guidelines</li> <li>- Establish a land use planning/ coordinating mechanism for reverted areas</li> <li>- Prepare and publish site specific plans for industrial/urban/rural uses</li> </ul>	Natural Resource Management 525-0308 Economic Policy Development 525-0313 Canal Studies 525-0321

**ANNEX B**

**Policy Agenda and 1992 Work Plan**

**USAID/PANAMA  
POLICY AGENDA/WORKPLAN  
TO ADDRESS LAC OBJECTIVES**

ANNEX B

POLICY PROBLEM	POLICY CHANGE SOUGHT	NEGOTIATING VEHICLE	TIME FRAME	PROGRESS DURING 1991	MISSION ACTIONS 1992	SIGNIFICANT ACTIVITIES FOR 1992
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**I. SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH**

**A. Encourage economic policies that promote investment, productive employment, and out-ward oriented diversification**

High tariffs and other trade barriers bias national production against exports	Progressive reduction in tariff levels, elimination of import quotas and other trade restrictions	Economic Recovery Program Economic Policy Development Project Trade and Investment Promotion Project	1992 - 1994	<ul style="list-style-type: none"> <li>First round of tariff reductions accomplished 8/91.</li> <li>Program agreed to with IBRD includes reduction in other trade barriers</li> </ul>	<ul style="list-style-type: none"> <li>TA provided to Ministry of Economic Policy to assist in implementation of economic program</li> <li>TA provided to private sector organizations to assist in analyzing the problem and encouraging the GOP to make policy changes in favor of free trade</li> </ul>	<ul style="list-style-type: none"> <li>First stage of ag trade liberalization introduced, eliminating quotas, export limits and price controls on a list of products</li> <li>Minimum tariff raised to 5% for Centro de Compras list of products</li> </ul>
Inefficient management of public enterprises results in high domestic prices for their output, e.g., electricity, petroleum products,	Improved efficiency through reduction in public enterprise employment, privatization of services, greater management autonomy	Economic Recovery Program Economic Policy Development Project PD&S	1992 - 1994	Program agreed to with IDB to privatize telephone company and partially privatize water and electric companies, and port authority	<ul style="list-style-type: none"> <li>TA provided to Ministry of Economic Policy to assist in implementation of economic program</li> </ul>	<ul style="list-style-type: none"> <li>Privatization framework law adopted</li> <li>Electricity rates reduced by 10% based on efficiency improvements</li> </ul>
Labor code and labor policy contribute to high labor costs	Development of action plan to review and revise labor code	Economic Policy Development Project Trade and Investment Promotion Project AIFLD	1992 - 1994	Tripartite (labor, private, sector, GOP) conferees agreed to develop revisions to labor legislation	<ul style="list-style-type: none"> <li>TA provided to Ministry of Economic Policy to assist in implementation of economic program</li> <li>TA provided to private sector organization to analyze the problem and encourage the GOP to make productive changes</li> </ul>	<ul style="list-style-type: none"> <li>Export zone legislation revised to bring it into line with international labor standards</li> </ul>

USAID/PANAMA

POLICY AGENDA/WORKPLAN  
TO ADDRESS LAC OBJECTIVES

ANNEX B

POLICY PROBLEM	POLICY CHANGE SOUGHT	NEGOTIATING VEHICLE	TIME FRAME	PROGRESS DURING 1991	MISSION ACTIONS 1992	SIGNIFICANT ACTIVITIES FOR 1992
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I. SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH (CONTINUED)

D. Encourage preservation and sustainable use of the natural resource base

<p>Low priority and limited resources devoted to environmental preservation has contributed to other environmental problems</p>	<p>Panama explores and adopts mechanisms such as debt-for-nature swaps, and greater use of PVO's to increase resources and expand programs devoted to environmental protection</p>	<p>Natural Resources Management Project</p>	<p>1992-1994</p>	<p>- GOP agreed to debt-for-nature swap - NATURA foundation created to promote environmental preservation</p>	<p>- Contract short and long-term TA - Establish GOP capability to interpret remote sensing data - Initiate construction of park infrastructure</p>	<p>- Debt-for-nature swap implemented - National park system law approved by Panamanian legislature</p>
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USAID/PANAMA

POLICY AGENDA/WORKPLAN  
TO ADDRESS LAC OBJECTIVES

ANNEX B

POLICY PROBLEM	POLICY CHANGE SOUGHT	NEGOTIATING VEHICLE	TIME FRAME	PROGRESS DURING 1991	MISSION ACTIONS 1992	SIGNIFICANT ACTIVITIES FOR 1992
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II. SUPPORT THE EVOLUTION OF STABLE, PARTICIPATORY DEMOCRATIC SOCIETIES

A. Strengthen civilian government institutions

Backlog of court cases	Expedition of case handling through legal and administrative changes in how cases are processed	Administration of Justice Project	1992 - 1994	- Changes to Judicial Codes passed which expedite case handling	TA contracted and applied to case management and court administration	- 4 new criminal courts established - Courts and prosecutors focus on case resolution - Legislation introduced for guilty plea and other procedural changes
Public defenders not available as defense counsel immediately upon arrest. Too many pre-trial detainees held	Transfer of responsibility for public defenders from Government Ministry to Supreme Court	Administration of Justice Project	1992 - 1994	- Public defenders transferred to Court - 15 new defenders hired - % of pre-trial detainees dropped to 80%, from high of 92% of prison population	- Pilot program for public defenders initiated - TA and training in court management and criminal procedures	- 5 more defenders and office equipment approved in 92 budget - Bar assoc. and universities reinstated pro bono programs
Corregidores and police judges/administrative personnel who have no legal training appointed by municipalities - have power to imprison for up to two years	Curtailed jurisdiction of corregidores and police judges	Administration of Justice Project	1992 - 1994	Elimination of police courts included in proposed legislation sent to Assembly by the Supreme Court	Conduct statistical survey and analysis of corregidores	- Night courts eliminated - Public policy discussion on role of corregidores

USAID/PANAMA

POLICY AGENDA/WORKPLAN  
TO ADDRESS LAC OBJECTIVES

ANNEX B

POLICY PROBLEM	POLICY CHANGE BOUGHT	NEGOTIATING VEHICLE	TIME FRAME	PROGRESS DURING 1991	MISSION ACTIONS 1992	SIGNIFICANT ACTIVITIES FOR 1992
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II. SUPPORT THE EVOLUTION OF STABLE, PARTICIPATORY DEMOCRATIC SOCIETIES (CONTINUED)

A. Strengthen civilian government institutions (Continued)

Public Sector financial management, including tax administration, is weak	<ul style="list-style-type: none"> <li>- GOP initiates program to reform financial management and tax administration.</li> <li>- Independent audit function established</li> </ul>	<ul style="list-style-type: none"> <li>- Financial Management Improvement Project</li> <li>- Tax Administration Project</li> </ul>	1992 - 1994	<ul style="list-style-type: none"> <li>- Government code of ethics promulgated</li> <li>- Tax reform legislation proposed to Assembly</li> <li>- Independent audit function set up and Auditor General appointed</li> </ul>	<ul style="list-style-type: none"> <li>- TA contract negotiated and signed</li> <li>- TA extended to 3 counterpart organizations</li> </ul>	Tax reform implemented
Public Sector resources are poorly allocated, leading to underfunding of priority programs and a tendency toward deficit	<ul style="list-style-type: none"> <li>- Improved public sector budgeting and investment planning, reduction in employment and reform of civil service policies</li> </ul>	<ul style="list-style-type: none"> <li>- Economic Policy Development Project</li> <li>- Financial Management Improvement Project</li> <li>- Administration of Justice Project</li> </ul>	1992 - 1994	<ul style="list-style-type: none"> <li>- Fiscal program agreed to with IMF</li> <li>- Public sector wage bill reduction agreed to with IBRD</li> <li>- Voluntary separation program designed</li> </ul>	<ul style="list-style-type: none"> <li>- TA and studies on key issues</li> <li>- In-country training in economics for 50 GOP staff</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary separation program implemented</li> <li>- Social security reform implemented</li> <li>- IMF stand-by signed</li> </ul>

B. Strengthen public participation in democratic process

Aspects of electoral code permit institutionalized fraud	Reform of electoral code	Improved Election Administration Project	1992 - 1994	Commission formed to review electoral code and recommend changes	<ul style="list-style-type: none"> <li>- Grant to CAPEL amended</li> <li>- CAPEL provides TA</li> </ul>	Commission to submit proposed legislation to legislative assembly
Labor unions' internal processes are undemocratic and do not represent worker interests	Democratization of internal management and procedures	AIFLD	1992 - 1994	<ul style="list-style-type: none"> <li>- Under supervision of the Ministry of Labor, elections were held by 2/3 of unions and all 13 federations within the Panamanian Workers Federation (PWC)</li> <li>- Under supervision of the Ministry of Labor, elections were held by the PWC May 91 for a new directorate</li> </ul>	<ul style="list-style-type: none"> <li>- Bilateral grant ends 3-30-92</li> </ul>	Additional AIFLD activities carried out under LAC regional grant

**USAID/PANAMA  
POLICY AGENDA/WORKPLAN  
TO ADDRESS LAC OBJECTIVES**

ANNEX B

POLICY PROBLEM	POLICY CHANGE SOUGHT	NEGOTIATING VEHICLE	TIME FRAME	PROGRESS DURING 1991	MISSION ACTIONS 1992	SIGNIFICANT ACTIVITIES FOR 1992
<p>Analysis required and decisions need to be taken about uses of reverted properties</p>	<p>GOP completes studies and decides on policies for use of reverted lands and property</p>	<p>Economic Policy Development Project</p>	<p>1992 - 1994</p>	<p>GOP established commission to consider options for use of reverted lands</p>	<p>TA applied</p>	<p>Commission contracts studies</p>
<p>GOP has not yet initiated process to consider future management structure for Canal</p>	<p>GOP establishes commission and begins analysis/public dissemination of options for Canal management</p>	<p>Economic Policy Development Project</p>	<p>1992 - 1994</p>	<p>GOP established commission to undertake analysis of Canal management issues</p>	<p>TA applied</p>	<p>Commission contracts studies</p>

**III. RESPOND TO SPECIFIC CHALLENGES**

## **ANNEX C**

### **New Project Descriptions and Table 5**

- 1. Small and Micro Business Development**
- 2. Canal Studies**

## NEW PROJECT DESCRIPTION

LAC Bureau Objective: Support the achievement of broadly-based, sustainable economic growth.

LAC Bureau Sub-Objective: Encourage economic policies that promote investment, productive employment and outward-oriented diversification.

Mission Strategic Objective: Increased and diversified exports.

Project Title/Number: Small and Micro Business Development (525-0316). (New)

Funding Level & Source: FY 94 \$2 million, LOP \$2 million; DA through increments above the MCC.

Project's Consistency with A.I.D. Strategy/Goals: Currently the micro and small business sector (including agriculture) provides approximately 75% of the jobs in Panama. Traditionally, it is also the country's major source for job creation. By improving the sector's efficiency through enhanced access to credit, improved managerial ability and removal of policy/regulatory impediments, the Project will contribute directly to the Mission's sub-goal of Increased Economic Growth And Employment and to the above stated Strategic Objective. As a result of the sector's improved efficiency, new products and services can be developed and additional jobs created. The Project will complement Mission efforts under the Trade and Investment Project that are directed at the country's larger producers. As those producers expand into export markets the proposed Project will facilitate the micro and small business sector's ability to meet the needs of producers of peripheral production inputs.

Project Description: Although Panama's economy continues to recover from the effects of events associated with the prior administration, the level of un/under employment continues as a sever drag on growth. The Project's goal is to increase employment and expand efficient production. Its purpose is to: (1) establish an efficient institutional system that will provide improved training, technical assistance and related services to small and micro businesses as well as enhance their accessibility to existing sources of credit; and (2) improve the policy and regulatory environment under which small and micro businesses operate. The Project will include three activities: (1) identification and alleviation of regulatory impediments to the micro and small business sector; (2) provision of technical assistance to improve the performance of micro and small businesses in such areas as accounting, shop layout, marketing and inventory control, and which is geared to the receipt of credit; and (3) development of an efficient system to better link existing credit sources to micro and small businesses.

**Table 5**  
**USAID/PANAMA**  
**Role of Proposed New Initiatives in Achieving**  
**USAID Program Level Objectives**

**Proposed New Project:** Small and Micro Business Development  
**No.:** 525-0316

Activities	Program Outputs	Strategic Objective
Identify and alleviate regulatory impediments to small/micro businesses	Reform of trade and commercial practices	Increased and diversified exports
Strengthen performance of small/micro businesses in areas such as accounting and marketing	Increased contribution of manufacturing and agriculture in national output	
Improve links between existing credit sources and small/micro businesses	Increased private investment	

## NEW PROJECT DESCRIPTION

LAC Bureau Objective: Respond to specific challenges.

Mission Strategic Objective: GOP adoption of an apolitical strategy for canal management and use of reverted lands.

Project Title/Number: Canal Studies (525-0321). (New)

Funding Level & Source: FY 94 \$1 million, LOP \$3 million; DA through increments above the MCC.

Project's Consistency with A.I.D. Strategy/Goals: The U.S. will turn over Panama Canal operations and the remainder of the Canal reverted areas to Panamanian control in 1999. Although the Panama Canal Treaties were signed in 1977, little has been accomplished since that date to prepare the country to shoulder the responsibility for Canal operations. Nor has a national strategy emerged to mobilize the resources, lands and facilities of the reverted areas. The Endara government has taken some initial steps for the country to plan for the Canal transition, but a great deal of work remains to be done. A successful transition to Panamanian management of the Canal is key to the country's economic prosperity over the medium term. As the transfer of responsibility for the Canal is a principal U.S. foreign policy objective for Panama, it is appropriate that resources of the U.S. foreign assistance program be directed toward facilitating the transition. The proposed project, therefore, will contribute directly to the Mission's sub-goal of Successful Implementation of the Canal Treaties and the strategic objective identified above.

Project Description: During the development of USAID/Panama's Economic Assistance Strategy, the Mission identified a need for external resources to supplement the GOP's own funding for the contracting of apolitical, professional studies necessary to prepare Panama to assume full responsibility for the Canal. For this reason, \$1 million was budgeted for Canal studies within the Economic Policy Development Project (525-0313), which has a PACD of 9/94. These funds will be used for initial analyses of how the reverted areas can be made available for private sector use, and to develop options for management of the Canal.

As 1999 comes closer, additional resources will be needed to define and put into effect the policies and administrative arrangements the country decides to follow. For example, if the Canal becomes an autonomous public or mixed enterprise, a regulatory framework will need to be developed, and responsibility for oversight of Canal operations will need to be established somewhere within the public sector. The Canal studies project will make available, over a 4-year period (1994-1998), an additional \$3 million to cover the cost of analytical work necessary to achieve successful transfer of the Canal.

**Table 5**  
**USAID/PANAMA**  
**Role of Proposed New Initiatives in Achieving**  
**USAID Program Level Objectives**

**ANNEX C**

**Proposed New Project:** Canal Studies  
**No.:** 525-0321

Activities	Program Outputs	Strategic Objective
Complete research on alternative methods for canal management	Administrative structure for canal management selected	GOP adoption of an apolitical strategy for canal management and use of reverted lands
Examine/select methods for zoning and allocating real property in the reverted areas	Planned uses of reverted lands/canal watershed	
Develop operational policies and guidelines for institutionalizing/implementing methods selected thru two above activities	See two outputs above	