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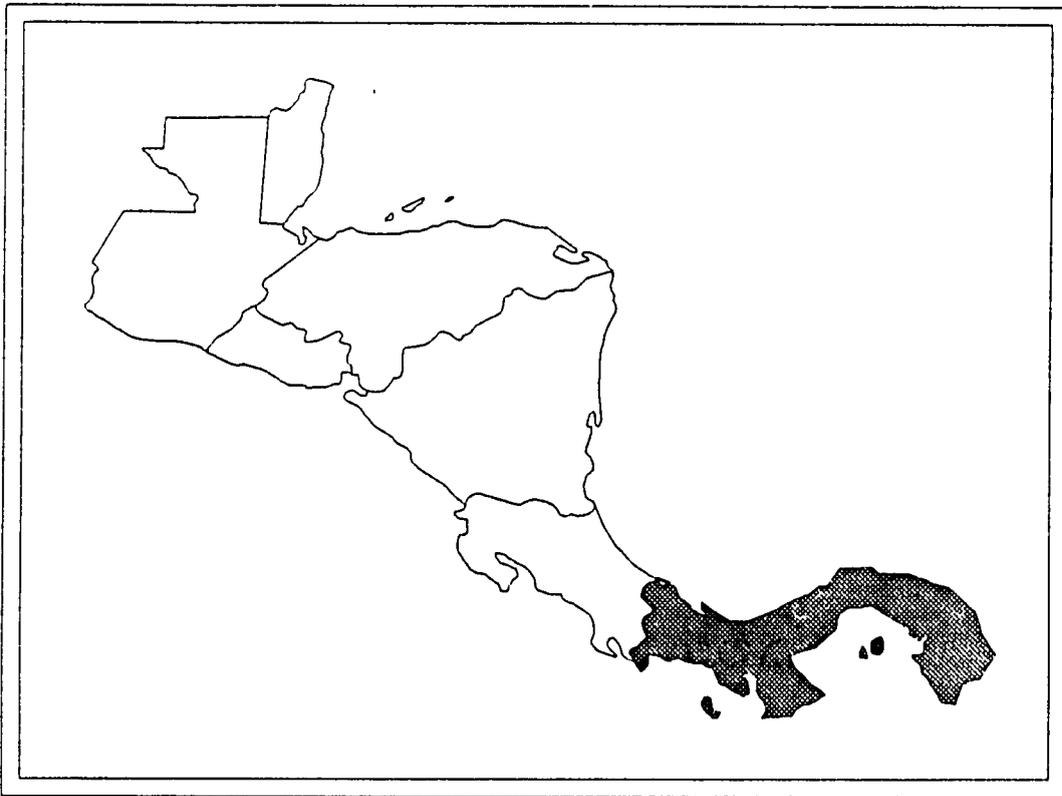
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*SEMI-ANNUAL
PROJECT STATUS REPORT
OCTOBER 1, 1993 - MARCH 31, 1994*



*COMPILED BY OFFICE OF
PROJECTS, PROGRAM AND ECONOMIC POLICY (PPEP)*

MISSION DIRECTOR'S OVERVIEW

October 1, 1993 - March 31, 1994 Reporting Period

Scope and Financial Overview

During the week of May 2-6, 1994, the USAID/Panama portfolio of active projects was reviewed for the six-month period ending March 31, 1994. The review assessed the performance of the individual projects in the achievement of pre-established project objectives, contribution to the achievement of the Mission's strategic objectives, the identification of implementation problems, the effectiveness of corrective actions, as well as financial status.

In general terms, the performance of the portfolio of projects was judged to be satisfactory. All but two projects were rated "B". A "C" rating was applied to the Natural Resources Management Project because as reported in our previous Overview, the planned trust fund will not be established until June 1994 and continued close monitoring by senior Mission management in this effort is required. Also a "C" rating was given to the Trade and Investment Development Project due to a marked slowdown in implementation and expenditures.

The summary financial status of the portfolio as of March 31, 1994 reveals that total obligations of active projects amounted to \$67.6 million or 84.0% of the LOP authorized amount, \$80.4 million. The resulting mortgage of \$12.8 million represents 15.9% of authorizations. Of the total amount obligated, \$31.3 million or 46.3% has been expended.

Pipeline Analysis

As of March 31, 1994, the total pipeline stood at \$36.2 million or 53.6% of obligations with \$35.1 million or 97% being 3 1/2 years of age or less. Four projects stand out for having relatively large pipelines. (1) The Natural Resources Management Project, with more than 50% of its pipeline associated with the trust fund which will be established in June 1994. Thus, the pipeline should be drawn down significantly by the next report. (2) and (3) Financial Management Reform and Improved Administration of Justice, the pipelines of which are the result of high first year obligations and the fact that both primarily finance long-term technical assistance which is drawn down at rates dictated by the volume of services provided. (4) CLASP II in which the majority of obligated funds are committed to PIO/Ps which according to Agency policy, must be fully funded up front.

Major Accomplishments Towards Achievement of Strategic Objectives

The following highlight specific project actions that contribute directly to the achievement of the Mission's Strategic Objectives set forth in the 1995 to 1996 Action Plan.

- Strengthened Competent Civilian Government Institutions and Greater Citizen Participation
 - Budgetary resources for the justice sector for CY 1994 were 2.5% of the national budget. While lower than the 2.7% budgeted in CY 1993, it never-the-less exceeds the 2.0% Constitutional requirement.
 - Performance evaluations for career status in the Judiciary have been completed. Approximately 15% of those evaluated were not given career status.
 - In the Public Ministry, a position description manual has been completed and final draft regulations were prepared in late March, 1994.
 - In February, 1994, the new pilot case tracking and statistical control system tested in the San Miguelito District in CY 1993 was expanded to the Second Superior Tribunal of Justice, the Superior Prosecutors, the Attorney General's Office and the Delegate Attorneys' Offices.
 - A new internal case management system is scheduled to be implemented during the first week of April, 1994 in the Drug Secretariat (this office conducts initial investigations in drug related criminal cases before they are forwarded to the municipal, circuit or superior prosecutors) aimed at centralizing the responsibility for the control, distribution and actions of all files processed during the preliminary stages of an investigation.
 - A new internal case management system is also being designed for the Auxiliary Attorney's Office, similar to the one developed for the Drug Secretariat. The Auxiliary Attorney's Office conducts preliminary investigations related to cases for which the Judicial Technical Police are responsible.
 - The Manual of Governmental Internal Audit and Manual of Governmental Audit Standards have been published. They are currently being reviewed for comments and should be adopted and decreed by the next rating period.

- The new accounting system is being implemented on a pilot basis in five GOP institutions. Plans call for installation of the system throughout the Central Government by the end of CY 1994. An analysis of the requirements for computer hardware and software for the information technology component is due by the end of May, 1994.
 - Election day simulations have been conducted on a monthly basis in preparation for the May 8 national elections. These "dry-runs" have been very effective in the early detection of potential problems, as well as a means to "fine tune" the electoral process.
 - The most recent public opinion poll conducted by Dickter & Neira/Louis Harris indicates that 71.3% of the electorate have complete confidence in the electoral process.
 - As a result of the successes in the Electoral Project funded Civic Education campaign, the Electoral Tribunal secured additional funding from the European Economic Community to be used to increase voter motivation and voter awareness campaigns during the final weeks prior to the elections.
- Improved Economics Policies/Business Climate
- The Presidential Commission on Canal affairs submitted a proposed Constitutional change through the Cabinet to the National Assembly which would establish a Canal operating entity. The proposal requires passage by two separately elected assemblies. The present assembly approved the proposal in December, 1993. A new assembly will convene in September, 1994 to consider the bill a second time.
 - An initial "discussion draft" for a strategic plan of activities to take place during the transition period leading up to the Canal's transfer, and for post year 2000 operations was completed in December 1993. A final plan is due in April 1994.
 - Specific tariffs on an additional 277 product classifications were eliminated in March 1994 and replaced with ad valorem rates.

- Preservation of Natural Resources

- With resources from the Financial Management Reform Project, the Controller General of the Republic is providing required training in accounting, establishing the necessary financial controls and strengthening the existing accounting system at INRENARE.
- The GOP has budgeted \$15.0 million as its direct contribution to establish a Trust Fund that will replace a debt swap that originally was intended to finance the Trust. A draft Trust Agreement has been presented to MIPPE for approval and the selection process for the Trustee has been initiated.
- The implementation of the first nine sub-grants using NATURA as a pass through agent are well underway and additional funds for this activity have been requested.
- Draft action plans for national parks located in the Panama Canal Watershed (PCW) have been prepared by the U.S. National Park Service and reviewed and approved by INRENARE. They are currently being finalized. Also, specifications for demarcating and posting signs along the boundaries of the parks in the PCW have been prepared.
- All public lands in the PCW, with the exception of the West Bank of the Canal are under some type of protection. Protection measures for the West Bank are currently being considered by the GOP. The completion of the Canal Watershed Management Plan by September, 1994 will identify the required elements to implement appropriate conservation practices on all public and private lands.

- Evaluations/Audits

Final evaluations as well as final management and financial audits were conducted for the Private Sector Scholarship Fund Project (COSPAE) and the Drug Awareness and Prevention Project. Currently, a final evaluation and audit is underway for the PANAJURU-Local Scholarships Project.

During the next reporting period evaluations will be conducted for the Financial Management Reform Project, the Improved Electoral Administration Project and the Central American Peace Scholarships Project (CAPS). A final audit for the Improved Electoral Administration Project will also be conducted.

- Success Stories

Following completion in FY 1993 of the Mission's emergency assistance efforts under the Dire Emergency Act enacted by the U.S. Congress in FY 1990, USAID's Program now focuses on, and emphasizes targeted technical assistance and training to selected institutions which are important to establishing an environment of political and economic stability.

Because of its institution building nature, the development impact of the Program is expected to be realized in the medium to longer term. Nevertheless, some impressive progress is already being made, a sample of which we have documented as "success stories" in an annex to this Overview.

We have defined "Success Stories" as the performance of an activity or an aspect of a project that meets or exceeds expectations and uniquely contributes to the achievement of program objectives. Several activities under the Improved Administration of Justice Project, the Improved Electoral Administration Project, the Economic Policy Development Project, and the Financial Management Reform Project clearly meet this definition.

- Problems/Issues

No major problems in the Mission's portfolio surfaced during the reviews. Normal implementation issues are being addressed and most activities are on schedule.



Kevin Kelly,
Director

FINANCIAL SUMMARY OF USAID/PANAMA PORTFOLIO
(OCTOBER 1, 1993 THROUGH MARCH 31, 1994)
(\$000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
PROJECT NO.	PROGRAM/PROJECT TITLE	CATE-GORY	DATE OF INIT. OBLIG.	LAST REVISED PACD	% OF LOP ELASRD	% OBLIG. EXPEND.	AIDH. LOP AMOUNT	CURRENT FY OBLIG. TO DATE	CUMUL. AMOUNT OBLIG.	MORT-GAGE	BEGINNING FY PIPELINE	PLANNED SEMESTER EXPEND.	ACTRUED SEMESTER EXPEND.	ACCURED AS % OF PLANNED	CUMULATIVE ACCRUED EXPEND.	ENDING PIPELINE	PLANNED EXPEND. (NEXT SEM.)	
ACTIVE PROJECTS																		
SO # 1: STRENGTHENED COMPETENT CIVILIAN GOVERNMENT INSTITUTIONS AND GREATER CITIZEN PARTICIPATION							53,731	1,691	44,392	9,339	20,707	4,741	3,982	84%	25,768	18,624	6,790	
525-0101	SPECIAL DEVELOPMENT ACTIVITIES	G	06/26/93	09/30/95	33%	2%	226	100	226	0	126	75	5	7%	5	221	75	
525-0281	PANAJURU LOCAL SCHOLARSHPS	G	08/31/85	04/30/94	99%	94%	1,447	0	1,447	0	137	137	53	36%	1,363	84	84	
525-0302	IRP - SDA	G	03/07/90	03/31/94	100%	100%	908	0	908	0	45	45	253	562%	908	0	0	
525-0306	FINANCIAL MANAGEMENT REFORM	G	06/05/91	06/05/96	57%	32%	6,300	0	5,800	500	4,349	450	415	92%	1,866	3,934	430	
525-0312	IMPROVED ADMIN. OF JUSTICE	G	03/08/91	03/08/96	62%	29%	12,000	0	9,575	2,425	7,431	1,000	599	60%	2,743	6,832	3,000	
525-0314	TAX ADMIN. IMPROVEMENT	G	03/08/91	12/31/94	80%	68%	1,600	0	1,600	0	539	60	26	43%	1,087	513	50	
525-0317	IMPROVED ELECTION ADMIN.	G	09/30/92	12/31/94	67%	80%	4,200	365	4,200	0	1,969	1,800	1,490	83%	3,356	844	800	
525-1000	C. AMERICA PEACE SCHOLARSHPS	G	03/29/85	12/31/94	92%	91%	12,050	0	12,050	0	1,212	250	185	74%	11,023	1,027	430	
525-1001	C & L AMERICA PEACE SCHOL. II	G	09/30/91	09/30/98	36%	40%	15,000	1,226	8,586	6,414	4,899	924	956	103%	3,417	5,169	1,921	
SO # 2: IMPROVED ECONOMIC POLICIES/BUSINESS CLIMATE							7,800	400	7,300	500	4,516	1,120	1,230	110%	3,614	3,686	1,220	
525-0287	PVT. SECTOR LOW COST SHELTER	G	09/19/91	03/31/95	71%	61%	300	0	300	0	118	30	0	0%	182	118	30	
525-0309	TRADE & INVESTMENT DEVELOPMENT	G	03/31/92	03/31/95	67%	19%	2,500	0	2,000	500	1,799	250	186	74%	387	1,613	250	
525-0313	ECONOMIC POLICY DEVELOPMENT	G	04/19/91	09/30/94	85%	61%	5,000	400	5,000	0	2,599	840	1,044	124%	3,045	1,955	940	
SO # 3: PRESERVATION OF NATURAL RESOURCES							18,000	0	15,000	3,000	14,410	990	506	51%	1,096	13,904	8,400	
525-0308	NATURAL RESOURCES MANAGEMENT	G	06/07/91	06/07/98	40%	7%	18,000	0	15,000	3,000	14,410	990	506	51%	1,096	13,904	8,400	
OTHER							868	0	868	0	580	328	369	113%	864	4	0	
525-0302	IRP - CONTINGENCY	G	03/07/90	03/31/94	100%	100%	618	0	618	0	552	300	345	115%	618	0	0	
525-0320	DRUG AWARENESS AND PREVENTION	G	09/28/91	03/31/94	100%	98%	250	0	250	0	28	28	24	86%	246	4	0	
SUBTOTAL ACTIVE PROJECTS							46%	80,399	2,091	67,560	12,839	40,213	7,179	6,087	85%	31,342	36,218	16,410
TERMINATED PROJECTS																		
525-0258	PVT. SECTOR SCHOLARSHIP FUND	G	06/28/84	09/30/93	100%	100%	3,386	0	3,386	0	0	0	0	0%	3,386	0	0	
525-0285	PANAJURU - ZAMORANO	G	08/28/86	09/30/93	100%	100%	750	0	750	0	1	0	0	0%	749	1	0	
525-0302	IRP - T. A. & COMMODITIES	G	03/07/90	03/31/94	100%	100%	5,197	0	5,197	0	5	0	0	0%	5,197	0	0	
525-0307	DEMOCRATIC INITIATIVES	G	11/07/90	07/31/93	100%	95%	3,151	0	3,151	0	151	0	1	0%	3,001	150	0	
SUBTOTAL TERMINATED PROJECTS							99%	12,484	0	12,484	0	157	0	1	0%	12,333	151	0
ACTIVE PROGRAM																		
NONE																		
SUBTOTAL ACTIVE PROGRAM																		

**PIPELINE ANALYSIS
USAID/PANAMA
MARCH 31, 1994
(\$000)**

PROJECT NO. (1)	PROJECT TITLE (2)	CUMMULATIVE OBUIGATION (3)	FY OBLIGATION (4)							PIPELINE (5)	PIPELINE DISTRIBUTION (6)						
			1988	1989	1990	1991	1992	1993	1994		1988	1989	1990	1991	1992	1993	1994
ACTIVE PROJECTS																	
SO# 1: STRENGTHENED COMPETENT CIVILIAN GOVERNMENT INSTITUTIONS AND GREATER CITIZEN PARTICIPATION																	
		44,392	1,000	0	6,200	18,018	7,260	3,676	1,691	18,624	0	0	1,111	8,247	5,975	1,600	1,691
525-0101	SPECIAL DEVELOPMENT ACTIVITIES	226	0	0	0	0	0	126	100	221	0	0	0	0	0	121	100
525-0281	PANAJJRU LOCAL SCHOLARSHPS	1,447	0	0	500	0	0	0	0	84	0	0	84	0	0	0	0
525-0302	IRP - SDA	908	0	0	250	658	0	0	0	0	0	0	0	0	0	0	0
525-0306	FINANCIAL MANAGEMENT REFORM	5,800	0	0	0	4,500	1,300	0	0	3,934	0	0	0	2,634	1,300	0	0
525-0312	IMPROVED ADMIN. OF JUSTICE	9,575	0	0	0	6,900	2,675	0	0	6,832	0	0	0	4,157	2,675	0	0
525-0314	TAX ADMIN. IMPROVEMENT	1,600	0	0	0	1,600	0	0	0	513	0	0	0	513	0	0	0
525-0317	IMPROVED ELECTION ADMINISTRATION	4,200	0	0	0	0	1,285	2,550	365	844	0	0	0	0	0	479	365
525-1000	C. AMERICA PEACE SCHOLARSHIPS	12,050	1,000	0	5,450	0	0	0	0	1,027	0	0	1,027	0	0	0	0
525-1001	C. & L. AMERICA PEACE SCHOL. II	8,586	0	0	0	4,360	2,000	1,000	1,226	5,169	0	0	0	943	2,000	1,000	1,226
SO# 2: IMPROVED ECONOMIC POLICIES/BUSINESS CLIMATE																	
		7,300	0	0	0	3,400	3,000	500	400	3,686	0	0	0	173	2,613	500	400
525-0287	PVT. SECTOR LOW COST SHELTER	300	0	0	0	300	0	0	0	118	0	0	0	118	0	0	0
525-0309	TRADE & INVESTMENT DEVELOPMENT	2,000	0	0	0	0	2,000	0	0	1,613	0	0	0	0	1,613	0	0
525-0313	ECONOMIC POLICY DEVELOPMENT	5,000	0	0	0	3,100	1,000	500	400	1,955	0	0	0	55	1,000	500	400
SO# 3: PRESERVATION OF NATURAL RESOURCES																	
		15,000	0	0	0	10,000	3,000	2,000	0	13,904	0	0	0	8,904	3,000	2,000	0
525-0308	NATURAL RESOURCES MANAGEMENT	15,000	0	0	0	10,000	3,000	2,000	0	13,904	0	0	0	8,904	3,000	2,000	0
OTHER																	
		868	0	0	0	868	0	0	0	4	0	0	0	4	0	0	0
525-0302	IRP - CONTINGENCY	618	0	0	0	618	0	0	0	0	0	0	0	0	0	0	0
525-0320	DRUG AWARENESS AND PREVENTION	250	0	0	0	250	0	0	0	4	0	0	0	4	0	0	0
TOTAL		67,560	1,000	0	6,200	32,286	13,260	6,176	2,091	36,218	0	0	1,111	17,328	11,588	4,100	2,091

ANNEX

SUCCESS STORIES

Success Stories are defined as performance of an activity or an aspect of a Project that meet or exceed expectations and uniquely contribute to the achievement of program objectives. The following are a sample of such activities in the USAID/Panama Project Portfolio that meet this definition.

Project: Improved Administration of Justice - 525-0312

Background

Following 21 years of military rule, Panama struggled with the task of crafting a democratic political order and promoting economic growth and recovery. The problems of the administration of justice were the legacy of years of neglect, mismanagement and corruption of the country's legal system.

Major issues and needs were reflected primarily on: the infrastructure, both physical plant and equipment; inadequate budgetary resources; administrative problems which burden the system; delays in case processing which exceed statutory time-frames and overcrowd the prison system with pretrial detainee; lack of a civil service competitive selection process which would guarantee stability and independence of judges, prosecutors and support personnel; insufficient number of public defenders; and the absence of an ongoing legal training process to increase justice sector officials' efficiency.

The justice system although weak, abused and neglected is still the major point of contact between the common citizen and the government. Because it is viewed by the government and citizenry alike as the main vehicle available to legally account for the excesses of the former military regime, some 16,000 new cases were filed in the early part of 1990 in addition to the pending cases which were literally held in abeyance for extended periods of time prior to December 1989.

The USAID justice sector strategy recognized that addressing short-term political requirements would not necessarily result in long-term institutional development. Therefore, outside of the limited assistance provided to the Judiciary and Public Ministry under the Immediate Recovery Project, the Mission's efforts have focussed on careful review with counterparts of the current situation, and efforts to draw a road map with the Panamanians for a long-term effort in judicial reform and restructuring.

Within the context of the AOJ Project activities, there are three main areas which have already produced noticeable results and have achieved the status of being institutionalized by the hierarchy of both justice sector organizations and thus becoming permanent improvements which will be implemented on a nationwide basis.

Success Story No. 1

Case Management and Statistic Control System.

The administration of justice in Panama lacked a standard case management and statistic control reporting system, resulting in considerable differences not only between the courts and Public Ministry but also within the jurisdictional levels of each organization. Routine administrative or non-judicial processing of cases were burdensome, bureaucratic and time consuming; data provided were not consistent or reliable; court and prosecutor office personnel were not accountable for delays as there was no mechanism to detect it.

In addition to technical procedural problems, an important obstacle to overcome was the embedded attitude against change. A six month pilot program was, therefore, conducted in the Judicial Circuit of San Miguelito which involved all courts and prosecutors offices at the municipal and circuit level in the area and incorporated the active participation of all employees to develop, adjust and implement uniform instruments to process the non-judicial aspects of case management and provide for standard statistical report forms. The system was designed in a manual format but anticipates an easy conversion to full automation.

It is estimated that the overall reduction of time spent in processing the new case management forms went from four weeks to one or two days; and on the monthly statistics reports, from two weeks to two hours or less. Also of importance was the higher degree of accuracy within each office and consistency between reports issued by prosecutors' offices and the courts. Personnel from both justice sector institutions have, in turn, been trained to provide training to their colleagues on the new system and render close monitoring during a one month period on the job.

Circuit and municipal level courts and prosecutors offices in San Miguelito and Panama City (which incorporated the system during October-November, 1993) handle approximately 45% to 50% of the total caseload in the Republic. As of March 31, 1994, the system had been implemented in a total of 69 courts and offices (now including the superior levels) and totalling 687 officials duly trained.

Success Story No. 2

Functional integration of the Judicial Technical Police to the Public Ministry

Law No. 16 of July 9, 1991 created the Judicial Technical Police (formerly the secrete service/DENI) as an auxiliary dependency of the Public Ministry and ordered its integration to this justice sector institution. The practical effect, nevertheless, was that while the law mandated the PTJ be under the direction, supervision and control of the Office of the Attorney General it continued to operate in an independent or separate manner, thus making the integration process only a matter of formality.

PTJ investigators and detectives continue to act on their own during the preliminary stages of the criminal investigation before the prosecutor actually takes control over the investigative phase of the proceeding. This results in the continued lack of proper observance of legal requirements, repetition of proceedings, delays in the compliance of statutory time-frames, and dismissal of cases on account of procedural technicalities.

Of great impact was the total lack of communication between the PTJ and the prosecutors, undefined role expectations, and absence of a clear understanding (for the PTJ agents) of the legal implications of their actions within the files as well as what was expected from them. On the other hand, prosecutors were seldom available to actually participate in the preliminary stages of the investigations, supervise or respond to questions.

A one year pilot program was conducted in the Second Judicial District (Provinces of Cocle and Veraguas) which involved all prosecutors offices (at the municipal, circuit and superior levels) and PTJ agencies in the area to firstly develop basic communication skills and implement a coordinated working relation which could render a smoothly integrated criminal investigation at all stages of the procedure; but of utmost importance was that the construction of the case files were --to the best extent possible-- legally flawless.

As a result of this effort, among other achievements, it is worth noting that statutory limitations are more strictly observed and files are forwarded from the PTJ agencies to the prosecutors offices in a more complete manner (including chronological order and with the pages numbered), which expedites the case handling because the file does not have to be returned for additional actions and diminishes the possibility of tampering or corruption; actions conducted now comply with legal requirements, which ensures compliance with due process and reduces delays in so far as they do not have to be repeated; the prosecutor's direct involvement from the very first stages of the investigation provide a better

understanding of the case (including the incorporation of additional evidence, which if not secure at the scene of the crime and/or immediately thereafter cannot be obtained and, thus, provide for a more effective prosecution.

This functional integration process has been institutionalized with the approval of the Attorney General, who ordered its continuation in the Second Judicial District and the scheduled implementation on a nationwide basis. As of March 31, 1994, this activity has been expanded to the Fourth Judicial District (Provinces of Herrera and Los Santos).

Success Story No. 3

Induction training courses at the Judicial School

Improvement in the administration of justice cannot be viewed only from the standpoint of infrastructure, equipment modernization and increased budgetary resources without focusing on the qualifications of the people who work in the system. Problems encountered were from providing a continuing legal training program to an integral orientation of the justice sector as well as self-esteem, professional ethics and personal conduct (including during non-working hours). In addition, it was necessary to ascertain that whatever was provided could be monitored after a given period to evaluate its effectiveness.

Induction training courses were provided throughout the whole country for all categories of Judicial Branch employees during 1993 and have resulted (as viewed by the employee's supervisor) in an overall quality performance improvement and compliance of existing regulations from 33% to 42.8% in the support/clerical staff of the courts; in the case of "secretarios" (senior legal official in the court), a 20% increment in compliance with existing regulations and a 100% improvement in the level of understanding of their duties and responsibilities, ethical conduct expected and initiative. In the case of judges (self-evaluation methodology applied), improvements of from 20% to 40% were noted in all categories in which the personal status moved primarily from "seldom" to "frequently", and in others, this percentage increment was reflected in the "always".

During 1994, induction training courses will continue for the Judicial Branch and will begin to be conducted for the Public Ministry.

Project: Economic Policy Development - 525-0313

Background

Panama emerged from the 1980s in a state of political and economic crises. The Endara government, sworn in during operation "Just Cause", established the restoration of order and economic reform as priorities for his government. Demonstrating its conviction, the GOP began developing an economic reform program. However, the development of the program as well as the implementation of that which was eventually agreed to by the IFIs has been characterized by many false starts and delays. Moreover, previous structural adjustment programs for Panama have never been completed.

One reason identified for Panama's failure to sustain a reform program was the poor training and low skill levels of the majority of the public sector economists. Most had been trained at local Universities which focused on social and political based economic theories with little attention to neoclassic economic theory or the analytical skills essential to policy development and program implementation. As a consequence, public sector economists were usually ignored in the program formulation process. This in turn resulted in low morale and limited support or resistance was found at the very levels essential to program implementation.

In designing the Economic Policy Development Project, it was clear that besides providing timely technical assistance in specific policy areas, attention had to be given to improving the general knowledge and skill levels of the public sector economists. A means had to be developed whereby a relatively large number (100 was the target figure) could be trained expeditiously and at a relatively low cost. Sending 100 participants to the U.S. was out of the question - cost wise, time wise and work release wise. Instead, it was decided to bring U.S. university level training to Panama. A Cooperative Agreement was signed with Iowa State University in 1992 to provide two one-year cycles of training in Panama. Each cycle was to include senior level courses in micro and macroeconomic theory, econometrics, and a Panama relevant special topics course (with visiting distinguished professors). Computer training with a heavy emphasis on quantitative analysis was included. A key component of the program was that the courses were awarded full U.S. University credit. Classes (all in Spanish) were scheduled for two duty hours each day which meant that time away from work was limited and that new skills could be applied almost immediately. All this, including the costs of setting up a computer lab and bringing in distinguished professors for the special topics course, is provided at just under half the average costs incurred for stateside training of Panama participants.

Success Story No. 1

Economic Training

Of 50 participants starting the first cycle, 43 completed the program, 22 females and 21 males. Another 48 participants, 22 females and 26 males, started the second cycle beginning September 1993. Participants come from 40 different government institutions including 8 from the Ministry of Planning and Economic Policy and from the teaching staffs of various Panamanian Universities. Pretests given to participants at the start of the program showed those entering the program had a knowledge level equal to a weak introductory economics course. Examinations taken during the program showed all were finishing with a strong senior level in the subjects offered. An evaluation of the training conducted at the end of the first cycle concluded that "the training component ... has clearly succeed in remedying to a measurable degree the deficiencies in the application of economic reasoning and analytical skills which most participants brought to the Iowa State University training activity".

While it is too early to determine the impact the participants are having in the ministries, information obtained since the conclusion of the first cycle is very positive. A major advantage of this arrangement is that the participants remain in their jobs and hence in the system so their influence continue. They are not pulled out for training and then forced to look for a new job when the training is completed. Participants have begun to utilize in their workplaces the statistical programs taught to each. Others have been placed in new positions where their skills can be better utilized including the setting up in one office of an economics analysis section staffed by program graduates. And perhaps more importantly from a sustainability standpoint, participants who teach at the University of Panama are including what they have learned from the program in their courses and they are beginning to have an influence on the University's curriculum.

It is difficult to discern and perhaps premature to speculate at this time on the impact that the training has had in terms of implementing the present reform program. However, it is clear that a solid group of enthusiastic economists now exists who better understand neoclassical theory and have the computer and quantitative skills necessary to analyze future policies and programs in the public sector. To insure that this group continues to form a network, Iowa State has gone the extra step of establishing an ISU alumni association with program participants as well as other ISU graduates in Panama. Because of the reputation and success of the program to date, there is a strong demand by other public sector economists to join it. With the enthusiastic endorsement of the GOP, a third cycle is being added that will further increase the number of trained economists and significantly enhance the chances of sustaining future reform programs.

In sum, the ISU in-country training program is proving to be a highly effective means of providing top level U.S. University training to a large group of targeted trainees, cost effectively and fast with positive results.

Project: Improved Electoral Administration - 525-0317

Background

During more than twenty years of the previous military regimes the Electoral Tribunal was one of the government institutions that was utilized and manipulated to benefit those in power. The problems inherited by the three Electoral Magistrates as they took office in 1990 were those of years of manipulation, mismanagement, abuse of the Civil and Electoral registries, and the annulment of the general elections of 1989. All of these abuses resulted in a total lack of institutional credibility, not only throughout Panama, but within the international community as well.

The immediate problems facing the three Magistrates, as they took office, were those of preparing for a partial election held January, 1991, the Constitutional Reform Referendum of November, 1992, and a mandate to prepare for clean, fraud free general elections, held May 8, 1994.

As a result of the information gained from the Constitutional Reform Referendum, some of the long range problems were determined to be considerably more serious than originally perceived. The Electoral Registry contained an unacceptable level of errors, and required a thorough up-dating and cleansing process.

It was also determined that the Civil Registry had not been kept up to date. Thousands of birth, death, marriage and divorce records, etc., had not been entered into the Civil Registry. In addition, an unknown number of documents granting Panamanian citizenship had been illegally sold to foreigners.

The result of these and other activities was an institution at the beginning of 1990 without credibility, and one that was virtually incapable of serving the public in the correct manner.

The Improved Electoral Administration Project supported the Electoral Tribunal's preparations for the 1994 elections by improving the managerial and organizational capability, by increasing the country's general understanding of democratic systems, by providing assistance in terms of training and elections logistics and by procuring commodities to assist the Tribunal to carry out the elections. Project resources continue to be focused on the general development of the Electoral Tribunal, as well as specific line divisions of the institution.

The following are examples of Project activities that have met or exceeded expectations for contributing to the success of the Project, and more importantly, are making a significant contribution to the success of the May 8 elections.

Success Story No. 1

Electoral Voting Lists

In a review of the results of the November 1992 Constitution Reform Referendum, it was determined that there existed in excess of a 10% error factor in the electoral voting lists. This was attributed to double entries, false and illegal registrations, and mechanical and bureaucratic errors. As a result of the Project funded cleansing and up-dating of the Civil Registry, the entry of all vital data was brought up to date. The Project funded up-dating and cleansing of the Electoral Registry, processed more than 880,000 inquiries for verification of the electoral voting lists.

As a result of these Project funded activities there now exists considerably less than 5% inconsistencies in data for age and sex in the current electoral voting lists. These inconsistencies in the data do not preclude the person from voting. It has also been estimated that there is now less than 1% of false data in the electoral voting list, which may preclude the individual from voting in the current election.

Success Story No. 2

Public Confidence in the Electoral Process

The public confidence in the Electoral Tribunal has steadily increased throughout the LOP. The most recent public opinion poll conducted by Dichter & Niera/Louis Harris, published prior to the May 8 elections, indicates that 71.3% have complete confidence in the electoral process. A previous poll conducted by the same firm in October 1993 shows a confidence level of 53.1%. A poll conducted by UNIMER S.A. in June 1992 determined that 41% of those interviewed indicated approval of the work of the Electoral Tribunal. The recent high level of confidence, which was significantly raised in the past few months, was a result of Project designed and funded civic education activities as well as the level of capability that the Electoral Tribunal has demonstrated in serving the public, and the impartiality of decisions taken by the Magistrates.

Success Story No. 3

Election Results

Note: The May 8 National elections occurred after the review period, but because of their importance and timing, they are included here as a preliminary assessment of a very successful story.

In previous elections, unofficial results were most often made public a few days following the election. If the government officials did not agree with the results, these were changed or the elections were annulled.

In the current elections, the first un-official results were released to the public at approximately 7:30 pm, the day of the elections. Results were up-dated on a regular basis as they became available.

Concessions and congratulations were offered by all of the defeated Presidential candidates within 24 hours of the closure of the voting.

The official results for the election of the office of President were released within 72 hours of the closing of the voting tables.

Project funded technical assistance in election logistics in the processing of data from voting tables and tabulation centers and the preparation and presentation of training materials to election day workers as well as the civic education activities and Project procured commodities were vital elements to the success of the elections.

Project: Financial Management Reform - 525-0306

Background

The Controller General of the Republic assessed the state of deterioration into which Panamanian finances had fallen under the military dictatorship in his "Report on the State of Public Finances and Some Aspects of the Fiscal Crisis" presented on March 1, 1990. The Report concluded that the institutions controlling public finance had neglected to fulfill their responsibilities; no national budget had been formulated during the last three years; public debt payments were delinquent; overdrafts in the National Bank of Panama had reached dangerous proportions; and the fiscal deficit was exerting severe pressure on the already dangerous state of public finances. In addressing these issues, the Endara Administration imposed on itself strict fiscal disciplinary measures, adjusted public expenditures, and required itself to improve administrative efficiency.

Following publication of the Report, the Controller General of the Republic requested assistance from USAID/Panama to: (1) analyze the government's financial management capability, including an outline of a conceptual design which provides a frame of reference for the description and analysis of the current situation; and (2) recommend solutions expressed in terms of a goal and activities to accomplish the goal in the short, medium and long terms.

The analysis and other evidence revealed that government financial management and auditing in Panama had deteriorated. Based on this analysis, the GOP and USAID/Panama concurred that the best means of achieving the goal of strengthening the financial management capability of the GOP and renew public confidence in the integrity and competence of the government, was through the design and implementation of an Integrated Financial Management System (focused on the functional areas of accounting, treasury, budget, public debt) and a Comprehensive Audit System. The purpose of the project would be to improve and integrate GOP financial management and audit systems and promote accountability of government officials in managing public resources.

Thus, on June 5, 1991, USAID/Panama signed an agreement with the Government of Panama (GOP) to provide assistance to improve and integrate GOP financial management and audit systems and promote accountability of government officials in managing public resources.

Success Story No. 1

As project work advanced in 1992 and 1993, it became increasingly evident that the academic level and practical training of the Panamanian government's financial administrators, accountants and auditors, was a major constraint to the long term implementation of the specific reforms being pursued. Work plans in all project areas were revised to include intensive training programs throughout the public sector. Our project had originally contemplated the training of 260 public servants. To date, standing at 55% of LOP, we have trained more than 5,000 government employees and are revising our training target to 7,000 -- roughly all the public sector employees involved in financial management and budget analysis.

These programs strongly suggested that Panamanian universities were not updating their study plans to embrace new developments and techniques being made in public financial administration.

Thus, during the second half of 1993, contacts were made with the University of Panama and the University of Santa María la Antigua -- the country's foremost academic institutions - to offer our technical assistance for the update of their study plans in various areas of government finance. The universities

enthusiastically accepted our offer and promised to change their curricula if we would provide the texts. We decided to go one step further -- we offered to do training and updating of university professors on new developments in government accounting, budgeting, public debt, treasury (cash management) and government audit.

A joint program thus emerged between the Project and both universities during the last Quarter of 1993. We designed seminars to train university professors in modern financial management techniques and, as a result, the universities adopted as official text books, the new Government Accounting Manual, the two Budget Manuals and the new Audit Standards produced and published by the Project and agreed to constantly update their curricula by introducing financial reforms developed under the Project at the same time as they are implemented by the Panamanian government.

This represents a major change and improvement in the orientation of university study plans in Panama, which have been traditionally abstracted of the country's public sector, and have also trailed far behind the dynamics and rapid changes in government financial administration systems, methods and procedures developed and implemented under the Financial Management Reform Project since 1992.

It also represents a major improvement in academic attitudes, prompting faculty members at the schools of public administration, accounting and economics in both universities, to update themselves, their courses and their teaching techniques to the current new environment created by our Project.

We believe this is institutional development at a sustainable rate.