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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
ALLIANCE FOR PROGRESS  
WASHINGTON, D. C. 20523

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DECLD

CAPITAL ASSISTANCE PAPER

PANAMA -- FEASIBILITY STUDIES AND PRE-FEASIBILITY INVESTIGATIONS



525-L-008

AID-LA/P-57

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A.I.D.  
Reference Center  
Room 1656 NS

PA-48



DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington 25, D. C.

UNITED STATES COORDINATOR  
ALLIANCE FOR PROGRESS

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AID-LA/P-57  
September 3, 1964

MEMORANDUM FOR THE ADMINISTRATOR

SUBJECT: PANAMA - Feasibility Studies and Pre-Feasibility  
Investigations

The attached Capital Assistance Paper sets forth recommendation for authorization of a loan not to exceed two million (\$2,000,000) dollars to assist the Government of Panama in financing the costs of feasibility studies and pre-feasibility studies.

William D. Rogers  
Deputy U.S. Coordinator

Attachments:

Summary and Recommendations  
Project Analysis  
Annexes I-III

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PANAMA - FEASIBILITY STUDIES AND PRE-FEASIBILITY INVESTIGATIONS

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AID-LA/P-57

September 3, 1964

PANAMA - FEASIBILITY STUDIES AND PRE-FEASIBILITY INVESTIGATIONS

SUMMARY AND RECOMMENDATIONS

1. **BORROWER:** The Government of Panama. Over-all administration of the loan will be the responsibility of the Planning and Administration Bureau, an office of the Presidency.
2. **AMOUNT:** Not to exceed \$2,000,000 for the U.S. dollar and associated local costs. Of this total it is estimated that \$1,500,000 will be used to finance feasibility studies and \$500,000 would be used to finance pre-feasibility investigations.
3. **TOTAL COST OF PROJECT:** The loan will be the major source of financing for the studies and investigations. The GOP will make minor contributions to the individual projects, depending upon their type and size, for overhead costs.
4. **PROJECT DESCRIPTION:** The loan fund will be used to finance two types of studies: (a) Feasibility studies for development projects that are considered to be of high priority in Panama's economic and social development in the relatively near future, in such fields as rural development, education, housing, urban water and sewerage systems, transportation, electric power, industrial development and tourism. (b) Pre-feasibility investigations to produce basic data necessary to determine if project feasibility surveys should be made. These investigations will result in developing material associated directly with specific proposed projects in areas of high priority as above.
5. **PURPOSE OF PROJECT:** The feasibility studies financed under the loan will provide the basis for implementing high priority projects in the GOP's Social and Economic Development program which was recently appraised by the Organization of American States. They will provide the basis for determining whether or not the projects concerned should be financed for development; those which would produce favorable results can be used to support loan applications to financing agencies or for financing from any other sources.

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The pre-feasibility investigations will provide basic data necessary to determine if a specific proposed project should be considered for a feasibility study.

6. **BACKGROUND:** The GOP made the initial inquiry about the possibility of obtaining a feasibility loan in August 1963. This was followed by a second inquiry and discussion in December 1963 when the GOP prepared an outline for the loan application. A draft loan application was then presented to A.I.D. in June 1964. An AID/W loan team discussed it with GOP officials in July 1964 and the formal application was submitted in August 1964.
7. **EXIMBANK CLEARANCE:** On August 28, 1964, the Eximbank informed A.I.D. that it was not interested in this project.
8. **VIEWS OF COUNTRY TEAM:** The Country Team has consistently supported this loan, and the Mission Director, in AID/W during August, expressed his strong support for the loan at this time.
9. **STATUTORY CRITERIA:** All statutory criteria of FAA 1961, as amended, have been met. (See Annex II for details.)
10. **ISSUES:** None.
11. **PROBLEMS:** The National Planning Bureau is of the opinion that the GOP does not have a blanket authority to borrow funds for the variety of studies and investigations which would develop under this loan. This matter is being investigated further and if the GOP assumption is correct, it is planned to have the authority established in October when the legislature is again in session. Accordingly, the Loan Agreement may not be signed until October. However, in this connection the National Planning Bureau has advised A.I.D. representatives that a loan authorization announcement would be of great value in securing early approval of the necessary legislation.

12. **RECOMMENDATIONS:** Authorization of a loan to the Government of Panama for an amount not to exceed \$2,000,000.

- Terms:
- A. Repayment within 40 years from the date of the first disbursement including a grace period of 10 years.
  - B. Interest of 3/4 of 1% during the grace period and 2% thereafter.
  - C. Repayment of principal and interest shall be made in U.S. dollars.

Other Terms and Conditions:

- (a) Equipment, materials and services (except shipping which shall be procured from the United States, and marine insurance) financed under the loan shall have their origin in and be procured from the United States or from Panama.
- (b) The feasibility surveys and pre-feasibility investigations financed under the loan shall be performed by qualified (i) United States firms or (ii) Panamanian firms or (iii) joint ventures of U.S. and Panamanian firms.
- (c) All subprojects will be subject to prior A.I.D. approval.
- (d) United States dollars utilized under the loan to finance local currency costs shall be made available to the borrower or its designee through appropriate procedures and shall be used only for procurement in the United States (excepting marine insurance).

- (e) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

CAPITAL ASSISTANCE COMMITTEE:

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PANAMA - FEASIBILITY STUDIES AND PRE-FEASIBILITY INVESTIGATIONS

I. PLACE OF PROJECT IN PROGRAM

A. Description of Sector Goal and its Relation to Other Sector Goals

It is anticipated that a variety of projects will be studied, affecting three principal sector goals of US AID's program in Panama. These goals are: (1) Accelerated Rural Development; (2) Development of Financial Institutions and Encouragement of Private Enterprise; and (3) Development of High-Level Manpower and Labor Institutions.

B. Relation of Project to Sector Goal and Other Sector Projects

This loan will finance technical/economic studies of projects selected by various agencies and autonomous institutions of the Government of Panama and submitted through the National Planning Bureau to the US AID. The studies will provide information for the most effective allocation of resources in connection with Panama's social and economic development program.

C. Project Contribution to Country's Economic Development

The Government of Panama is anxious to proceed with its social and economic development program by undertaking immediately various technical/economic studies of priority projects in the categories that are included in its long range program. The documented program was submitted to the Ad-Hoc Committee of the Organization of American States for review. The Ad-Hoc Committee appraised the program and submitted its report to the GOP. Recently the GOP approved this report. Data provided by the studies will serve as the basis for initiating economic development projects which have been retarded by the lack of adequate studies in areas in which investment is proposed, and it will give the Panamanian Government valuable assistance in carrying out its program and in making determinations on specific priority projects within the framework of the Program.

## II. PROJECT

### A. Borrower

The Government of Panama will be the Borrower and the Planning and Administration Bureau of the Presidency will have over-all administrative responsibility for the operations under the loan. (Direccion General de Planificacion y Administracion)

The Bureau was created by Decree Law No. 11 of June 1959, and has among its principal functions the coordination and implementation of the Economic and Social Development Program. The Bureau is divided into four departments: Planning, Budget, Administration and Personnel Administration. The Planning Department is the coordinator of all feasibility studies through the different agencies or autonomous agencies of the GOP. The Planning Department has the responsibility of preparing plans to ensure greater efficiency and savings in carrying out the country's economic and social development.

The Planning Department was created in June 1959 and started operations on January 1, 1961. The Department's main objective is to increase the efficiency of the national government, enabling it to work as a unit, and to promote activities in every sector of the economy. The feasibility studies and pre-feasibility investigations financed by the loan will be contracted for by the Planning Department, in collaboration with the corresponding official agencies, with highly qualified U.S. or Panamanian firms. However, if desirable the Department may sub-delegate the responsibility for the signing and administration of the feasibility and pre-feasibility contracts to ministers directly responsible for the programs covered by each feasibility survey of pre-feasibility investigation.

### B. Background of the Project

The initial inquiry made by the Government of Panama in August 1963 was to determine if it would be possible to obtain a loan for feasibility studies. Discussions at that time resulted in the establishment of the general conditions under

which a feasibility loan would be possible. At the second meeting between GOP and A.I.D. officials more specific information was developed for the loan application. The draft loan application, presented to US AID in June 1964, was discussed by both the US AID and the AID/W Capital Development offices with representatives of the GOP, and during July 1964, an AID/W loan team further discussed this project with GOP officials in Panama. The final application was submitted to A.I.D. in August 1964.

The Country Team has supported this loan proposal consistently since it was first discussed with the GOP. The US AID Director recently reaffirmed the priority of the loan.

### C. Project Analysis

#### . General Description

The loan is to finance economic and engineering feasibility studies, including preliminary plans, and reasonable cost estimates of specific priority development projects which have been mutually agreed to by the US AID and the GOP. It will also be used for making certain pre-feasibility studies for projects where additional basic data is necessary to determine if a feasibility study should be made.

The loan funds will not be used for making general program surveys, for making final engineering plans and specifications or for financing GOP personnel or other budgeted costs of the Government of Panama.

The feasibility studies will be related to projects of high priority in Panama's economic and social development that are expected to be undertaken in the relatively near future; and will cover activities in such fields as:

1. Agricultural and livestock development and other projects contributing to rural development.
2. Education and trades training facilities.

3. Urban sewerage and water systems
4. Housing
5. Transportation (roads, airports and ports)
6. Electric power
7. Industrial parks development.
8. Tourism (public facilities and hotels)

Samples of more detailed projects under these categories are shown in Annex I.

The pre-feasibility investigations will be made where it is necessary to obtain additional basic data to determine if a feasibility survey should be made. Such investigations will also be related directly to specific high-priority projects.

The estimate of \$2,000,000 is based upon the cost of feasibility surveys and pre-feasibility investigations that could be negotiated within the next two years.

## 2. Plan for Execution of the Project

The procedure to be used in establishing a subproject to make feasibility study will be as follows:

The National Planning Bureau will present A.I.D. with a request for the funding of an individual project. The request should include:

- a. Name and location of the project.
- b. A short description of the project.
- c. The Agency within the GOP that will sign and administer the contract.

- d. Description of previous studies and their availability. (If available to the National Planning C B u r e a u, they should be included in the application.)
- e. Scope of work for the contract. (A.I.D. will assist the borrower in the development of the scope of work since it must be approved by A.I.D. before contract negotiations can be initiated by the GOP.)
- f. Priority and general economic justification of the development project for which the feasibility study is to be undertaken; and a general statement on intentions to carry out the development project if it proves feasible.
- g. Estimated total cost of the study, with a breakdown of foreign and local costs, showing estimated amount of loan funds required and GOP contribution.
- h. Estimated time for making the study.
- i. If available, a list of names of three or four engineering or other technical firms the borrower believes are qualified to make the survey. (This is not necessary until after the subproject is approved but if available at the time of the application it can be included.)

For pre-feasibility investigations the following information should be included in the application:

- a. Name and location or extent of investigation.
- b. Agency within the GOP that will sign and administer the contract.

- d. Short description of the objective of the investigation and how the resulting information can be used in the evaluation of the project's priority for further feasibility study, or for other priority studies.
- d. Description of previous studies and their availability. (If available to the National Planning Bureau they should be included in the application.)
- e. Scope of work for the contract.
- f. Contribution to be made to the investigation by the GOP.
- g. Estimated cost of the project in two currencies.
- h. Estimated time to make the investigation.
- i. If available, list of names of three or four engineering or technical firms the borrower believes are qualified to do the investigation.

The studies and investigations will be carried out under contracts negotiated between the various Ministries and Agencies in the GOP and qualified United States or Panamanian firms, or with joint ventures of U.S. and Panamanian firms.

After the application for each individual study or investigations has been approved and an A.I.D.-approved firm has been chosen by the GOP, a contract can be negotiated between the GOP and the firm. Upon approval of the contract by A.I.D., the contract can be signed and the work started.

The US AID Mission, supported by technical assistance from ROCAP, should be authorized to review and determine the acceptability of the individual request for funding feasibility surveys or pre-feasibility investigations; including the contract scopes of work. The qualifications of the GOP proposed contracting firms must be approved in the LA/ENGR office, but the contracts can be approved by the ROCAP regional engineer and regional attorney. Assistance will be made available from LA/ENGR on any specialized technical problems relating to either the scopes of work or the contracts.

The GOP may present any individual subprojects for consideration which are within the approved categories shown above, regardless of whether they were shown in the loan application or have been previously discussed with the US A.I.D. If new categories are to be added, however, the GOP will be requested to submit full details of all such subprojects to A.I.D. and to submit a revised loan request which describes the relative priority of such additional categories.

In approving proposed subprojects, the US A.I.D. Mission should ensure that (a) the proposed development project is considered of high priority to Panama's development, taking into account recommendations made by A.I.D. and the recent CIAP review on the areas of investment that can be expected to contribute most to Panama's economic development; and (b) there is both serious intent on the part of the prospective investor to carry out the development project in the reasonably near future if it is judged feasible, and a reasonable probability that financing for the project will be made available, either from domestic Panamanian or external resources. In formulating subprojects for financing, special attention should be given to reviewing development projects proposed for the near future, in order to ensure that the requisite feasibility studies are provided for on a timely basis. The Panamanian Government would be expected to make appropriate contributions to the subprojects.

The US A.I.D. will make the above clear to the GOP during loan agreement negotiations and indicate the types of projects considered acceptable by A.I.D.

#### D. Economic Analysis

The loan application describes categories of specific projects within the categories the GOP believes will justify the cost of the feasibility studies. Each project requested for a feasibility subloan must be presented to US A.I.D. for review and it will not be approved unless there is a good likelihood that the study could ultimately result in a development project regardless of the source of financing.

It is anticipated that the feasibility studies will provide all the technical and economic information necessary to determine if a project should be considered for development. If the decision is favorable the study would be complete enough to support a loan application to A.I.D. or any other international financing organization; or to support direct financing by the Government of Panama. In authorizing the loan A.I.D. is not assuming any obligation to finance the development of any of the projects themselves.

E. Financial Analysis

Loan funds not to exceed \$2,000,000 will be used to finance the U.S. dollar costs and associated local currency costs of contracts with private engineering and other technical consulting firms.

A foreign exchange/local currency cost breakdown of loan funds cannot be provided at this time. Such an estimate depends upon the availability of sub-project data and whether U.S. or Panamanian firms will be used. It is estimated that the feasibility studies will cost from less than 0.5% to a high maximum of 3% of the construction cost of the sub-project.

The proposed loan will not seriously affect Panama's capacity to repay its foreign debt; foreign debt service now represents some 4.1% of current foreign currency revenues. Panama's current economic situation was discussed in detail in a previous loan paper (AID-LA/P-54, Section D-4). This proposed loan for feasibility studies will assist in the selection of high-priority projects for GOP or international agency financing.

The GOP will be expected to make whatever local currency contribution is possible to each sub-project studied under the loan, for items such as office space, secretaries, etc. However, it is anticipated that this contribution will be minor in relation to the over-all costs of most of the projects. For some sub-projects, a portion of the local currency costs of the study which is additional to normal local overhead costs may be covered by GOP contributions; the precise contributions for each sub-project will be negotiated with the GOP when A.I.D. approval for each sub-project's scope of work is requested. No total value of such GOP contributions can be specified at this time, therefore.

A.I.D. proposes to include in the Loan Agreement a covenant whereby the Borrower will exert his "best efforts" to set up and arrange financing for a separate feasibility fund as was proposed for the feasibility studies loans for Jamaica and Guatemala. This feasibility fund would be established when subsequent loans for development projects were made by any agency as a result of such feasibility studies, and would require that the development loan provide for funds to replace the cost of the study. It is clearly impossible to ensure at this time that the various lending agencies

that may finance projects resulting from studies under this loan will be willing to refinance the cost of such studies; this question will have to be negotiated on a specific-case basis. While the feasibility studies under this loan are expected to be performed for GOP public agencies, any studies which might be utilized by private investors should be made available to them with provisions calling for a reasonable contribution to the proposed over-all feasibility fund. Precise details as to how the covenant will be implemented will be worked out pragmatically with the GOP as the loan is utilized. If appropriate studies under the loan are used for projects to be financed by the GOP from its own resources, the GOP may also be required to contribute to the feasibility fund towards the study's cost.

III. EFFECT ON U. S. ECONOMY

The project will not have an unfavorable impact on the U.S. economy. The projects will be contracted primarily with U.S. consulting firms and any resulting development loans would ordinarily lead to the utilization of U.S. goods and services.

IV. PROCUREMENT

Dollar costs of consultants' contracts will be financed under letters of commitment. In the case of the employment of Panamanian consultants or joint ventures of U.S. firms and local firms or any other associated costs involving local cost financing, local currency is to be generated through the use of an appropriate commitment document that assures the use of the dollar funds for U.S. procurement.

V. SPECIAL TERMS AND CONDITIONS

None.

VI. ISSUES

None.

VII. PROBLEMS

Representatives of the National Planning Bureau are of the opinion that the GOP does not have a blanket authority to borrow funds under a loan that would include such a variety of studies and investigations. If this is found to be true it is planned to have this authority established by legislation when the legislature meets in October.

If A.I.D. could approve the loan now the National Planning Bureau representatives believe the announcement would be of great assistance in expediting the above-mentioned legislation and that the loan could be signed as soon as the legislation became effective. Pending actual loan agreement signature, the GOP could be preparing necessary documentation so that contracts approval and loan disbursement can occur soon after loan signature.

EXAMPLES OF SPECIFIC PROJECTS SUGGESTED FOR  
CONSIDERATION UNDER THE LOAN

Feasibility Study Section

1. Agriculture and Livestock Development, and Rural Development

a. Rio Santa Maria Project

This project is located about 150 Km. sw of Panama City in the Santa Maria River Basin and is estimated to contain about 23,960 hectares. It will require the completion of the semi-detailed soil maps, preliminary plans and specifications and cost estimates for the irrigation and drainage systems, and the benefit cost analysis. A reconnaissance plan has been prepared for the entire area and the reconnaissance cost estimate was \$24,590,000.

b. Rio Grande y Rio Chico

This project is located in the Chico and Grande river basin near the site of the proposed Santa Maria project and is estimated to contain about 23,640 hectares. In addition to the plans and specifications for the irrigation and drainage systems the feasibility survey will include similar information for hydroelectric power.

There has also been a complete reconnaissance survey made of this proposed project with an estimated construction cost of \$27,470,000.

c. Marketing Center

This project covers the expansion of the marketing system in Panama City encompassing the installation of adequate facilities for the receipt, classification, storage and distribution of agricultural products received from rural areas. It also contemplates the study of other installations which will facilitate collection and selection of perishable products in productive rural areas.

d. Slaughter House - DIVISA

This project covers the study of a slaughter house and cold-storage house in DIVISA which would operate as a regional service for the Central Provinces.

2. Education Facilities

- a. Studies of needs and location of elementary, secondary and vocational schools.
- b. The expansion of present facilities at the National University.

3. Urban Sewage and Water Systems

- a. Colon city water system.

4. Transportation

Roads

It is planned that feasibility surveys will be made in high priority sections of roadway in the following three-road classifications.

a. Interamerican Highway

This will include the possible relocation and up-grading of the design of some sections of the present highway.

b. National Highway Network

This is the fourth phase in the development of the basic highway network in Panama. It is expected that with the construction and/or reconstruction of about 402 km. of highway the basic network of highways will be completed in Panama.

c. Farm to Market Roads

It is planned to construct or rehabilitate about 1,000 Km. of penetration roads, primarily for farm-to-market use in areas of intensive rural development during the next seven years. Studies will emphasize roads in areas of intensive rural development.

Ports

The Program for Economic and Social Development includes the improvement and/or development of ports at Panama, Aguaduce, Mensabe, Puerto Mutis, Pedregal o Cabrito on the Pacific Coast.

The following are examples of these proposals:

a. Aguaduce

The port is located about 150 km. sw of Panama City. The present facilities consist of a concrete pier built on wooden piling and one warehouse. It is located in an estuary 8 kilometers from the ocean. It will require rebuilding and expansion.

b. Puerto Mutis

This port is located sw of Santiago in the estuary of the San Pedro river and is directly accessible to the Santiago Highway. It consists of a small concrete pier with a wooden floor. It will require rehabilitation and expansion.

5. Electric Power

This covers the construction of small, rural hydroelectric projects and metropolitan area systems.

6. Industrial Parks Development

A feasibility study for ~~industrial parks~~, including the selection of the site, the design of the park development including streets, electric power, water and sewage, transportation facilities, etc. Preliminary plans and specifications and a cost estimate for this development as well as a time schedule for the park development would also be included.

The plan would contain an estimate of the kinds and amounts of various basic industrial installations for the park as well as a plan for making the park facilities available to prospective investors.

7. Housing

In this sector, pre-feasibility studies are required in several cities, to determine the size and nature of the housing market and develop construction programs.

8. Tourism

Studies are required in connection with a tourism development program, particularly for the improvement of public beach facilities and of hotels, such as the Taboga Hotel.

**CHECK LIST OF STATUTORY CRITERIA (ALLIANCE FOR PROGRESS)**

- # \* 1. Foreign Assistance Act of 1961, as amended (hereinafter FAA), Section 102. The loan will further the policy of the Act, as stated in this Section. Every possible precaution will be taken to assure that loan proceeds are not diverted to short-term emergency purposes (such as budgetary purposes, balance of payments purposes, or military purposes) or any other purpose not essential to the long-range economic development of Panama (See Section I-C).
  
- # \* 2. FAA Section 201(d). Loan funds are not to be loaned or re-loaned at rates of interest which are excessive or unreasonable for the Borrower, or higher than the applicable legal rate of interest in Panama of six (6) per cent. This loan will be extended to the Government of Panama at less than 6% interest, and will not be reloaned by the GOP.
  
- \* 3. FAA Section 202(c), Foreign Aid and Related Agencies Appropriation Act of 1964 (hereinafter "App."), Section 117. Funds have been appropriated by Congress for this loan.
  
- \* 4. FAA Section 204. The terms and conditions of the loan are in accordance with standards and criteria established by the Development Loan Committee.
  
- # \* 5. FAA Section 251(a). The loan will promote economic development in Panama and will contribute to the welfare of its people. (See Section I-C.)

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- # 6. FAA Section 251(b)(1). Account has been taken of the extent to which Panama is adhering to the principles of the Act of Bogota and Charter of Punta del Este and is showing a responsiveness to the vital economic, political and social concerns of its people, and of the extent to which Panama has demonstrated a clear determination to take effective self-help measures. (See Section I-C.)  
The CIAP has recently completed a review of Panama's proposed development program (August 14-15, 1964), which was submitted in accordance with the above Acts.
- # 7. FAA Section 251(b)(2). The activity to be financed is economically and technically sound (Refer Section II-C, para. 2.)
- # 8. FAA Section 251(b)(3). The activity is consistent with and is related to other development activities being undertaken or planned and will contribute to realizable long-range objectives. (Refer Section I-C.)
- # 9. FAA Section 251(b)(4). The loan will have no foreseeable adverse effect on the U.S. economy. (Refer Section III.)
- # 10. FAA Section 251(b). Financing from other free world sources (including private sources within the United States) on reasonable terms for the project is not available. (Section III-E.) In view of the nature of the Project and the proposed terms, alternative financing sources are believed to be unavailable.
- # 11. FAA Section 251(b). The terms of the loan (interest, year amortization) are reasonable under circumstances affecting the loan and the capacity of Borrower to repay.  
(See Sections II-D and E, and detailed discussion in AID-IA/1-34, June 26, 1964, PANAMA-Cadastral Survey and Natural Resources Evaluation Program.

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12. **FAA Section 251(b).** Account has been taken of the extent to which Panama is making reasonable efforts to encourage repatriation of capital invested in other countries by its own citizens. It is found that Panama's continuing endeavors to this end are adequate from the viewpoint of meeting the purpose of this provision.
13. **FAA Section 251(b).** There are reasonable prospects that the loan will be repaid. Panama's debt repayment capacity is satisfactory, and the loan has been requested by and will be a commitment of the Government of Panama.
14. **FAA Section 251(e).** An application has been received for this loan which gives sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner.
15. **FAA Section 251(g).** In view of the nature of the project, it is not appropriate to utilize the loan to assist in promoting the cooperative movement in Latin America.
16. **FAA Sections 601(b); 621.** The loan will be administered in such a manner as to encourage and facilitate participation by private enterprise to the maximum extent practicable. United States private engineering services, and other services of United States private enterprise will be employed whenever practicable. The facilities of other Federal agencies will be utilized only if they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs. (See Section II - C. Feasibility studies under the loan will be carried out by private engineering firms.)
17. **FAA Section 602.** American small business shall be assisted to the maximum extent practicable to participate equitably in the furnishing of goods and services for the project, in accordance with the procedures described in this section of the Act.
18. **FAA Section 604(a).** Equipment, materials, and services (except Marine Insurance) financed for the project under the loan shall be procured from the United States or Panama Dollars utilized under the loan to finance procurement in Panama shall be made available through appropriate procedures and, except for Marine Insurance, shall be used only for procurement in the United States.

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- \* 19. FAA Section 604(b). Any commodities financed by the loan and purchased in bulk will be purchased at prices no higher than prevailing U.S. market prices.
- \* 20. FAA Section 604(d). Loan funds shall be available for Marine Insurance on commodities shipped when such insurance is placed on a competitive basis, as specified in this section of the Act. In the event that Panama discriminates against any U.S. marine insurance company, commodities purchased with loan funds shall be insured against marine risk with a U.S. company, as required by this section.
- # \* 21. FAA Section 611(a)(1). Necessary substantive technical and financial planning for the project has been completed, and a reasonably firm estimate of cost of the project to the United States has been obtained. (Refer to Annex I and Section II-C, para. 1.)
- \* 22. FAA Section 611(a)(2). Legislation is required by the Panamanian Legislature to give the National Planning Bureau over-all authority to sign and administer the Loan Agreement. The loan agreement will not be signed until satisfactory legislation has been enacted (See Section VIII).
- \* 23. FAA Section 611(b), App. Section 101. The project does not involve water or related land resource construction.
- \* 24. FAA Section 611(c). No construction contracts are to be financed by the loan.
- \* 25. FAA Section 619. Not applicable. Panama is not a newly independent country.

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- \* 26. FAA Section 620(a), App. Sections 109(a), 109(b). No assistance will be furnished under this loan to the present government of Cuba, nor does Panama furnish assistance to the present government of Cuba. Panama has taken appropriate steps to prevent ships or aircraft under its registry from engaging in any Cuba trade.
- \* 27. FAA Section 620(b). The Secretary of State has determined that Panama is not controlled by the International Communist Movement.
- \* 28. FAA Section 620(c). Panama is not indebted to any U. S. citizen for goods or services furnished or ordered, where such a citizen has exhausted available legal remedies or where the debt is not denied or contested by or the indebtedness arises under an unconditional guaranty of payment given by
- \* 29. FAA Section 620(d). Loan funds will not finance construction or operation of any productive enterprise which will compete with United States enterprise.
- \* 30. FAA Section 620(e). Neither the government of Panama nor any governmental agency or subdivision thereof has, on or after January 1, 1962, nationalized, expropriated, or seized ownership or control of property of any U. S. citizen or firm, taken steps to repudiate or nullify existing contracts with such citizens or firms, or imposed or enforced discriminatory taxation or other exactions or restrictive conditions, or taken other actions having the effect of nationalizing, expropriating or otherwise seizing ownership or control of property owned by U. S. citizens or firms, as specified in this section of the Act, without taking appropriate steps to discharge its obligations, as specified in this section of the Act.
- \* 31. FAA Section 620(f), App. Sections 109(a), 109(b). Assistance provided by this loan will not be furnished to any Communist country.
- \* 32. FAA Section 620(g). Assistance provided by this loan will not be used to compensate for expropriated or nationalized property,

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- \* 33. FAA Section 620(h). Assistance provided by this loan will not be used in a manner which promotes or assists foreign aid projects or activities of the Communist bloc countries.
- \* 34. FAA Section 620(i). The President has not determined that Panama is engaging in or preparing for aggressive military efforts directed against the United States, or any country receiving assistance from the United States, or against any country to which sales are made under PL 480, nor is any basis for such determination known to A.I.D.
- \* 35. FAA Section 636(n). The Government of Panama will contribute a minor amount of local currency for office space, and services, transport, etc. to meet some of the contractual and other services required in connection with the loan subproject. In view of the nature of the Project, it is not deemed appropriate to insist on a large GOP contribution. US-owned foreign currency will, to the maximum extent possible, be utilized to meet the costs of contractual and other services for the project.
- \* 36. App. Section 102. Obligations of funds in excess of \$25,000 for engineering fees to any firms or group of firms financed under the loan will be reported to the Committees on Appropriations of the Senate and House.
- \* 37. App. Section 104. Funds obligated by the loan, and local currency generated thereby, will not be used to pay pensions, annuities, etc., as prohibited in this section.
- \* 38. App. Section 111. U.S. personnel to serve under contracts for services financed by the loan shall have security clearance.
- \* 39. App. Section 112. Firms which provide services financed by the loan for the project, and the terms of their contracts, shall be approved by A.I.D.
- \* 40. App. Section 114. Loan funds will not be used to make any payment to the U.N.

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- \* 41. App. Section 118. ~~Inapplicable.~~ No construction work will be financed by the loan.
- \* 42. App. Section 601. Loan funds will not be used for publicity or propaganda purposes within the United States.

  
Warren Wolff/HRoberts:LA/CD  
Co-Chairmen, Project Committee

Clearance: Counsel: Peter Hornbostel: GC/LA   
Desk : ALipsman: PAN ALAL  
Engineer: KKohler: LA/ENGR KK  
Other (Specify) \_\_\_\_\_

LOAN AUTHORIZATION

Provided from: Alliance for Progress Funds  
PANAMA: Feasibility Studies and Pre-Feasibility Investigations

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress of said Act to the Government of Panama ("Borrower") of not to exceed two million United States dollars (\$2,000,000) to assist in financing the costs of feasibility studies and pre-feasibility studies in Panama ("Subprojects"); this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment. Borrower shall repay the Loan to the Agency for International Development ("A.I.D.") in United States dollars within forty (40) years from the first disbursement under the loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest at the rate of three-quarters of one ( $3/4$  of 1) percent per annum during the grace period and two (2) percent per annum thereafter.
2. Other Terms and Conditions.
  - (a) Equipment, materials and services (except marine insurance) financed under the loan shall be procured from the United States of America or Panama.
  - (b) United States dollars utilized under the loan to finance local costs shall be made available to the Borrower or its designee through appropriate procedures and shall be used only for procurement in the United States (excepting marine insurance).

- (c) All subprojects financed hereunder, the firms or entities which will carry out the subprojects, and the terms of any contracts or other arrangements between Borrower and such firms or entities, shall be subject to prior approval of A.I.D.
- (d) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

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Deputy U.S. Coordinator  
Alliance for Progress

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Date