

PD-ABN 813
93259

USAID/PANAMA

RESULTS REVIEW-RESOURCE REQUEST

1996-1999

MARCH 1997

R4 - TABLE OF CONTENTS

	PAGE
I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE (EPO)	1
II. PROGRESS TOWARD OBJECTIVES	
A. FY 96 - A Year of Transition	3
1. Narrative	3-4
2. Performance Tables	5-11
B. Strategic Objective "Watershed"	12
1. Performance Analysis	12
2. Performance Trends	16
3. Expected Progress Through FY 1999	18
4. Performance Data Tables	20-41
C. Special Objective "Reversion/Transition"	42
1. Performance Analysis	42
2. Performance Trends	47
3. Expected Progress Through FY 1999	48
4. Performance Data Tables	51-72
D. Summit of the Americas - Update	73
E. Other Donor Coordination	73
III. STATUS OF THE MANAGEMENT CONTRACT	
1. Introduction	74
2. Strategic Objective "Watershed"	75
3. Special Objective "Reversion/Transition"	75
Results Framework for SO and SpO	76-77

IV. RESOURCES REQUEST

A.	Resources Requirements	78
1.	Program Funding Request by Strategic Objective	78
a.	Strategic Objective	78
b.	Special Objective	78
B.	Financial Plan	79
1.	Program Tables (FY 97, FY 98 and FY 99)	82-86
2.	Operating Expenditures	87-90
3.	Workforce/Staff (FY 97, FY 98 and FY 99)	91-99
C.	Prioritization	79
D.	Linkage of Field Support	80
E.	Environmental Compliance	81

V. SPECIAL ISSUES 81

ANNEXES

1. PCW Update Memo
2. Training
3. FMDAP
4. Reversion Tables
5. Panama Canal Authority Law*
6. Inter-Oceanic Regional and General Use Law*
7. Summit of the Americas
8. PCW Data Sheet
9. NPI - Civil Society
10. Excess Property Program

* Only on a hard copy.

11. STRI Monitoring Report dated March 21, 1997*
12. PCW Protected Areas List
13. PCW Action Plan

Note: Copies of Annexes available from LAC/SPM.

MAPS

1. PCW - Soil Types (ARI)*
2. PCW - Proposed Land Use (ARI)*
3. Upper PCW*
4. Upper and Lower PCW (PCC)*

Note: Copies of Maps available from LAC/SPM.

* Only on a hard copy.

USAID/PANAMA ASSISTANCE PROGRAM
RESULTS REVIEW AND RESOURCE REQUEST
FY 1996-99

Part I: Overview and Factors Affecting Program Performance

Overview

The principal justification for the USAID/Panama program remains as it was when USAID resumed operations in Panama in early 1990: to support U.S. foreign policy objectives aimed at successful implementation of the Panama Canal treaties. Under the treaties, Panama will assume full ownership, control and operation of the Canal on December 31, 1999. Assistance to Panama at this critical juncture is clearly in the U.S. national interest, since a substantial amount of U.S. and world trade transits the Panama Canal. Also, a democratic, prosperous and stable Panama will help ensure a smooth transfer of Canal ownership and control, contributing to efficient Canal operations into the 21st century. Environmental protection and sustainability of the Panama Canal Watershed (PCW) is vital to safeguarding the fresh water resources upon which Canal hydrology depends. With time running out (less than 1,000 days), the ongoing transition of Panama Canal operations to GOP structures and the continued phase-down and reversion of USG military properties has prompted greater public attention on the need for adequate protection and conservation of the Panama Canal Watershed. Additionally, well planned, productive use of the reverted areas will help offset the loss of income resulting from the closure of the U.S. military bases, contribute to political stability and help preserve the ecology of the Canal Watershed.

FY 96 was a year of transition. During this period USAID/Panama successfully completed actions under a previous SO - "to strengthen Civilian Government" and refocused efforts and resources to address one Strategic Objective, relating to environmental protection of the Canal Watershed, and one Special Objective, relating to successful transfer of the Canal and productive use of the reverted properties in the Canal Area. The programmed transition was completed by terminating activities unsupportive of the objectives, i.e., activities under the Administration for Justice and the Tax Administration Projects, and by refocussing remaining resources on the Strategic or Special Objectives. Resources under the Financial Management Reform and Municipal Development Projects have been refocussed to support environmental needs and the CLASP II training project now focusses exclusively on environmental constraints related to the Canal Watershed. Significant progress was made during this transition year as discussed below.

Planned targets for the period were generally met; some were exceeded. Significant for those exceeded was the noticeable improvement in the management of the Panama Canal Watershed, as evidenced by the more than 2,099 hectares reforested by the National Institute for Renewable Resources (INRENARE), private sector NGOs with funding from the Natural Resources Management (MARENA) Project. This compares to 277 hectares in 1995. The demarcation of boundaries was completed in four of the five National Parks in the Canal

Watershed; and the construction of guard and park management facilities continued at an increased pace in all five National Parks in the Canal Watershed. Additionally, an Umbrella Agreement with the International Executive Service Corps was established and timely and effective technical assistance to Inter-Oceanic Regional Authority (ARI) began to address a wide range of development issues relating to future use of the Canal Area.

However, several factors, also noted below, have adversely affected the optimal implementation of the program including, but not limited to, legislative problems and fiscal restraints, resource limitations and limited donor complementarity.

Factors Affecting Program Performance

The GOP continued to take difficult, and often controversial steps, to implement its structural reform program. Among other things, legislation was approved to reform the Labor Code and the Social Security Special Retirement Program and to authorize the GOP Executive Branch to begin the privatization of several public enterprises, including the Ports of Cristobal and Balboa.

Two major problems arose which affected achievement of performance targets. Lengthy debates which preceded the approval of the above mentioned laws contributed significantly to an atmosphere of "wait-and-see", which, in turn, resulted in a less than an optimal level of private investment and a virtually stagnant rate of economic growth. Also, shortfalls in government revenues led to expenditure freezes throughout the year, affecting counterpart contributions for numerous USAID and other donor activities.

A political trial in the Legislative Assembly delayed passage of other key legislation contributing further to implementation delays of important development activities. Among the more important bills still pending are those approving the operational Framework Law for the Panama Canal Authority (ACP) (Annex 5), the General and Regional Plans for the Interoceanic Region (Annex 6), the national environmental law, ratification of Panama's adherence to the World Trade Organization and reform of the current Banking Law.

Limited resources due to USAID budgetary constraints has had a dampening effect on the Mission's ability to plan and effectively implement its assistance program. Staff levels have been significantly affected. Over the past five years, U.S. personnel decreased by 72% and FSN professional staff by 50%. OYB also decreased significantly by 78% over the same period. Important initiatives have been curtailed and other potentially valuable activities are not being considered given available financial resources.

Part II: Progress Toward Objectives

A. FY 96 - A Year of Transition

To comply with the USAID/Washington directive to focus available resources on the Strategic Objective and Special Objective by October 1, 1996, USAID/Panama completed originally planned actions under the Improved Administration of Justice (AOJ) and Financial Management Reform (FMR) projects. Remaining resources under the FMR project were refocused to support both the Strategic and Special Objectives.

This section briefly highlights the results achieved under both projects.

Improved Administration of Justice

Activities under the AOJ project supported a previous SO, "To Strengthen Civilian Government Institutions". This, along with other projects, i.e., Improved Elections Administration, Financial Management Reform and Municipal Development also supported the Agency goal of Building Democracy. The AOJ project was USAID's most important activity in this area, as it was designed to address basic but serious issues concerning the criminal justice system. The project purpose was to institutionalize a fair and expeditious criminal justice process. Efforts and resources were concentrated on improving the operation and coordination of the Judiciary, the Public Ministry and the Public Defenders Office. Specific activities included the establishment of a modern case tracking and management system; improved systems for personnel management, records management, financial management, budgeting data collection and analysis; the establishment of data bases and legal reference systems; upgrading a judicial school; and the integration of the Judicial Technical Police into the Public Ministry. All of the targets established were met and below budget estimates: total expenditures were 20% below original estimates.

Major results include:

- A Judicial Career system established with selections based on merit.
- Increased operating resources guaranteed.
- Criminal courts and prosecutors office now operate more efficiently.
- Public Defense system more effective.
- Judicial School operational and vastly improved.
- Nine basic legal libraries established in provincial capitals.
- Case tracking system automated and includes 65% of country-wide case load "on line".

- Financial Management Reform

This project was designed to improve and integrate the GOP's financial and audit system and promote accountability of government officials in managing public resources. Four subsystems were improved, integrated and automated - Budget, Accounting, Debt and Treasury. In addition, a comprehensive audit system was also developed. Extensive training of public sector professionals in the effective use of the system was also conducted.

2. Performance Tables

PERFORMANCE DATA TABLES - TR 5

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: No. 3 INSTITUTIONALIZED FAIR AND EXPEDITIOUS CRIMINAL JUSTICE PROCESS.			
INDICATOR: No. 2. Increased resources for justice sector.			
UNIT OF MEASURE: \$ Millions	YEAR	PLANNED	ACTUAL
SOURCE:			
GOP Gazette	1991 (B)	---	26.8
INDICATOR DESCRIPTION:			
COMMENTS:			
Panama's Constitution mandates 2% minimum of central government budget.			
% of budget			
1991 1.7%			
1992 2.7%			
1993 2.7%			
1994 2.5%			
1995 2.5%			
1996 2.5%			
* Includes incorporation of minors and labor jurisdiction to the Judicial Branch.			
** Includes incorporation of Technical Judicial Police (PTJ) into the Public Ministry.			
	1992	37.4	39.7
	1993	47.4	49.4
	1994	47.5	48.2
	1995	50.2	51.0**
	1996 (T)	55.0	57.5*

PERFORMANCE DATA TABLES - TR 6

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: No. 3 INSTITUTIONALIZED FAIR AND EXPEDITIOUS CRIMINAL JUSTICE PROCESS.			
INDICATOR: No. 3. Time to render court decisions in criminal cases			
UNIT OF MEASURE: % of cases processed within one year	YEAR	PLANNED	ACTUAL
SOURCE: Statistics and Census Bureau, Controller General's Office	1990 (B)	---	40.0%
INDICATOR DESCRIPTION:	1991	45.0%	55.5%
COMMENTS: Numbers of cases processed: 1991 7,400 1992 8,438 1993 10,537	1992	50.0%	58.5%
* Due to lack of updated information from the Comptroller's Office, the Judicial Branch's Statistic Unit assembled this information directly from the Criminal Circuit Courts. ** Data will be available for the second semester 1997, once input for CY1996 is received and processed.	1993	55.0%	57.6%
	1994	58.0%	60.0%*
	1995	60.0%	60.0%*
	1996 (T)	62.0%	**

PERFORMANCE DATA TABLES - TR 7

INDICATOR: No. 4. Public sector entities submitting annual financial statements, in accordance with GOP guidelines in time for incorporation into the Controller General's year-end report.			
UNIT OF MEASURE: % of Entities	YEAR	PLANNED	ACTUAL
SOURCE: Controller General's year-end report	1990 (B)	---	0
INDICATOR DESCRIPTION:	1994	25%	30%
COMMENTS:	1995	42%	100%
	1996	64%	100%

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME No. 3: INSTITUTIONALIZED FAIR AND EXPEDITIOUS CRIMINAL JUSTICE PROCESS.			
INDICATOR: No. 1. Announced judicial career positions to be competitively filled.			
MEASURE: # of announced positions to be filled competitively - includes new positions, vacancies, and appointments already in place but subject to scheduled competitive selection.	YEAR	PLANNED	ACTUAL
SOURCE: Personnel Bureau of the Judicial Branch	1990 (B)	---	0
INDICATOR DESCRIPTION:	1991	---	---
COMMENTS: Selection process for judges and court officials gradually becoming more objective and transparent. For 1997, the Public Ministry will begin selection process based on the merit system approved in October 1996 which will become effective in April, 1997.	1992	---	129
	1993	---	166
	1994	---	241
	1995	350	342
	1996 (T)	450	487

PERFORMANCE DATA TABLES - TR 8

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: No. 3: INSTITUTIONALIZED FAIR AND EXPEDITIOUS CRIMINAL JUSTICE PROCESS.			
INDICATOR: No. 2.: Public confidence in the overall justice system (wording change to incorporate or consolidate with Indicator No. 3).			
MEASURE: % of public polled.	YEAR	PLANNED	ACTUAL
SOURCE:			
Sample Surveys.			
INDICATOR DESCRIPTION:			
COMMENTS:			
Measurement of performance through sample surveys.			
* USIA poll conducted in September 1994.			
** CID-GALLUP, and Ritcher & Neira Polls, September 1995 and October 1995.			
*** CID-GALLUP Poll January 1996.			
Note: Public polls tend to be very subjective, depending on the time taken and the happening of specific events. AOJ began a basic legal education sub-component for grassroots members of the civil society (primarily focussing on women and high school students) since mid 1995.			
	1994 (B)	---	70%*
	1995	75	51.7% **
	1996 (T)	57.5	30.1%***

PERFORMANCE DATA TABLES - TR 9

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME No. 4: IMPROVED PUBLIC SECTOR FINANCIAL MANAGEMENT AND ACCOUNTABILITY			
INDICATOR: No. 1.: Public sector entities implementing the "Manual of Government Accounting" developed with USAID assistance.			
MEASURE: % of entities.	YEAR	PLANNED	ACTUAL
SOURCE: Controller General's report on the state of public finances.	1990 (B)	---	0
INDICATOR DESCRIPTION:	1991/ 1992	---	---
	1993	1%	3%
COMMENTS: A standardized, uniformly applied accounting system is essential to achieving an integrated financial management system, and contributes to accountability by providing a more accurate means of measuring and monitoring institutional management performance.	1994	30%	34%
	1995	50%	100%
	1996	66%	100%

PERFORMANCE DATA TABLES - TR 10

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME No. 4: IMPROVED PUBLIC SECTOR FINANCIAL MANAGEMENT AND ACCOUNTABILITY			
INDICATOR: No. 2.: Public sector entities using GOP budget manuals developed with USAID assistance.			
MEASURE: % of entities.	YEAR	PLANNED	ACTUAL
SOURCE: Ministry of Planning and Controller General reports.	1990 (B)	---	0
INDICATOR DESCRIPTION:	1991 to 1993	---	---
COMMENTS: A standardized budget system is essential to integration of financial management systems, and is a critical tool in management. The National Budget Office is following up to ensure that the budget system is effectively implemented.	1994	25%	25%
	1995	50%	75%
	1996	75%	100%

PERFORMANCE DATA TABLES - TR 11

OBJECTIVE No. 1: TO STRENGTHEN CIVILIAN GOVERNMENT INSTITUTIONS AND ENCOURAGE GREATER CITIZEN PARTICIPATION			
APPROVED: 02/28/94		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME No. 4: IMPROVED PUBLIC SECTOR FINANCIAL MANAGEMENT AND ACCOUNTABILITY			
INDICATOR: No. 3.: Public entities with internal audit units following standards developed with USAID assistance.			
MEASURE: % of entities.	YEAR	PLANNED	ACTUAL
SOURCE: Controller General's records of review and evaluations of internal audit units.	1990 (B)	---	0
INDICATOR DESCRIPTION:	1991 to 1994	---	---
COMMENTS: Standard internal audits can greatly improve financial management. This indicator requires on-site verification with a prepared checklist to assess the effectiveness of the audit unit, and review of reports issued and documented follow-up.	1995	15%	40%
	1996	35%	50%

B. Strategic Objective: Panama and the International Community establish the capacity and commitment to assure sustainable management of the Panama Canal Watershed (PCW).

This strategic objective is the Mission's most important activity. Achievement of this strategic objective will assure the protection of the Panama Canal's important natural resources, its biodiversity and constant and sufficient flow of water for the operation of the Panama Canal and drinking water for the Metropolitan area. It makes possible an important contribution to the U.S. Government meeting its Summit of the Americas (Initiative #22: Partnership for Biodiversity) and the Bolivia Sustainable Development Summit obligations. In addition to the Agency goal of protecting the environment, this SO also significantly contributes to the Agency's goals of strengthening democratic processes and increasing broad-based economic growth through intensive efforts to: (a) strengthen local NGOs, and community groups, especially those of marginalized indigenous people; and (b) provide environmentally-sustainable economic alternatives to the rural poor living in and around protected areas. This SO also emphasizes women's active participation in environmental awareness activities, conservation-oriented economic projects, and conservation planning.

1. Performance Analysis

While not meeting all of the pre-established targets, significant progress was made nevertheless relative to the effective management of the protected areas, the design of reforestation programs and an increase in the capacity of local institutions to manage natural resources. Less than anticipated progress was made regarding decreases in environmental contamination, particularly solid waste, in municipalities located in the PCW.

In the aggregate, the activities implemented under the MARENA project during the past year have increased the capacity of INRENARE to better manage the five national parks within the PCW. The training, technical assistance and equipment that USAID provided to INRENARE has resulted in a marked increase in its ability to limit deforestation, illegal hunting and fishing, and forest fires within the five national parks (Annex 1). Management plans have been prepared for all five parks. About 90% of the parks have been demarcated. The construction of basic infrastructure within the parks, initiated in FY 96 should be completed in FY 97. The Ecological Trust Fund (FIDECO), established in FY 95, generated an additional \$1.8 million in FY 96. Part of these resources were utilized to support forestry and agroforestry projects in the Watershed and to finance protection efforts undertaken by INRENARE. Despite these advances, INRENARE has a long way to go to develop the institutional capacity and technical capability to properly manage protected areas and national parks on a sustainable basis (Annex 13). INRENARE still lacks an overall strategic development plan to guide all actions within and outside the PCW. While park management plans have been approved for the 5 national parks within the PCW, they have not been fully implemented. Staffing of the national parks is significantly below levels proposed in the park management plans. Staff is poorly paid and productivity is low. Staff is inadequately distributed between the field and headquarters. INRENARE's operating and capital budgets are still inadequate to address the environmental

needs of the Canal Watershed and the rest of the country.

Under the CLASP II training program, 57 participants (of which 10% were women and 10% indigenous groups), including farmers and public sector technicians, received 4.5 months of training in innovative agroforestry appropriate techniques. The training, implemented both locally and in the U.S., stressed the theoretical underpinning of the techniques, extensive hands-on experience as well as leadership and community involvement. Most of the participants reside in the PCW and are committed to play an important role in its protection and conservation (See Annex 2). All future CLASP II training will focus on environmental issues of the PCW with all trainees to be recruited from within the Canal Watershed.

With resources from the Financial Management Reform Project, USAID is providing technical advisors through the Free Market Development Advisors Program (FMDAP) to address important environmental issues faced by the GOP and local NGOs (See Annex #3). The FMDAP is a USAID/Washington initiative that provides U.S. expertise in business management subjects to the private sector and appropriate governmental agencies in USAID-assisted countries. Of the seven advisors assigned to Panama in FY 96, two are assisting the GOP to structure and develop an environmental accounting and auditing program as well as to develop environmental concepts and methodologies. Another advisor is assisting the INRENARE/Smithsonian Institute team in the development of the PCW Monitoring System. A fourth advisor is assigned to ANCON, a local NGO active in preserving, educating and studying the natural environment of the PCW and Panama in general, to assist it in improving its marketing and income generation capability.

Finally, activities under the Municipal Development Project, while advancing, have been at a much slower rate than originally contemplated. **Consensus building among 67 mayors and over 500 municipal council persons (elected in 1994) and numerous central government officials regarding the scope of a new framework law for local government and Municipal governance has been very time consuming.** One important aspect of the proposed new law deals with decentralization. Implicit is devolution of financial resources and administrative and development responsibilities (especially related to environmental issues) to local governments. This aspect is crucial in that the financial viability and sustainability of most municipalities will be enhanced if done correctly. This will further the achievement of the objectives of the Project and the Strategic Objective. Delays in the completion of in-depth assessments of the 4 target municipalities in the PCW also caused delays in the implementation of other aspects of the Project. Both of these actions are near fruition and will be completed in FY 97 which will permit implementation of the other programmed activities.

USAID continues to emphasize the need to work closely with the NGO sector. In order to strengthen this relationship, USAID has developed and refined its New Partnership Initiative-NPI (see Annex 9). G/DG has been instrumental in providing assistance and funding to allow for greater NGO participation in the protection and conservation of the PCW within the context of overall Panamanian civil society.

Major accomplishments over the past year toward the achievement of the intermediate results anticipated under the Strategic Objective include:

IR#1.1: Protected Areas Effectively Managed.

Achievement of Targets: Exceeded

- With USAID support, INRENARE completed the surveying and demarcation of four national parks (Altos de Campana, Soberania, Camino de Cruces and Gatun) within the Canal Watershed and all but a small portion of the Chagres National Park. These five parks represent a combined area of 186,000 hectares of the total of 326,000 hectares comprising the Canal Watershed (Annex 12).
- USAID assisted INRENARE to complete the construction of guard posts, field housing and other INRENARE support facilities in the Canal Watershed parks of Soberania and Chagres. It is currently supporting on-going construction of similar facilities in Camino de Cruces, Gatun and Altos de Campana.
- INRENARE conducted 2,676 surveillance patrols and issued 125 citations in the Canal Watershed national parks, exceeding targets by 37% and 19% respectively.
- INRENARE and USAID developed a long-term training program for park rangers, guards, directors and administrative staff. USAID designed terms of reference and the Tropical Agronomy Center for Research and Teaching (CATIE) was selected to implement training for more than 300 INRENARE staff, of which 15% are women.
- The Smithsonian Tropical Research Institute (STRI) and INRENARE are in the process of establishing a comprehensive environmental monitoring system for the PCW. Key indicators include forest cover, water quality, erosion, siltation, demographic pressure and biodiversity. Preliminary results are anticipated in July of 1997 and every 6 months following (Annex 11).

IR#1.2: Reforestation Programs Designed and Implemented.

Achievement of Targets: Met

- In contrast to 277 hectares reforested in 1995, USAID supported the reforestation of 2,099 hectares (against the planned 1,300 hectares) within the PCW. This was largely accomplished through direct financing, indirect financing (Ecological Trust Fund), training and technical assistance in agroforestry and reforestation. USAID also provided technical and resource assistance which facilitated the enactment of two reforestation laws by the Legislative Assembly.
- USAID provided technical assistance to INRENARE for the development of an integrated

agroforestry plan to be implemented by communities which border on four national parks within the PCW. These plans include an agroforestry component in buffer areas and a direct reforestation component within the national parks.

- USAID funded a feasibility study for a massive reforestation program within the PCW national parks. This study will be utilized by USAID and INRENARE to begin large-scale (between 200-500 hectare plots) reforestation in 1997.
- The CLASP II program trained 57 small farmers, community leaders and GOP and NGO extension agents in sustainable agroforestry practices. The training program, which included approximately 10% women and 10% indigenous groups, focused on techniques appropriate to the PCW. As part of their training, each participant developed the specific agricultural and reforestation plans that they are implementing on their farms.

IR#1.3: Capacity of Local Individuals, Communities and Institutions to Manage Natural Resources Increased.

Achievement of Targets: Met

- In 1996, the FIDECO received 106 requests for financing from Panamanian NGOs. The "Funds" board of directors and technical committee approved 13 grants totalling approximately \$750,000. An additional \$700,000 supported INRENARE protection efforts within the PCW and other protected areas and national parks throughout the country. Recent evaluation will facilitate better operations in grant management and administration, as well as enhance the transparency of the fund.
- As indicated previously, 57 Participants, including farmers and public sector technicians, directly benefitted from intensive training in innovative agroforestry appropriate techniques. Most of the participants reside in the PCW.

IR#2.1: Macro Plans Adopted.

Achievement of Targets: Met

- Following the development of the terms of reference with USAID support, the GOP contracted, with IDB financing, a U.S. consulting firm, Nathan and Associates to assist in the development of a set of master plans to guide development within the Canal Watershed. The consultants assisted the GOP to develop two plans: a Regional Land Use Plan for land use and natural resources conservation in the PCW, and a General Plan for economic and social development for the reverted areas. Both plans were completed in FY 96 and approved by the Cabinet. A draft bill incorporating the results of the studies was submitted to the National Legislative Assembly for debate and approval. The

bill, currently in the first of three debates, is expected to be approved by mid 1997.

IR#2.2: Micro Plans Adopted.

Achievement of Targets: Met

- Approximately 186,000 hectares have been declared legally protected areas within the total 326,000 hectares of the PCW. It is anticipated that an additional 22,000 hectares will be declared protected areas in 1997/1998 with the approval of the Regional Land Use Plan for the Watershed (see IR#2.1 above). Some of these lands along the western side of the Canal were formerly proposed as part of the Inter-Oceanic National Park. Protection and conservation of these new areas will require increased GOP financial resources.
- In regard to the establishment of a PCW Inter-institutional Commission, the Panamanian National Assembly began consideration of the Organic Law creating the Panama Canal Authority (ACP), the successor to the U.S. Panama Canal Commission. The draft bill and the related constitutional amendment creating the ACP gives that agency unprecedented authority over the sustainable management and protection of the Canal Watershed. The Board of Directors of the Authority will appoint and regulate an Inter-institutional Commission on the Canal Watershed to coordinate the activities of the government and non-government organizations.

IR#3.1: Four Municipalities within the Canal Watershed Establish Waste Disposal Programs.

Achievement of Targets: Fell Short

- Efforts during FY 96 were concentrated in developing an adequate framework law governing actions and responsibilities of municipalities in Panama, and in completing in-depth management, financial and resource assessment of the target municipalities. These activities proved to be more time consuming than originally anticipated and have delayed implementation of other aspects of the Project. They are essential, however, to assure viability of the municipalities and the sustainability of activities related to their role in the protection and conservation of the environment in the Canal Watershed.

The PROARCA project has begun work with the four target municipalities within the PCW (Arraijan, Capira, Chorrera, Portobelo) to strengthen their capacity to manage solid waste. PROARCA will also support the municipalities in policy and regulation development and implementation.

2. Performance Trends

Measurable progress has been made in the sustainable management and protection of the PCW.

While INRENARE's mandate is nation-wide, it has begun to increasingly focus on specific actions which are essential to the full protection of the PCW. INRENARE's ability to patrol the PCW protected areas has increased. It has dedicated increased resources and recently assigned additional personnel to the oversight of parks and protected areas within the PCW.

Most of what INRENARE has accomplished is due to the support provided by USAID mainly through the Natural Resources Management Project. INRENARE's management, financial and personnel resources are inadequate for the extensive range of activities required for the protection of the PCW. Furthermore, INRENARE was included in the GOP's overall 30% budget reduction in 1997 due to shortfalls in overall government revenues. This will result in severe curtailment in the hiring of essential personnel, critical equipment purchases, and other essentials for the protection of the PCW. Clearly additional resources are required to assure that INRENARE is able to fulfill its responsibilities in the Watershed.

The PCW has seen its forest cover fall from 70% of the total area in 1947 to about 30% today. INRENARE's primary task is to reverse this trend by reducing deforestation in the Watershed and stopping it completely in the parks and other protected areas. The second task is to support both public and private reforestation efforts. USAID, through the MARENA project, now supports reforestation activities in the PCW. The Environmental Trust Fund has also begun to support reforestation/agroforestry projects within the PCW. Progress has been slower than expected, but to ensure that reforestation increases, USAID has revised its strategy to also support private sector reforestation, direct NGO participation and has supported the refocusing of the Environmental Trust Fund's objectives to increase reforestation activities. The ecological monitoring system established by STRI/INRENARE will regularly report on the result of these activities as measured by the extent of the forest cover. Because USAID lacks adequate resources to promote reforestation/agroforestry on the scale needed, resources from other donors are required to achieve the desired result.

During the past two years USAID/Panama has been successful in assisting the GOP to enact critical laws and develop appropriate policies to assure the sustainable management and protection of the PCW. Still pending are legislation adopting the General and Regional Land Use Plans for the PCW; the Framework Law for the Panama Canal Authority (ACP); a National Environmental Law; the development of a National Environmental Action Plan; with the PCW as its "center piece"; and a policy decision which ratifies the use of resources derived from Canal tariffs for the management and protection of the PCW.

The ACP will play an important role in the successful management and protection of the PCW. Once the law enabling operation of the ACP is approved, the ACP will become the principal overseer of environmental concerns in the PCW. It will coordinate activities of all other institutions working to manage and protect the PCW. INRENARE must develop a strategic plan for the long term management of the PCW and dedicate sufficient personnel and resources. The GOP should begin focussing on long term sources of financing and to engage other international donors for this activity.

Additional resources and increased GOP commitment is required during the next 3 years to assure sustainability. During this period, USAID will continue to provide technical assistance and financial resources to manage and protect the PCW. However, additional resources are needed to achieve optimal levels of success. USAID/Panama will accomplish this in the most cost-effective manner possible.

3. Expected Progress Through FY 99 and Management Actions

USAID/Panama believes that with requested resources and timely funding, all proposed intermediate results will have been met by the end of FY 2000. To improve performance, findings of an upcoming evaluation of MARENA will be incorporated into the management of this SO before next year's R-4 review.

The sustainable management and protection of the PCW will be met by assuring that threats to conservation are lessened through the implementation of the 5 park management plans, the PCW integrated management plan, as well as the encouragement and support for the active participation of local civil society in the management and protection of the PCW. This assumes that the GOP commits to a feasible strategic and financial plan that ensures sustainability of the activities initiated with the MARENA project.

During the preparation of this year's R4, with participation from our primary counterpart INRENARE and with technical support from LAC/E, it was agreed that several key issues were not addressed in last year's R4. Foremost among these key issues were: (1) lack of GOP commitment and continuity; (2) limited resources provided by other donors to assure the sustainable management and protection of the PCW. Currently, USAID/Panama is the GOP's primary support institution for the protection and management of the PCW. The GOP (INRENARE) receives only limited support from other international institutions for this purpose.

To address these issues, the Mission proposes the modification of its Results Framework for the Strategic Objective. The Results Framework highlights the importance of high level GOP commitment, other donor contributions for the protection of the PCW, the development and implementation of a long-term financial plan, resources for USAID/Panama to increase its reforestation activities and the active participation of local groups in supporting conservation and protection activities. Specifically, by the end of FY 99 the following results will have been achieved:

- All five National parks in the PCW as well as the anticipated two new areas will be physically protected, i.e., demarcated, basic protection infrastructure in place, fully staffed and equipped.
- Surveillance patrols routinely conducted and citations issued to enforce protection in the parks and protected areas. At least 2400 patrols conducted in FY 99 and 120 citations issued.

- Ongoing reforestation with the participation of INRENARE, NGOs, local community groups, private sectors firms and individuals. At least 3000 hectares reforested by the end of FY 99 in the Parks and other areas of the Watershed.
- The STRI/INRENARE developed monitoring system completely operational and routinely providing the required environmental data on the Watershed.
- Key environmental legislation adopted by the GOP, including the National Environmental Law.
- A National Environmental Action Plan developed and adopted by the GOP.
- The Environmental Trust Fund continuing to disburse at a \$2.0 million annual level to INRENARE, NGOs and community groups to support reforestation and conservation efforts.

4. Performance Tables

PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: (*)			
INDICATOR: SO-1.1: Forest Cover in the PCW increased.			
UNIT OF MEASURE: Hectares	YEAR	PLANNED	ACTUAL
SOURCE: GOP, NGOs, and the STRI/INRENARE monitoring project.	1995 (B)	122,200	124,347
	1996	124,000	127,425
INDICATOR DESCRIPTION: Increase in forest cover achieved through: (1) natural generation, (2) reforestation, and (3) decrease in deforestation.	1997	129,800	
	1998	132,000	
COMMENTS: Data is expected in July, 1997. Project implementation problems include: (a) available information, (b) GOP/STRI coordination, (c) development of methodologies for gathering information. Next Landsat satellite pass is 1998. Information before 1995 is unreliable. Narrative address this. Follow-up/USAID: PROARCA, Parks in Peril.	1999	134,100	
	2000 (T)		
(*) This table measures Indicator S.O. 1.1			

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW)			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR-1.1 BASIC INFRASTRUCTURE IN PLACE TO STRENGTHEN ON-SITE CAPACITY FOR LONG-TERM PROTECTION OF PARKS IN THE PCW.			
INDICATOR: IR-1.1.1: Parks with at least 70% of trained personnel required for adequate protection.			
UNIT OF MEASURE: Number of Parks <hr/> SOURCE: USAID/PANAMA, INRENARE. <hr/> INDICATOR DESCRIPTION: Protected areas personnel include administrators and guards. <hr/> COMMENTS: Management plan prescribes the number and type of personnel needed for adequate protection for each park. With available resources, only 70% of required personnel is achievable.. Additional USAID or other donor followup support will be required to achieve the 100% level.	Year	Planned	Actual
	1994		
	1995 (B)	2	1
	1996	2	2
	1997	4	
	1998 (T)	5	
	1999		
	2000		

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).				
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA				
RESULT NAME: IR-1.1 BASIC INFRASTRUCTURE IN PLACE TO STRENGTHEN ON-SITE CAPACITY FOR LONG-TERM PROTECTION OF PARKS IN THE PCW.				
INDICATOR: IR-1.1.2: Number of Parks with needed protection infrastructure.				
UNIT OF MEASURE:	Number of Parks	Year	Planned	Actual
SOURCE:	USAID/PANAMA and INRENARE	1994		
		1995		
INDICATOR DESCRIPTION:		1996	0	0
		1997 (B)	3	
COMMENTS:	Adequate protection infrastructure established in park management plans, these include park offices, guard barracks, entrances, and demarcation of boundaries.	1998 (T)	2	
		1999		
		2000		

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW)			
APPROVED: <u>03/31/96</u>		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: IR-1.1: BASIC INFRASTRUCTURE IN PLACE TO STRENGTHEN ON-SITE CAPACITY FOR LONG-TERM PROTECTION OF PARKS IN THE PCW.			
INDICATOR: IR-1.1.3: Annual number of surveillance patrols and citations issued to enforce regulating protection of the Panama Canal Watershed parks.			
UNIT OF MEASURE: Patrols/citations	Year	Planned	Actual
SOURCE: INRENARE	1993		
	(P) (C)	0 0	1,623 76
INDICATOR DESCRIPTION:	1994		
	(P) (C)	1,700 80	1,799 91
COMMENTS: Reduction anticipated in citations issued after FY98 due to anticipated increase in public awareness and adherence to park regulations.	1995		
	(P) (C)	1,850 90	3,402 183
	1996		
	(P) (C)	1,950 105	2,676 125
	1997		
	(P) (C)	2,100 120	
	1998		
	(P) (C)	2,300 135	
	1999		
	(P) (C)	2,400 120	
	2000		

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: IR-1.1: BASIC INFRASTRUCTURE IN PLACE TO STRENGTHEN ON-SITE CAPACITY FOR LONG-TERM PROTECTION OF PARKS IN THE PCW.			
INDICATOR: IR-1.1.4: Plans/commitments for continued support for management and protection of PCW parks and protected areas.			
UNIT OF MEASURE: Commitments Memorandums of Understanding Loan agreements (IFIS)	Year	Planned	Actual
	1994		
	1995		
	1996 (B)	0	
	1997	1	
	1998	1	
	1999 (T)	1	
	2000		
SOURCE: USAID/Panama			
INDICATOR DESCRIPTION: Commitments by the GOP to allocate resources--MOU's with IFI's, Donors, International NGOs, etc..			
COMMENTS: Commitments required to assure continuation of activities following completion of the MARENA Project and the closeout of the Mission in 2000. Commitments being sought from:			
1) GOP to fund park staffing at 100% level required for adequate protection as prescribed by park management plans;			
2) International donors (e.g. IDB, Japanese Technical assistance program) to provide resources for construction of visitor facilities.			
3) International NGOs (e.g. TNC, WWF) to provide necessary training for park personnel.			

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: (*)			
INDICATOR: SO-1.2: Measure of Donor Coordination (support)			
UNIT OF MEASURE: Memorandum of Understanding (e.g. between GOP and IDB, Japan, U.S., etc.)	YEAR	PLANNED	ACTUAL
SOURCE: GOP and USAID	1994		
INDICATOR DESCRIPTION: MARENA activities for which donor followup support is being sought include : 1. Institutional strengthening of INRENARE; 2. Management of parks and protected areas in the PCW; 3. Reforestation activities in the PCW.	1995		
	1996		
	1997		
	1998	MOU in place (Japanese)	
COMMENTS: To achieve the IR, support from the following partners is needed: 1. USAID/LAC/E; 2. USAID/W - AA/LAC; 3. State/G; and 4. U.S. Ambassador/Panama.	1999	MOU in place (IDB)	
	2000		
(*) This table measures Indicator S.O. 1.2.			

PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).	
APPROVED: 03/31/96	COUNTRY/ORGANIZATION: USAID/PANAMA
RESULT NAME: IR-1.2: EMPLOYMENT GENERATED BY ACTIVITIES COMPATIBLE WITH SUSTAINABLE MANAGEMENT OF THE PCW.	
INDICATOR: IR 1.2.1 Number of people employed through activities that are compatible with sustainable management of the PCW.	

UNIT OF MEASURE: Number of people (Direct, Indirect)	Year	Planned	Actual
<p>SOURCE: USAID, NGOs, INRENARE, MIDA, IPAT, MICI.</p> <hr/> <p>INDICATOR DESCRIPTION: Activities include sustainable forest management, agro-forestry, ecotourism, micro-enterprise.</p> <p>COMMENTS:</p> <p>Partners: FES, IAF</p> <p>* Earmarked USAID micro-enterprise resources.</p> <p>* Sustainable Management of the PCW is defined as environmental progress which depends on individual, institutional and corporate responsibility, commitment and stewardship, a collaborative decision-making process which leads to better decisions, more rapid change and a more sensible use of human, natural and financial resources, environmental protection and economic growth and environmental regulations which improve the lives of Panamanians living within the PCW.</p> <p>* The calculations utilized to set number of persons to be employed are based on number of communities to be involved in reforestation/agro-forestry projects, NGO funded activities and the support/service activities necessary to implement the above mentioned activities. The majority of those gainfully employed will come from reforestation/agro-forestry projects. It is estimated that a minimum of 20 people per community will be needed to implement forestry based projects. Other direct employment will be generated by community based eco-tourism, and those small businesses needed for the two major activities.</p>	1994		
	1995		
	1996		
	1997 (B)	Direct 300 Indirect 900	
	1998	Direct 400 Indirect 1,500	
	1999	Direct 600 Indirect 2,400	
	2000 (T)	Direct 600 Indirect 3,000	

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: IR-1.2: EMPLOYMENT GENERATED BY ACTIVITIES COMPATIBLE WITH SUSTAINABLE MANAGEMENT OF THE PCW.			
INDICATOR: IR 1.2.2: Commitment for financial resources, training, technical assistance			
UNIT OF MEASURE: Commitment	Year	Planned	Actual
SOURCE: USAID/Panama	1994		
INDICATOR DESCRIPTION:	1995		
COMMENTS: GOP (FES, MICI, IPACOOOP, MIDA) to provide financial resources and technical support for micro-enterprise, small-credit funds, and technical assistance. Essential to project success is support: from IDB for agro-forestry/microenterprise, from IAF for sustainable agriculture, and from the Japanese for alternative agricultural production and sustainable forestry. Securing commitments will require support from USAID/W (LAC front office)-IAF, IDB, U.S. Ambassador-Japanese (common agenda talks), and GOP.	1996		
	1997 (B)	1	
	1998	1	
	1999	2	
	2000 (T)	TBD	

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PERFORMANCE DATA TABLES

<p>OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).</p>			
<p>APPROVED: 03/31/96</p>		<p>COUNTRY/ORGANIZATION: USAID/PANAMA</p>	
<p>RESULT NAME: (*)</p>			
<p>INDICATOR: SO-1.3: Measure of panamanian commitment/support to ratify laws, regulations, policies and activities to assure appropriate protection and management measures for the PCW.</p>			
<p>UNIT OF MEASURE: Commitments</p>	YEAR	PLANNED	ACTUAL
<p>SOURCE:</p> <p align="center">GOP (MIPPE, Legislative Assembly), Civil Society, Private Sector</p>	1994		
<p>INDICATOR DESCRIPTION:</p> <ul style="list-style-type: none"> - NEAP planning methodology designed. - GOP funded to support protection of the PCW (INRENARE, IRHE, ACP, MIVI, Municipalities). - GOP commitment: Canal tariffs dedicated to protection of the PCW. - Loans to Panama to protect the PCW. <p>COMMENTS:</p> <p>It is essential that U.S. foreign policy at high levels supports/encourages GOP to commit resources to the Panama Canal Watershed I.R. No. 3.</p> <p>Commitments that we are looking for are commitments from the GOP that they will: 1) initiate a national Environmental planning process, 2) create a high level GOP commission to ensure that the PCW is managed in a sustainable manner, 3) initiate discussions concerning additional funding to protect and manage the PCW, i.e possible use of Canal tariffs, 4) GOP will present proposals for funding for management and protection of PCW to IDB, World Bank, etc.</p>	1995		
	1996		
	1997 (B)	1 GOP commissio n	
	1998	1 NEAP	
	1999	2 Tariffs Loan proposals	
	2000		
	<p>(*) This table measures Indicator S.O. 1.3.</p>		

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PERFORMANCE DATA TABLES

OBJECTIVE:SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/1996 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR-1.3: REFORESTATION PROGRAM INITIATED WITH FUNDING SOURCES SECURED TO CONTINUE ITS THREE COMPONENTS--GOVERNMENT, NGO, AND FOR-PROFIT PRIVATE SECTOR.			
INDICATOR: IR-1.3.1: Number of hectares reforested per component (GOP/NGO/for-profit sector).			
UNIT OF MEASURE: Hectares (GOP/NGO/for-profit sector)	YEAR	PLANNED	ACTUAL
	SOURCE: USAID and INRENARE		
	INDICATOR DESCRIPTION:		
	COMMENTS:		
	To be achieved through (1) community based agroforestry, supported by INRENARE and NGOs throughout the PCW, and (2) direct reforestation in the national parks and throughout the PCW implemented by NGOs, private sector and community based organizations.		
	1992		
	GOP	0	0
	NGO	0	0
	f-PS	0	100
	1993		
	GOP	0	0
	NGO	0	0
	f-PS	250	254
1994			
GOP	0	0	
NGO	10	0	
f-PS	500	277	
1995			
GOP	0	0	
NGO	500	439	
f-PS	800	1,808	
1996			
GOP	100	62	
NGO	1,000	799	
f-PS	1,250	4,621	
1997			
GOP	500		
NGO	700		
f-PS	1,200		
1998			
GOP	300		
NGO	700		
f-PS	2,000		
1999			

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PERFORMANCE DATA TABLES

<p>OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW)</p> <p>APPROVED: <u>03/31/1996</u> COUNTRY/ORGANIZATION: USAID/PANAMA</p>			
<p>RESULT NAME: IR-1.3: REFORESTATION PROGRAM INITIATED WITH FUNDING SOURCES TO CONTINUE ITS THREE COMPONENTS-- GOVERNMENT, NGO, AND FOR-PROFIT PRIVATE SECTOR-- IDENTIFIED.</p>			
<p>INDICATOR: IR-1.3.2: Forestry incentive law strengthened.</p>			
<p>UNIT OF MEASURE:</p> <p align="center">Modification/ratification of amendments.</p> <hr/> <p>SOURCE:</p> <p align="center">GOP</p> <hr/> <p>INDICATOR DESCRIPTION:</p> <p>Modifications ratified by the legislative assembly to include benefits for small farmers, community based-organizations, and NGOs. Benefits include: duty free agriculture supplies and equipment, and rebates for the purchase and/or rental of lands to be dedicated to reforestation.</p> <hr/> <p>COMMENTS:</p> <p>INRENARE with USAID technical assistance is preparing a modification of the current law to be presented to the legislature in 1997. The private sector is also involved, providing technical information and input for "draft modifications".</p>	YEAR	PLANNED	ACTUAL
	1992		
	1993		
	1994		
	1995		
	1996		
	1997 (B)	1	
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/1996 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR-1.3: REFORESTATION PROGRAM INITIATED WITH FUNDING SOURCES TO CONTINUE ITS THREE COMPONENTS--GOVERNMENT, NGO, AND FOR-PROFIT PRIVATE SECTOR--IDENTIFIED.			
INDICATOR: IR-1.3.3: Funding secured for continuation of reforestation activities.			
UNIT OF MEASURE: commitments (\$ and number of projects)) <hr/> SOURCE: USAID <hr/> INDICATOR DESCRIPTION: - IDB support (minimum \$2.5 million) for local NGO agroforestry projects, - IAF support for alternative agriculture production projects (minimum US\$250,000) <hr/> COMMENTS: To achieve this IR, support is required from AA/LAC, State/G, and State/ARA; and at the local level from U.S. Ambassador, STRI, and PCC.	YEAR	PLANNED	ACTUAL
	1992		
	1993		
	1994		
	1995		
	1996		
	1997 (B)	0	
	1998	1 (IAF)	
	1999	1 (IDB)	

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/1996 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME:IR1.4: LEGAL AND POLICY FRAMEWORK FOR THE SUSTAINABLE MANAGEMENT OF THE PCW IN PLACE AS WELL AS RESOURCES COMMITTED FOR IMPLEMENTATION.			
INDICATOR: IR1.4.1: Legal and policy framework in place.			
UNIT OF MEASURE: Law or policy adopted <hr/> SOURCE: USAID <hr/> INDICATOR DESCRIPTION: Laws and policies include: National Environmental Action Plan (NEAP), National Environmental Law, Organic law for ACP, ARI general and regional land-use plans, and commitment to use canal tariffs for management of the PCW. <hr/> COMMENTS: - G. Bureau Technical assistance for development of NEAP with focus on PCW. - IDB funding for NEAP. - State/ARA and U.S. Ambassador support for Environmental Law. - High-level GOP and U.S. (Ambassador, PCC, State/G, State/ARA, and AA/LAC) support for increasing the capacity of the Inter-institutional Commission.	YEAR	PLANNED	ACTUAL
	1992		
	1993		
	1994		
	1995		
	1996 (B)		
	1997	2 (Env. Law, ARI)	
	1998	1 (NEAP)	
1999	1 (tariffs)		

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED.			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: I.R. 5 MUNICIPAL POLICY ENVIRONMENT, TOGETHER WITH ADMINISTRATIVE AND FINANCIAL CAPACITY OF THE TARGET MUNICIPALITIES ENHANCED.			
INDICATOR: I.R. 1.5.1 New Framework Law adopted by Legislative Assembly.			
MEASURE: Approved Legislation <hr/> SOURCE: Official Gazette <hr/> INDICATOR DESCRIPTION: Approved Law that reestablishes the areas of competence of local government including the municipalities. <hr/> COMMENTS:	YEAR	PLANNED	ACTUAL
	1995		
	1996		
	1997	Sept.-Dec. 1997	
	1998		
	1999		
	2000		

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.1 Mayors and other municipal leaders receive environmental awareness training (Project Resources, CLASP-II, PROARCA, etc.)			
MEASURE: Number of Participants	YEAR	PLANNED	ACTUAL
SOURCE: - Municipal Development Project Reports, - Documentation generated by the target municipalities.			
	1995	0	0
	1996	0	
	1997	40	
	1998	60	
	1999	60	
	2000	60	
INDICATOR DESCRIPTION: Seminars, Workshops, Training courses, Technical Assistance.			
COMMENTS:			

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSUME SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.2 Target Municipalities establish work relationships with, and routinely provide support for, local groups involved with reforestation/conservation activities.			
MEASURE: Number of groups	YEAR	PLANNED	ACTUAL
SOURCE: Municipal Development Project Reports, Documentation Generated by the Target Municipalities.			
INDICATOR DESCRIPTION: Local committees, NGO's cooperatives, associations, civic organizations, etc.	1995	0	
	1996	0	
	1997	10	
	1998	50	
	1999	80	
COMMENTS:	2000	80	

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: <u>03/31/96</u>		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.3 Improved solid waste management procedures adopted by target municipalities.			
MEASURE:	YEAR	PLANNED	ACTUAL
SOURCE:			
- Municipal Development Project Reports. - Documentation generated by Target Municipalities.	1995	0	0
	1996	0	0
INDICATOR DESCRIPTION:	1997	2	
	1998	4	
COMMENTS:	1999	10	
	2000	15	

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT FOR SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.4 Targeted Municipalities adopting/constructing infrastructure contributing towards environmental protection of the Panama Canal Watershed.			
MEASURE: Number of facilities	YEAR	PLANNED	ACTUAL
SOURCE: - Municipal Development Project Reports. - Documentation generated by Target Municipalities.			
	1995	0	
	1996	0	
	1997	5	
	1998	10	
	1999	30	
	2000	30	
INDICATOR DESCRIPTION: Infrastructure includes latrines, potable water facilities and other mitigation activities.			
COMMENTS:			

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT FOR SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: <u>03/31/96</u>		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.5 Plans/Commitments in place to ensure continuation of selected municipal activities.			
MEASURE: Number of agreements.	YEAR	PLANNED	ACTUAL
SOURCE: - Municipal Development Project Reports. - Documentation generated by Target Municipalities.			
	1995	0	
	1996	0	
	1997	0	
	1998	0	
	1999	3	
	2000	4	
INDICATOR DESCRIPTION: Plans/Commitments in place to ensure continuation of selected municipal activities.			
COMMENTS:			

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PERFORMANCE DATA TABLES

OBJECTIVE: CAPACITY AND COMMITMENT FOR SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: I.R. 5 CAPACITY OF MUNICIPALITIES TO ADDRESS SELECTIVE ENVIRONMENTAL NEEDS AND TO ADVOCATE FOR SUSTAINABLE MANAGEMENT OF THE WATERSHED INCREASED.			
INDICATOR: I.R. 1.5.6 Target Municipalities provide technical and material assistance to low-income rural families for the establishment and improvement of latrines and septic tanks.			
MEASURE: <hr/> SOURCE: <hr/> INDICATOR DESCRIPTION: <hr/> COMMENTS:	1993		
	1994		
	1995	0	
	1996	0	
	1997	10	
	1998	10	
	1999	20	
	2000	20	

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: <u>03/31/1996</u>		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: IR1.6: PUBLIC AWARENESS OF ENVIRONMENTAL ISSUES RELATING TO THE PCW INCREASED			
INDICATOR: IR1.6.1: Number of articles addressing PCW environmental issues appearing in national publications.			
UNIT OF MEASURE: Number of articles	YEAR	PLANNED	ACTUAL
SOURCE: USAID/Panama, and GREENCOM	1992		
	1993		
	1994		
	1995		
	1996 (B)		TBD (B)
	1997	TBD	
	1998	TBD	
INDICATOR DESCRIPTION:	1999 (T)	TBD	
	COMMENTS: - Focus will be on educating journalists about PCW environmental issues. - 5 of the articles in 1997 are 15 page inserts in La Prensa. (reprogrammed or additional resources will be needed for this new IR)		

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PERFORMANCE DATA TABLES

OBJECTIVE: SO-1: CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW).			
APPROVED: 03/31/1996 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR1.6: PUBLIC AWARENESS OF ENVIRONMENTAL ISSUES RELATING TO THE PCW INCREASED			
INDICATOR: IR1.6.2: High-level GOP officials oriented to environmental issues in the PCW			
UNIT OF MEASURE: Number of high-level officials participating.	YEAR	PLANNED	ACTUAL
	1992		
	SOURCE:		
	USAID, CEASPA, and INRENARE		
	INDICATOR DESCRIPTION:		
	Orientation will include seminars and field trips that provide information about PCW environmental issues and potential solutions. High-level officials will include vice-ministers and directors of national institutions.		
	1993		
	1994		
	1995		
	1996 (B)		0
1997	20		
COMMENTS:			
(reprogrammed or additional resources will be needed for this new IR)			
1998 (T)	50		
1999			

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C. Special Objective: To facilitate the Smooth Transfer of the Panama Canal as provided in the 1977 Treaties, and the Productive use of the Reverted Properties in the Canal Area.

This SpO attempts to assist the GOP in its preparation to assume ownership of the Panama Canal and to offset the negative impact in terms of lost jobs and income due to the withdrawal of U.S. military forces and related activities. The negative economic impact places an immediate challenge on the Interoceanic Regional Authority (ARI) to attract new investments in sustainable economic activities within the reverted areas. Through 1996, 2,227 direct jobs with the U.S. Department of Defense (DoD) were eliminated and the non-U.S. employees wage bill declined \$13.5 million, compared to 1994 base year levels. Another 1,084 jobs are expected to be cut in 1997, with a corresponding \$3.5 million decline in paid salaries. If USG and private expenditures by U.S. military personnel and their dependents stationed in Panama are taken into account, the economic impact in terms of total income loss approaches an estimated \$49 million in 1996, compared to 1994. Between 1997 and 1999, total expenditures and wage income earnings are expected to decline another \$124.0 million.

The GOP faces a daunting task in the achievements of the dual purposes of the SpO. First, it must develop a governance structure for the new Panama Canal Authority (ACP) within the next three years, in the context of Panamanian legislation. This includes establishing personnel and administrative procedures, adapting labor policies of the Panama Canal Commission (PCC) to maintain sound labor management relations, implementing world-class standards in its financial systems, developing procurement policies and programs, establishing a tolls policy, and establishing new authorities over Canal ports.

Second, considering that only 30% of the lands and 25% of the buildings and other infrastructure have been transferred to the GOP so far, the bulk of properties will be reverted during the 1997-1999 period (see Annex 4).

1. Performance Analysis

During FY 96, USAID dedicated special efforts to building a stronger sustainable partnership with the Interoceanic Regional Authority (ARI) and the Transition Commission for the Transfer of the Canal (CTTC), the key GOP players in the achievement of the SpO, as well as with other important institutions, i.e., the Ministry of Planning and Economic Policy (MIPPE), the Comptroller General of the Republic (CGR), the Inter-American Development Bank (IDB) and Fundación ANDE.

The nature of assistance needs of both ARI and CTTC is in the form of specific short-term technical assistance and technical studies to address the wide range of policy decisions to be made and to develop required legislation, systems and procedures. USAID has responded effectively and timely to many of these requirements on very short notice.

It should be noted that USAID assistance to both ARI and the CTTC is to a great extent

demand-driven and response to this demand must be particularly selective, because these two institutions do not have a partnership arrangement with any other donor approaching our level of responsiveness and comprehension. Notwithstanding limited resources, important progress has been made. Over the past year the institutional capacity of both ARI and the CTTC has been strengthened. ARI is implementing an asset disposition plan. The CTTC completed the draft framework legislation that will transfer the current Canal operation to the ACP. The CTTC has also developed a public information plan. The development of appropriate financial systems for both ARI and CTTC, in harmony with the GOP's new integrated financial system, is progressing satisfactorily. This system which integrates budgets, public debt, treasury and accounting subsystems will allow ARI and the ACP to maintain their financial autonomy while preserving appropriate levels of GOP control. With USAID assistance, the private sector, working through Fundación ANDE (a local NGO), developed important new initiatives to improve the business climate through policy reforms aimed at impacting meaningfully on investment and job-creation in the reverted areas.

Longer term assistance through the Financial Management Reform Project is providing technical advisors (FMDAP, see Annex 3) to address reversion and transition issues. Specifically, one advisor is assisting the GOP in the management and monitoring of the transition process of transferring the Panama Canal operations to GOP auspices. Two other advisors are assisting a private sector foundation to develop appropriate policies and regulations for the development of capital markets in Panama, i.e., encouraging private investment in the reverted areas and to protect intellectual property rights (IPR).

The Mission has anticipated greater involvement with Panamanian "Civil Society" in the transition of the Panama Canal and the reversion of military properties. Activities have been restructured to focus on the total inclusion of organizations other than the GOP. The Mission has been involved in ongoing discussions with partners (Panamanian-American Chambers of Commerce, COLABANCO, Banco Continental and others) to address cofinancing and fund raising to support civil society development activities. USAID has established a task force to support efforts in the transition of the Panama Canal and reversion of U.S. properties with the participation of the private sector, civil society NGOs, community organizations and universities. In this context, the New Partnership Initiative (NPI) will be the conduit to strengthen NGOs which are important to ensure competent management and a responsible transfer of the Panama Canal. NGOs will also play an important role in the whole reversion process and the productive use of the reverted areas. As we continue in our efforts to engage the NGO community in the reversion process, we will be in a better position to transfer these responsibilities fully to Panamanian "Civil Society" as part of USAID/Panama's exit strategy (Annex 9).

Major accomplishments during the past year, keyed to each Intermediate Result, are as follows:

IR#1: General Development Plan for the Interoceanic Region Adopted.

Achievement of Targets: Met

- Nathan and Associates completed the Regional and General Plans in 1996. Based on the results of these studies, ARI prepared a draft bill which the GOP Cabinet approved and submitted to the Legislative Assembly for consideration. As explained previously in this report, legislative delays hampered our complete success in achieving this result. However, final passage into law is now expected before June 1997 (Annex 5). These plans are the legitimate cornerstone for ARI's disposition of reverted assets.

IR#2: ARI's Institutional Capacity Strengthened and Asset Disposition Plan Ongoing.

Achievement of Targets: Met

- A two-year Cooperative Agreement with the International Executive Service Corps (IESC) is providing high quality technical assistance to ARI to strengthen its Marketing Office to manage the disposition of reverted properties through timely mentoring of ARI staff, networking with potential investors and vetting of potential investors.
- USAID funded feasibility studies for tourism development activities in Fort Amador, the most significant property reverted to date and, potentially the single greatest income generating block of real estate. As a result of the studies, joint venture contracts between ARI and local and foreign investors were signed in 1996 for the development of tourism facilities in Fort Amador. An anticipated \$150 million in initial investments (perhaps no more than one-quarter of total potential investments) includes construction of a 400 room hotel, a commercial center and 300 tourist villas. ARI recently received a \$42.0 million commercial loan to finance infrastructure requirements (water, sewer, etc.) for the tourism complex. During the next five years, construction of this tourism complex will generate about 4,500 direct and 2,250 indirect jobs.
- A study for the optimal use of Gorgas Military Hospital (when reverted), undertaken by IESC and financed by USAID, provided technical options which ARI has considered in its ongoing evaluations of proposals from potential investors.
- USAID financed an assessment of relocation sites for the Paitilla commuter airport. One option for the relocation was Albroom airport. The study provided technical options that helped ARI develop recommendations which it submitted to the GOP regarding future uses of the entire Albroom airport complex.
- The Geographic Information System (GIS) financed by USAID facilitates efficient management and control of all reverted properties. In 1996, approximately 25 private industrial and commercial projects were approved by ARI and corresponding facilities

and land areas have been awarded "in concession" for development (ARI still needs legislative passage of the General Development Plan to sell rather than make "concessions" of industrial and commercial assets). Complementary information technology equipment, also purchased with USAID financing, will expand current GIS services and capability.

- The GIS has been an important tool for the disposition of residential units in the reverted areas. At Fort Gullick/Espinar, 331 housing units were sold in 1996. An additional 94 units have been designated as part of the infrastructure for a hotel training school. At Fort Davis, the larger of the two former military bases reverted on the Atlantic side, renovation of existing structures is ongoing and additional buildings are in the early stages of construction. Of 288 total housing units, 92 were sold, 112 have been designated for managers of the Taiwanese Export Processing Zone (EPZ) to be located there, while 84 units remain to be disposed of.
- USAID funded a feasibility study to convert the Panama Canal College into a private, independent and self-sustaining institution of higher learning in the context of the GOP's "City of Knowledge" initiative. The Final Report will be ready in May.
- Based on the success of a similar event in 1995, USAID co-sponsored ARI's Second International Forum on the Development of the Interoceanic Region to stimulate direct domestic and foreign investment in reverted areas. This event was attended by more than 400 potential investors. ARI and the Association of Panamanian Realtors and Developers (ACOBIR) are now working on the final report of the forum, to be released shortly.

IR#3: Public Policies and Regulations for Investment Development Adopted.

Achievement of Targets: Met

- An ongoing cooperative agreement with the Panamanian private sector (through Fundación ANDE) was amended to reconfigure project activities directly towards achievement of the SpO. Within this context, priority was given to IPR, legal stability, the securities market and tourism.
- Regulations for the recently approved IPR Law were prepared and submitted to the GOP for final approval. This, and the aforementioned other laws, should enhance the business climate for industrial investors in the interoceanic region.
- A draft bill designed to provide legal stability for private investment, particularly in the reverted areas, was prepared. Fundación ANDE submitted the bill to the GOP for further consideration by the Legislative Assembly.
- A draft bill for a new securities market framework law was prepared and reviewed by a highly qualified consultant, a former commissioner of the U.S. Securities and Exchange

Commission (SEC). The GOP is currently evaluating his recommendations and analyzing options. The proposed law is a key tool which will facilitate obtaining adequate funding for the development of the reverted areas.

- A feasibility study to establish a Private Convention and Visitor Bureau (patterned on the U.S. model) was prepared and delivered by Cumings & McNulty (a U.S. firm) to Fundación ANDE. The proposed organization will support tourism development primarily in the reverted areas.
- Activities related to the ecotourism law have been postponed due to priorities in the areas mentioned above.
- All activities related to the framework law to modernize the Public Registry are included under IR#4.

IR#4: GOP's Administrative Procedures for Investment and Business-Related Activities Streamlined.

Achievement of Targets: Met

- A group of GOP entities (ARI included) in coordination with Fundación ANDE continued working on a project to modernize the Public Registry Office. A streamlined system will impact directly by significantly increasing the efficiency on all land titling and property registry (and therefore on investment development) in the reverted areas. It should be noted, that all the real estate located in these areas is currently registered under just two global property titlings. The GOP has budgeted \$5 million to implement the Public Registry modernization program.
- USAID provided computer equipment to help modernize the GOP Customs Directorate in the Ministry of Finance with remaining funds under the Tax Administration Improvement Project. This equipment will increase the efficiency of the Customs Directorate, which will impact directly and positively on the foreign trade climate.
- The GOP and ANDE are reviewing Terms of Reference (TOR) for activities related to the establishment of one-stop windows for investment development and exports.

IR#5: CTTC and New Panama Canal Authority Develop Policies and Regulations to Assume Full Canal Management and Operations.

Achievement of Targets: Met

- The Transition Commission for the Transfer of the Panama Canal (CTTC) drafted the framework law which will transfer Canal operations to the Panama Canal Authority

(ACP) in 1999. The bill will be debated by the Legislative Assembly with passage into law expected before June 1997. USAID provided technical assistance for the development of this bill (see Annex 6).

- With USAID support, the U.S. Federal Mediation and Conciliation Service (FMCS), provided technical assistance to the CTTC on labor issues related to the Framework Draft Bill.
- IESC developed, with USAID financing, a Public Information Plan for the CTTC. The plan is directed at informing and educating the public (at the local and international level) regarding Panama's responsibility in the future operation of the Canal, stressing efforts by Panama and the United States to assure a smooth and trauma-free transition.
- Activities to support procurement policies and regulations have been postponed due to other priority areas of the CTTC.
- Activities related to financial policies are being considered under IR#6.

IR#6: Financial Systems in ARI, ACP and INRENARE Harmonized with GOP New Integrated System.

Achievement of Targets: Met

- Under the coordination of a four-member consultant team funded by USAID, the design of the integrated financial management system and all required documents to purchase computer equipment to implement the system (technical specifications, general provisions, etc.) were essentially completed during this reporting period.

2. Performance Trends

During the past two years USAID/Panama has been successful in developing working relationships with the two primary institutions directly involved in the reversion process, ARI and the CTTC. USAID is the only substantive donor supporting these fledgling institutions. USAID has provided critically required technical assistance, technical studies, computer equipment and other limited commodities while, at the same time, we have had to refocus more than one-half of our portfolio in order to attempt to rationalize our program. This assistance has been timely and in many cases provided on very short notice. As a result, both institutions, have been able to address the myriad issues requiring high levels of technical and administrative competence, while building the institutional structures, systems and procedures that will assure sustainability. The efforts of the staff of these institutions during the past two years are commendable, given the unique monumental and complex task at hand. Major accomplishments are documented in this and the previous R4. However, initial successes have not come easily. The staff of both institutions, for the most part, are competent, highly motivated young

professionals. Many are relatively inexperienced in the tasks at hand, but they are learning fast.

Management styles have not always been conducive to efficiently addressing the issues. At the Inter-Oceanic Regional Authority (ARI), there is limited delegation of authority which seriously slows down the decision-making process, often hampering the timely resolution of pending matters and requiring more hands-on USAID assistance than anticipated.

In contrast to ARI's adequate budgeting for operations, the GOP has not allocated sufficient resources to the Transition Commission for the Transfer of the Canal to make it operational in line with its mandate. This is particularly adverse given the timeframe left to prepare for a smooth and seamless transfer of the Canal.

Much remains to be accomplished during the next thirty months before the Panama Canal and military properties are reverted. USAID will continue during this period to provide high quality and timely technical and other assistance required to achieve the objective, subject to the level of resource availabilities. To accomplish this, USAID will have to be more creative in the use of scarce resources and begin to orient its NPI strategy, using NGOs increasingly during the phase-out period of the Mission.

3. Expected Progress through FY 99 and Management Actions

Activities implemented under this Special Objective, by their nature, are essentially demand driven. However there is tacit agreement between USAID, ARI and CTTC on general areas of critical importance that will receive U.S. priority support.

The Canal will be transferred on December 31, 1999. On that date, all programs, systems, procedures and regulations absolutely required for the effective operation of the Canal will be in place. All necessary policy decisions will have been adopted. All essential legislation will have been enacted.

The vast majority of military properties will revert to Panamanian control during the 1998-1999 period. While preparation for the conversion of these assets into more productive uses are already ongoing, the pace will accelerate several fold over the next three years. The challenge will be to increase ARI's management and technical capabilities to assure sustainability once USAID is removed from the scene.

To meet the challenges, USAID will extend the Cooperative Agreement between the International Executive Service Corps (IESC) and ARI, and will also support a similar arrangement between the IESC and the CTTC. USAID will also enter into a multi-year PASA with the Federal Mediation and Conciliation Service (FMCS) to assist the CTTC with labor issues, the highest priority area identified by them.

Revised Intermediate Result No. 1. "Policy and Regulatory Framework in place for successful transfer of the Canal".

- USAID will enter into a major, multi-year PASA with the Federal Mediation and Conciliation Service (FMCS) in 1997 to assist the CTTC with labor issues, the highest priority item in connection with the transfer of the Panama Canal. In the first year, four "Training of Trainers" Workshops will be implemented, followed by site visits and training in the United States. Beyond addressing these initial labor issues of the Canal, we expect that technical assistance to facilitate the institutional development of the Panamanian Mediation Agency will have positive country-wide implications for alternative dispute resolution (ADR) mechanisms in the future.
- As in the case of ARI, USAID will sponsor an umbrella Cooperative Agreement between IESC and the CTTC to provide short-term technical assistance in a variety of issues. Insurance and risk management is one area where IESC expertise may be used. Follow-on work to implement a Public Information Plan is under consideration.
- USAID, in its proposed extension of the Financial Management Reform (RAF) Project, will provide additional long-term technical assistance and training to help the CTTC strengthen financial management, including budgeting, environmental accounting, procurement, environmental auditing, treasury operations, general accounting and national accounts' systems and standards.

Revised Intermediate Result No. 2. "Enabling conditions established for generating investment and employment in the reverted areas".

- Highly experienced, "CEO-type", technical experts will be provided by IESC to address a wide range of specific base conversion issues identified by ARI. As a result, ARI's Marketing and Promotion Office is expected to improve its capacity to plan, implement, market and promote development initiatives arising from the reversion process. International information and assistance networks will be mobilized to develop external contacts and linkages in support of the marketing and promotion of development initiatives launched by ARI. Research, proposal evaluations and promotional services in support of ARI's development initiatives will also be provided.
- USAID will finance a workshop and the development of an action plan on the private sector's vision of Panama's future development, with special emphasis on the interoceanic region.
- USAID, in its proposed extension of the Financial Management Reform (RAF) Project, will provide technical assistance and training to help ARI strengthen financial management, including budgeting, accounting, procurement and auditing systems. It will also provide assistance to ARI in the integration of the reverted areas into the GOP national accounts.
- Support provided under the Free Market Development Advisors Program (FMDAP) will be renewed (see Annex 3) to make available up to seven new advisors to Panamanian

counterpart organizations involved in the SO and SpO to accelerate their work plans.

- Support to counterpart organizations will be also provided under the WorldWid Fellows Program to facilitate organization and development of gender-specific information on reversion issues and indicators.

4. Performance Tables

PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: SpO. 2: ECONOMIC CONTRIBUTION OF REVERTED AREAS ATTAINS BY DECEMBER 31, 1999, A LEVEL EQUIVALENT TO AT LEAST 50% OF LEVEL ATTRIBUTABLE TO U.S. MILITARY PRESENCE IN DECEMBER, 1994.			
INDICATOR: SpO. 2.1: New Jobs Created			
UNIT OF MEASURE: Number of Jobs SOURCE: ARI reports. INDICATOR DESCRIPTION: Offsetting jobs lost due to U.S. military base closures. Total jobs in 1994: 12,300 (Non U.S. DOD employees and PCS) COMMENTS: In 1995 employment figures correspond to construction/ temporary and in 1996 to permanent direct employment. TE = Temporary direct employment, 70% of job generation. PE = Permanent direct employment, 30% of job generation.	YEAR	PLANNED	ACTUAL
	1994 (B)	Baseline	
	1995	600	TE : 1,875 PE :
	1996	600	TE : 50 PE : 760
	1997	1,200	
	1998	2,400	
	1999 (T)	5,200 Cumulative TE: 7,000 PE : 3,000	Cumulative TE : 1,925 PE : 760

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: SpO. 2: ECONOMIC CONTRIBUTION OF REVERTED AREAS ATTAINS BY DECEMBER 31, 1999, A LEVEL EQUIVALENT TO AT LEAST 50% OF LEVEL ATTRIBUTABLE TO U.S. MILITARY PRESENCE IN DECEMBER, 1994.			
INDICATOR: SpO. 2.2: Additional Wages Generated			
UNIT OF MEASURE: Millions of dollars.	YEAR	PLANNED	ACTUAL Temp./Perm.
SOURCE: ARI reports.	1994 (B)	Baseline	\$ 95.0
INDICATOR DESCRIPTION: Offsetting wage income lost due to U.S. military base closures. Total wages in 1994: \$95 million.	1995	3.8	TWE: - PWE: -
COMMENTS: TWE: Temporary wage earnings, 70% of direct wages generated. PWE: Permanent wage earnings, 30% of direct wages generated.	1996	3.8	
	1997	7.6	
	1998	15.2	
	1999 (T)	32.9 Cumulative TWE: 44.3 PWE: 19.0	

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PERFORMANCE DATA TABLES

<p>OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA</p> <p>APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA</p>			
<p>RESULT NAME: SpO. 2: ECONOMIC CONTRIBUTION OF REVERTED AREAS ATTAINS BY DECEMBER 31, 1999, A LEVEL EQUIVALENT TO AT LEAST 50% OF LEVEL ATTRIBUTABLE TO U.S. MILITARY PRESENCE IN DECEMBER, 1994.</p>			
<p>INDICATOR: SpO. 2.3: New Expenditures Generated</p>			
<p>UNIT OF MEASURE: Millions of dollars.</p> <hr/> <p>SOURCE: ARI reports.</p> <hr/> <p>INDICATOR DESCRIPTION: Contribution to GDP - Offsetting expenditures lost due to military base closures.</p> <p>Total expenditures in 1994: \$250 million.</p> <hr/> <p>COMMENTS:</p> <p>In 1995 and 1996 investment expenditures are in construction.</p> <p>I : Investment expenditures. C : Consumption expenditures (purchases of goods and services).</p>	YEAR	PLANNED	ACTUAL Inv./Cons.
	1992		
	1993		
	1994 (B)	Baseline	I.: 250.0 C.:
	1995	3.0	I.: 120.0 C.: -
	1996	10.0	I.: 133.2 C.: -
	1997	35.0	
	1998	35.0	
	1999 (T)	42.0 Cumulative I : 125.0 C :	Cumulative I : 253.0 C :

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 1 GENERAL DEVELOPMENT PLAN FOR THE INTEROCEANIC REGION ADOPTED.			
INDICATOR: IR 1.1 Draft Legislation for Interoceanic General and Regional Plans submitted to Legislative Assembly.			
UNIT OF MEASURE: Year. <hr/> SOURCE: Copy of draft bill, ARI reports, newspaper clippings. <hr/> INDICATOR DESCRIPTION: Draft Bill that sets land uses for the reverted properties. <hr/> COMMENTS: Action by ARI and the Executive Branch. <ul style="list-style-type: none"> • Draft bill completed and presented for public scrutiny, 09/96 • Modifications incorporated, 10/96. • Reviewed/Approved by the Executive Branch (Ministerial Cabinet), 12/96. • Submitted to the Legislative Branch, 1st Q of 1997. 	YEAR	PLANNED	ACTUAL
	1992		
	1993		
	1994		
	1995 (B)	Baseline	
	1996		
	1997 (T)	YES	YES
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 1 GENERAL DEVELOPMENT PLAN FOR THE INTEROCEANIC REGION ADOPTED.			
INDICATOR: IR 1.2 Interoceanic General and Regional Plans passed as Law.			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: Gaceta Oficial, ARI reports, newspaper clippings.	1995 (B)	Baseline	
INDICATOR DESCRIPTION: Law that specifies GOP land use objectives for the reverted properties.	1996		
	1997 (T)		
COMMENTS: Action by the Legislative Branch. * Under legislative consideration, 1st Q 1997.	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR. 2 ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION ONGOING.			
INDICATOR: IR 2.1.1 Reverted Area Asset Disposition Plan Initiated and ongoing- Fort Amador			
UNIT OF MEASURE: Year <hr/> SOURCE: Copy of Amador Master Plan, Gaceta Oficial, newspaper clippings. <hr/> INDICATOR DESCRIPTION: Plan adopted and implemented to guide reconversion from military use to productive use of Fort Amador. <hr/> COMMENTS: 1996: * Master Development Plan completed. * Letters of interest signed with various potential investors. * National Economic Council approved contract between ARI and joint venture resort investors. 1997: * Contracts signed for hotel/tourism facility developments. * US\$42M loan for public infrastructure.	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996		
	1997 (T)		
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2 ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION PLAN ONGOING			
INDICATOR: IR 2.1.2 Reverted Area Asset Disposition Plan Initiated - Albrook Airport			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: ARI reports; newspaper clippings. INDICATOR DESCRIPTION: Plan adopted and implemented to guide reconversion from military use to productive use of Albrook Airport. COMMENTS: * Technical safety evaluation completed, 1/96.	1995	Baseline	
	1996		
	1997 (T)		
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2 ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION PLAN ONGOING			
INDICATOR: IR 2.1.3 Reverted Area Asset Disposition Plan Initiated - Gorgas Hospital Installations			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: IESC Technical Report, ARI reports, newspaper clippings.	1995 (B)	Baseline	
INDICATOR DESCRIPTION: Plan adopted and implemented to guide reconversion from military use to productive use of Gorgas Hospital.	1996		
	1997 (T)		
	1998		
	1999		
COMMENTS: 1996: * IESC technical evaluation completed. * Alternative uses under consideration by ARI.			

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2: ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION PLAN ONGOING			
INDICATOR: IR 2.1.4 Reverted Area Asset Disposition Plan Initiated - City of Knowledge			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: ARI, City of Knowledge Foundation, newspaper clippings.	1992		
	1993		
INDICATOR DESCRIPTION:	1994		
	1995 (B)	Baseline	
COMMENTS: 1996: ° TOR for feasibility study of a reconstituted Panama Canal College (PCC) developed. 1997: ° Feasibility study of PCC in process, 1-3/97.	1996		
	1997		
	1998 (T)		
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2.2 ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION ONGOING			
INDICATOR: IR 2.2.1 Multi-Year Agreement with IESC signed - Consultancies initiated.			
UNIT OF MEASURE: Year <hr/> SOURCE: Copy of Cooperative Agreement, ARI/IESC reports. <hr/> INDICATOR DESCRIPTION: Technical assistance in place to begin strengthening institutional capacity of the Marketing Division at ARI. <hr/> COMMENTS: 1996: * ARI review/evaluation of IESC proposals, 2-8/96. * MOU signed between ARI and USDOC, 9/96 1997: * Cooperative Agreement signed, 11/96. * ARI/IESC developed TOR for first VE advisor under Cooperative Agreement, 12/96. * ARI/IESC Work Plan for Program Implementation developed 01/97. * First VE Advisor in-country 2/97.	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996 (T)		
	1997		Target met.
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2 ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION PLAN ONGOING			
INDICATOR: IR 2.2.2 Multi-Year Agreement with IESC signed - Network Plan Developed			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: Copy of Cooperative Agreement, ARI /IESC work plan and reports.	1995 (B)	Baseline	
	1996		
INDICATOR DESCRIPTION:	1997 (T)		
	1998		
COMMENTS: 1997: * Contemplated in ARI/IESC work plan, 1/97.	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 2: ARI'S INSTITUTIONAL CAPACITY STRENGTHENED AND ASSET DISPOSITION PLAN ONGOING			
INDICATOR: IR 2.2.3 Multi-Year Agreement with IESC signed - Outreach Plan between ARI and European IESC-like organization			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: Copy of Cooperative Agreement, ARI/IESC work plan and reports.	1995 (B)	Baseline	
	1996		
	1997		
	1998 (T)		
	1999		
INDICATOR DESCRIPTION:			
COMMENTS: 1997: Contemplated in ARI/IESC Work Plan, 01/97.			

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR No.3: PUBLIC POLICIES AND REGULATIONS FOR INVESTMENT DEVELOPMENT ADOPTED			
INDICATOR: PI 3.1 Framework Law to modernize the Public Registry passed PI 3.2 Framework Law for eco-tourism passed PI 3.3 New Law to protect intellectual property rights passed			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: Official Gazette, ANDE's reports, newspaper clippings.	1995 (B)	Baseline	
INDICATOR DESCRIPTION: Laws in reference were identified as key instruments for investment development in the reverted areas.	1996		
COMMENTS: Partners: ARI, MIPPE, ANDE ° IPR law passed in 05/96 and regulations drafted. ° ANDE and GOP working on the Public Registry regulations. ° Activities for ecotourism law have been postponed. ° Laws to develop the capital market and to provide legal stability for investment to be now included.	1997 (T)	laws passed	
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR No.4: GOP'S ADMINISTRATIVE PROCEDURES FOR INVESTMENT AND BUSINESS-RELATED ACTIVITIES STREAMLINED.			
INDICATOR: PI 4.1 Plan to modernize the Public Registry prepared and implemented PI 4.2 One-stop window for investment development installed PI 4.3 One-stop window for exports installed PI 4.4 Customs procedures for imports installed			
UNIT OF MEASURE: Year <hr/> SOURCE: GOP and ANDE's reports, surveys to investors and business organizations <hr/> INDICATOR DESCRIPTION: Streamlining of procedures in reference identified as key action for investment and business-related activities. <hr/> COMMENTS: Partners: ARI, MIPPE, ANDE. ° GOP and ANDE working on project to modernize the Public Registry ° Computer equipment to modernize the GOP's Customs Service acquired. ° GOP entities and ANDE are discussing SOW for other procedures to be streamlined.	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996		
	1997 (T)	procedures implemented	
	1998		
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 5: CTTC AND NEW PANAMA CANAL AUTHORITY DEVELOP POLICIES AND REGULATIONS TO ASSUME FULL CANAL MANAGEMENT OPERATIONS.			
INDICATOR: IR 5.1 Framework Law for new Panama Canal Authority (ACP) passed			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: Gaceta Official, CTTC reports, newspaper clippings.	1995 (B)	Baseline	
INDICATOR DESCRIPTION: Law will create the GOP's Panama Canal Authority (ACP) which will replace in the year 2000 the Panama Canal Commission (PCC), a U.S. entity.	1996		
	1997 (T)	YES	
	1998		
	1999		
COMMENTS: Partners: CTTC/ACP, MIPPE, UNDP. <ul style="list-style-type: none"> ° CTTC completed draft bill , 09/96 ° Submitted to public scrutiny, 10/96 ° Reviewed by the Executive Branch, 11-12/96 ° Commission on Canal Affairs, Legislative Branch, 1st Q, 1997 			

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA.			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 5: CTTC AND NEW PANAMA CANAL AUTHORITY DEVELOP POLICIES AND REGULATIONS TO ASSUME FULL CANAL MANAGEMENT OPERATIONS.			
INDICATOR: IR 5.2 Personnel Policies and Regulations developed.			
UNIT OF MEASURE: Year SOURCE: CTTC reports, newspaper clippings. INDICATOR DESCRIPTION: COMMENTS: Partners: CTTC/ACP, MITRABS, FMCS. Alternate Dispute Resolution mechanism to resolve labor conflicts in the ACP. "Training of Trainers" . * Technical Assistance on labor issues, Encuentro 2000 * Unsolicited Proposal by FMCS received, 12/96. * Revised Unsolicited Proposal prepared, 2/97 * Negotiations for a PASA with FMCS pending.	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996		
	1997		
	1998 (T)	YES	
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 5: CTTC AND NEW PANAMA CANAL AUTHORITY DEVELOP POLICIES AND REGULATIONS TO ASSUME FULL CANAL MANAGEMENT OPERATIONS.			
INDICATOR: IR 5.3 Procurement Policies and Regulations Developed.			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: CTTC reports, newspaper clippings.	1995	Baseline	
INDICATOR DESCRIPTION:	1996		
	1997		
COMMENTS: Partners: CTTC/ACP, CGR, MIPPE.	1998 (T)	YES	
	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 5: CTTC AND NEW PANAMA CANAL AUTHORITY DEVELOP POLICIES AND REGULATIONS TO ASSUME FULL CANAL MANAGEMENT OPERATIONS.			
INDICATOR: IR 5.4 Toll and Financial Policies developed.			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: CTTC reports, newspaper clippings.	1995 (B)	Baseline	
INDICATOR DESCRIPTION:	1996		
	1997		
	1998		
COMMENTS: Partners: CTTC/ACP, MIPPE	1999 (T)	YES	

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR 5: CTTC AND NEW PANAMA CANAL AUTHORITY DEVELOP POLICIES AND REGULATIONS TO ASSUME FULL CANAL MANAGEMENT OPERATIONS.			
INDICATOR: IR 5.5 Other Administrative Policies Developed			
UNIT OF MEASURE: Year	YEAR	PLANNED	ACTUAL
SOURCE: CTTC, IESC Report	1995 (B)	Baseline	
INDICATOR DESCRIPTION: Design and implementation of a public information plan.	1996		
COMMENTS: Partners: CTTC/ACP, MIPPE, IESC.	1997		
Develop a Public Information plan to guide and meet CTTC information dissemination needs among major players (i.e., Canal users, Canal workers, Panamanian population).	1998 (T)	YES	
° Design of Public Information Plan developed by IESC VE, 11-12/96.	1999		

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PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: <u>03/31/96</u> COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR No.6: FINANCIAL SYSTEMS IN ARI AND ACP DEVELOP IN HARMONY WITH GOP NEW INTEGRATED FINANCIAL SYSTEM.			
INDICATOR: PI 6.1 Harmonized financial system implemented at ARI PI 6.2 Harmonized financial system implemented for new ACP			
UNIT OF MEASURE: Year <hr/> SOURCE: <u>Comptroller General's report, ARI and ACP's financial reports</u> INDICATOR DESCRIPTION: Financial management systems meeting world-class standards to be developed. <hr/> COMMENTS: Partners: ARI, CTTC/ACP, CGR, MIPPE ° GOP, through the Comptroller General (CGR), is currently working on final design and procurement documents for the new GOP integrated financial management system (SIAF). ° The CGR has initiated coordination actions with ARI and CTTC to define SOW at the institutional level.	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996		
	1997 (T)	ARI's system developed	
	1998	ACP's system developed	
	1999		

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NEW PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96		COUNTRY/ORGANIZATION: USAID/PANAMA	
RESULT NAME: IR No. 1: POLICY AND REGULATORY FRAMEWORK IN PLACE FOR SUCCESSFUL TRANSFER			
INDICATOR: IR 1.1 Key Policies Enacted			
UNIT OF MEASURE: Number of Key Policies SOURCE: Official Gazette, CTTC reports and newspaper clippings. INDICATOR DESCRIPTION: Policies that will strengthen the institutional capacity of CTTC/ACP to deal with the transition on a variety of issues, e.g., labor, risk management, financial systems, public information. COMMENTS: Partners: CTTC, MIPPE, UNDP, IDB, ANDE 1996: • CTTC completed Framework Bill that creates the ACP. • Framework draft bill submitted to public scrutiny and later approved in the Executive Branch. • Design of Public Information Plan (PIP) completed. • TA on labor issues at Encuentro 2000 Seminar. • FMCS Unsolicited Proposal under consideration for Alternate Dispute Resolution (ADR). Main Activities supporting intermediate results: - New Panama Canal Authority (ACP) becomes operational. - Public Information System for the transition process developed. - New Labor Mediation and conciliation System developed. - ACP financial system developed PIP = Public Information Plan AP = Administrative Policies FS = Financial Systems	YEAR	PLANNED	ACTUAL
	1995 (B)	Baseline	
	1996	Framework Draft Bill, 1 PIP -Design	YES YES
	1997	Framework Law Passed, 1 PIP, Implemented AP, 2	
	1998	FS, Developed AP, 2	
1999 (T)	FS, Implemented AP, 3		

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NEW PERFORMANCE DATA TABLES

OBJECTIVE: TO FACILITATE THE SMOOTH TRANSFER OF THE PANAMA CANAL, AS PROVIDED IN THE 1977 TREATIES, AND THE PRODUCTIVE USE OF REVERTED PROPERTIES IN THE CANAL AREA			
APPROVED: 03/31/96 COUNTRY/ORGANIZATION: USAID/PANAMA			
RESULT NAME: IR No. 2: ENABLING CONDITIONS ESTABLISHED FOR GENERATING INVESTMENT AND EMPLOYMENT			
INDICATOR: IR 2.1 Plans and Key Policies Adopted			
UNIT OF MEASURE: Number of Plans and Key Policies	YEAR	PLANNED	ACTUAL
SOURCE: Gaceta Oficial, Copy of Cooperative Agreement, ARI/IESC reports, ANDE's reports and newspaper clippings.			
INDICATOR DESCRIPTION: Laws, policies and plans that will provide the institutional arrangements necessary to promote investment in the reverted areas.			
COMMENTS: Partners: ARI, MIPPE, IDB, ANDE. 1996:			
<ul style="list-style-type: none"> * Master Development Plan for Fort Amador completed. Contract between ARI and joint venture resort investors approved. * Draft Legislation for Interoceanic General and Regional Plans prepared by ARI, submitted to public scrutiny, approved by the Executive Branch. * Gorgas Hospital -Technical evaluation of possibilities for reconversion from military use to productive use completed. * Albrook Airport -Technical safety evaluation completed. * TOR for feasibility study of a reconstituted Panama Canal College (PCC) developed. * Intellectual Property Rights By-Laws passed. 			
Main activities supporting intermediate results:			
<ul style="list-style-type: none"> - General Development Plan for the Interoceanic Region adopted. - ARI's institutional capacity strengthened and Asset Disposition Plan ongoing. - Public policies for investment development adopted. - GOP's procedures for investment and business-related activities streamlined. - ARI financial system developed. 			
ADP = Asset Disposition Plan PPA = Public Policies Adopted PS = Procedures Streamlined FS = Financial system			
	1995 (B)	Baseline	
	1996	- Plans, 2 - ADP: 300 Housing units sold - PPA, 1	- Plans, 2 - ADP: 423 Housing units sold - PPA, 1
	1997	- Law: 1 - ADP: 1 Medical Installation - ADP: 400 Housing units sold - PPA, 2 - PS, 1 - FS, 1	
	1998	- ADP: 500 units - PPA, 2 - PS, 1 - FS, 2	
	1999 (T)	- ADP: 500 units - FS, 2	

D. Summit of the Americas - Update

Activities being implemented by USAID designed to achieve its Strategic Objective contribute directly and extensively to the Summit principle of guaranteeing development and conserving our natural environment for future generations. Annex 7 provides a detailed description of specific USAID actions keyed to the matrix developed for the CONCAUSA Action Plan.

E. Other Donor Coordination

USAID/Panama maintains frequent contact with bilateral and multilateral donors to review and exchange information regarding ongoing and planned program activities. The primary outcomes of these meetings are the avoidance of duplication of efforts and the wasteful application of scarce resources. However, with continued constraints on limited resources and in anticipation of Mission close-out in September 2000, it is imperative that other donors, particularly the Inter-American Development Bank, be approached by Senior LAC management to assure assumption and continuity of key activities which USAID has begun.

The Inter-American Development Bank (IDB) continues to be the lead donor in Panama, with a projected \$1 billion loan program (active or proposed) over the next several years. The IDB is optimally positioned to move into sectors which USAID has left or will soon leave. These include: financial management reform, administration of justice, housing, watershed environment and economic policy development. Monthly USAID/IDB coordination meetings continue to stress continuity between prior USAID accomplishments in these sectors and future IDB plans.

The IDB also provides loan funding for rural road construction, energy development, agriculture, secondary and technical education, health services, and improved basic infrastructure systems (i.e., telecommunications, electricity, potable water and sanitation). Continued IDB leadership and support are critical to future development of internationally recognized Environmental Impact Analysis for GOP and private sector large infrastructure projects, such as, road construction, mining and other development. In addition, the IDB has provided assistance in the development of the general use and regional plans for the reverted areas and is providing financial resources to assist in promotion and marketing of these areas.

In 1996, the IDB disbursed \$90.1 million in loan funding to the Government of Panama. During this period, GOP repayments of IDB loans totalled \$61.3 million.

The European Union signed in 1996 an agreement with the GOP to provide \$1.2 million to develop a technological park as part of the City of Knowledge. The European Union is also contributing \$800,000 to help finance the Panama Canal Universal Congress. An additional \$400,000 European Union contribution has been earmarked for the Panama Canal Museum to be inaugurated prior to the Universal Congress. A grant from the European Union will finance a study to forecast Canal transit up to the year 2060. The findings of this study will be

presented at the Universal Congress on the Panama Canal.

The Canadian Executive Service Organization (CESO, the Canadian equivalent of IESC) was contracted by ARI to study passenger movement through the Canal; to implement a feasibility study for a training and crew rotation center; to prepare a feasibility study for a container storage, rental and repair center; and to study the feasibility of a ship repair and maintenance center in the reverted areas. These studies will be completed during the second quarter of FY 1997.

In 1996, \$1.2 million was disbursed from the \$25 million World Bank rural health loan signed in 1995. Disbursements in 1996 under the World Bank \$40 million loan for primary and secondary education was \$750,000.

The World Bank also disbursed in 1996 the second tranche of \$30.0 million under an economic recovery loan approved in 1992. The last tranche of \$33 million is pending. This is essentially budget support in connection with structural reforms.

Germany, Spain and Japan provided a total of approximately \$23 million in commodity and technical assistance in 1996. Germany and Japan are involved to some extent in supporting environmental protection, although none has focused its assistance upon the Panama Canal Watershed.

UNDP contribution in 1996 to assist in the preparation of a strategy for the development of the GOP's City of Knowledge initiative in the reverted areas was \$107,000.

In 1996, the International Monetary Fund (IMF) disbursed \$78.5 million under the stand-by facility, following disbursements of \$13.7 million in 1995. The stand-by facility signed in 1995 totalled \$122 million.

Part III: Status of Management Contract

A. Strategic Objective Changes and Refinement

1. Introduction

FY 96 was a year of transition for USAID/Panama with the reduction of two (2) Strategic Objectives (i.e., "To Strengthen-Civilian Government" and "To Protect the Panama Canal Watershed") to one (1) Strategic Objective (i.e., "To Improve Management and Protection of the Canal Watershed"). A Special Objective i.e., "To Facilitate the Transfer of the Panama Canal and Productive Use of the Reverted Properties in the Canal Areas" was proposed for the FY 97 through FY 99 period and approved during the review of the last R4 submission.

The following refinements for the Strategic Objective and Special Objective are presented below.

2. Strategic Objective

"Capacity and Commitment of Panama and the International Community Established to Assure Sustainable Management of the Panama Canal Watershed (PCW)".

Recent guidance from LAC Bureau regarding the Panama program and budget parameters provided specific instructions that "implementation of all bilateral USAID programs will end during the year 2000 with close-out by September 2000". With the above in mind, USAID/Panama conducted an intensive review of the SO (with LAC environmental officers) and concluded that refinements were needed. Two SO indicators were added to track greater support and commitment on the part of the GOP and other donors. Therefore, a refined Results Framework to reflect GOP and Donor support and commitment, as well as new SO indicators and Performance Tables are proposed as follows:

See Page 77

3. Special Objective

"To facilitate the Smooth Transfer of the Panama Canal, as provided in the 1977 Treaties and Productive Use of the Reverted Areas".

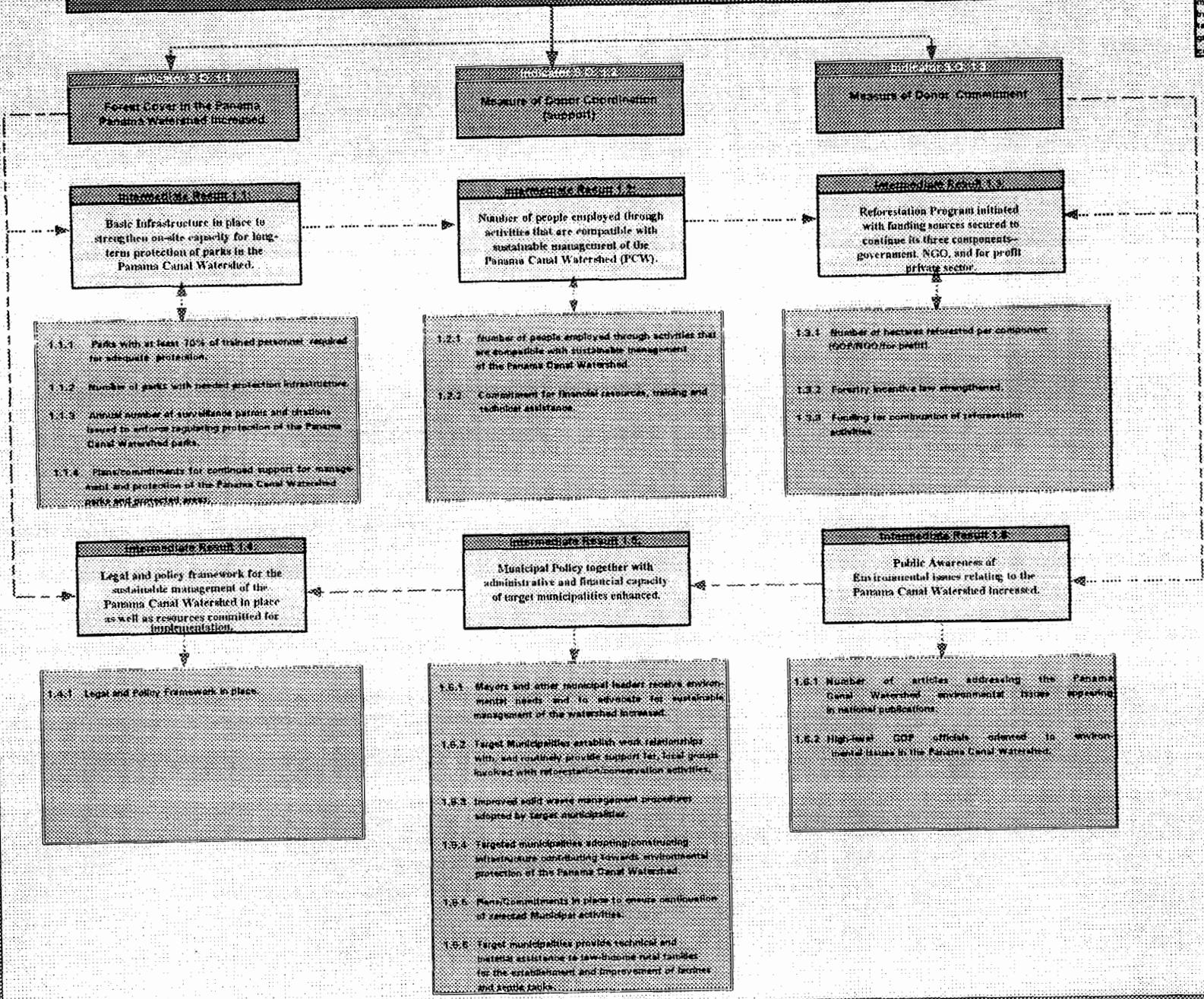
In reviewing the SpO, USAID/Panama has determined that many of the IR packages were based on activities not results. Furthermore, these activities addressed two major intermediate results, i.e., (a) policy and regulatory framework and (b) enabling conditions for generating investment and employment. Therefore, USAID/Panama has conducted an intensive review of the SpO (with LAC/W and RLA support) and proposes to refine the SpO by creating two new SO level indicators as well as two new IR indicators. These refinements are proposed as follows:

See Page 78

STRATEGIC OBJECTIVE No. 1

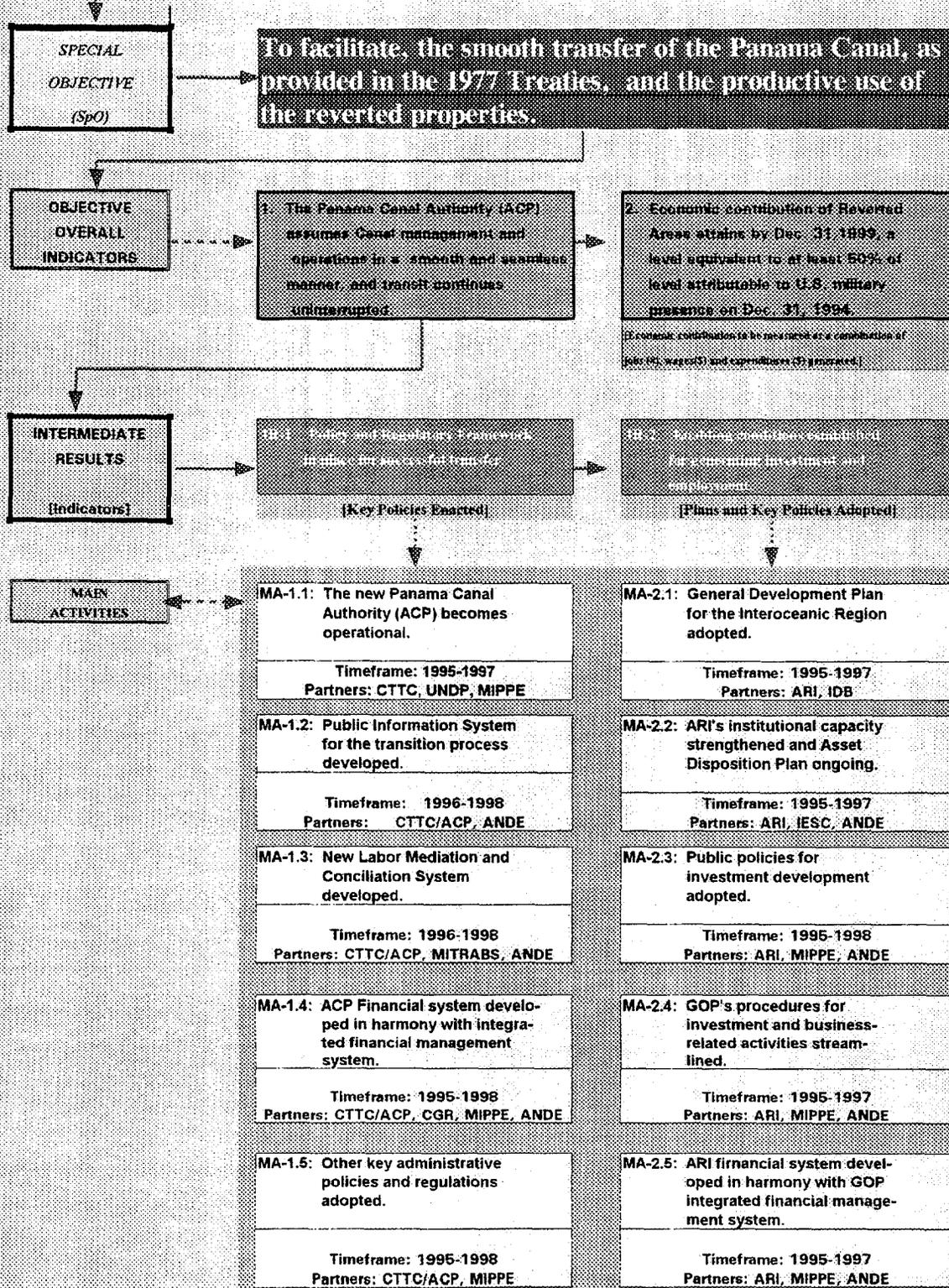
CAPACITY AND COMMITMENT OF PANAMA AND THE INTERNATIONAL COMMUNITY ESTABLISHED TO ASSURE SUSTAINABLE MANAGEMENT OF THE PANAMA CANAL WATERSHED (PCW)

Development Hypothesis
 Discouraging deforestation, environmental contamination and encouraging reforestation, and promoting sustainable development will lessen degradation of forest, soil, water and conserve biodiversity.



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RESULTS FRAMEWORK FOR SPECIAL OBJECTIVE



Part IV: Resource Request

A. Resource Requirements

1. Program Funding Request by Strategic and Special Objectives

a. Strategic Objectives

Unearmarked funds obligated for the activities that support the SO as of December 31, 1996, amounted to \$6.0 million. To assure achievement of the SO, \$8.9 million in additional funding will be required through FY 99.

These resources will finance activities already planned, but not yet fully committed as well as new activities, particularly reforestation, investments in newly declared protected areas in the Canal Watershed and environmental training for Watershed residents.

Specifically, the additional funds will be used as follows:

- Under the MARENA Project, \$600,000 will finance the demarcation, infrastructure, equipment and the development of management plans for two new areas anticipated to be declared protected areas; \$1.1 million to provide technical assistance to INRENARE to strengthen its capacity to analyze and evaluate environmental impact assessments for relatively large construction and mining activities, strengthen its management capacity for the parks and protected areas in the Canal Watershed and develop adequate policies and plans for visitor use of the parks and protected areas; and \$1.5 million for the reforestation of approximately 1500 hectares in the Canal Watershed (see Annex 8).
- Under the CLASP II project, \$2.4 million will be needed to train community leaders, small producers and engage local NGOs and community groups in environmental related activities, including reforestation.
- Under the Financial Management Reform Project, \$1.0 million to develop and implement environmental accounting and auditing systems.

b. Special Objective

At the end of 1996, there were \$0.9 million in unearmarked resources under the SpO. To assure achievement of the targets, an additional \$3.5 million will be required. These resources will finance the following activities.

- \$2.0 million for short-term technical assistance and institutional strengthening in an umbrella Cooperative Agreement with the International Executive Service Corps (IESC) through the Economic Policy Development Project for the CTTC.

- \$1.0 million for an extension to the Cooperative Agreement with the International Executive Service Corps (IESC) to provide additional technical assistance and institutional strengthening through the Economic Policy Development Project for ARI.
- \$500,000 to support the development of an Alternative Dispute Resolution system for the CTTC.

2. Operational Expenses OE & Staffing

USAID/Panama will be going from nine active projects by the end of FY 1997 to five through the end of FY 1999. Meanwhile, the Mission continues to implement a \$20 million pipeline. The Agency has fixed costs in these nine projects whose objectives remain developmentally valid and complementary to those of other donors.

The Mission manages an off-budget Excess Property Program which transfers millions of dollars each year in U.S. military and Panama Canal Commission "excess" property to Government of Panama agencies and Panamanian NGOs. In addition, the Mission administers a \$25 million Housing Investment Guarantee Program that is a Canal Treaty requirement, of which \$19 million has already been disbursed and the remainder should be disbursed by June 1997.

During FY 1996, USAID/Panama took an accelerated reduction of its USDH staffing and dropped to four instead of five. Seven FSN positions were abolished, reducing this staffing element to 35.

The USDH staffing levels of four and one USPSC are scheduled to remain at the same level through September 1999, with FSN positions gradually dropping to 30 by FY-99.

The Mission took draconian measures in FY 96 and reduced its budgetary expenses from \$2.2 million to \$1.7 million (77.3%). USDH staff declined by 1/3 and OE FSNPSC staff by 16%. We will continue to micro-manage OE funding to maximize its utility.

B. Financial Plan

See Pages 83 - 98

C. Prioritization

USAID has only one Strategic Objective and a Special Objective. The Strategic Objective is the number one priority, which will be maintained in the event that the Bureau radically reduces program resources.

D. Linkage of Field Support

Field Support required to obtain services and support to assist in achieving the SO and SpO are shown in the Field Support Table. This support is in the form of a buy-in into The Free Market Development Advisors Program. Currently, seven advisors are assisting us to achieve our Strategic and Special Objective. Achievements to date are very encouraging and extremely cost effective. Over the next few months we will develop scopes of work and assignments for another "batch" of FMDAP advisors. See Annex 3 for additional and more detailed information regarding this program.

In addition, USAID is attempting to recruit one or more advisors through the Worldwid Fellows Program to facilitate organization and development of gender-specific information on reversion issues and indicators.

For more than one year the Mission has been developing and refining its New Partnership Initiative (NPI)--Annex 9. Assisting us in these activities, over the past few months, G/DG has been instrumental in providing a small grant (\$125 Thousand) for one of its regular grantees, IFES. This has assisted us in the labor intensive field work of sorting through the list of local NGOs and optimizing their potential roles facing a multitude of challenges stemming from the entire Panama "reversion process". These massive change-in-ownership events will dramatically impact on Panamanian "Civil Society".

Mission will continue to supply financial resources (\$10,000) for Peace Corps/USAID Small Project Assistance.

The Mission is receiving assistance from USAID/Guatemala Regional Programs (G-CAP). These include the PROARCA and PROALCA Projects which support the Central American Alliances for Sustainable Development (ALIDES). Specifically, PROARCA is providing support under its Coastal Zone Management Component to protect the Bocas del Toro/San San/Gandoca protected areas in the northwestern area of Panama. Also, PROARCA is assisting in the reduction of contamination due to key pollutants in Isla Colon in the Bocas del Toro area as well as solid waste management assistance to the 4 municipalities (under our Municipal Development Project) within the PCW (Chorrera, Capira, Arraiján, Portobelo).

PROALCA is a USAID/G-CAP regional, trade improvements-oriented project, with components focussing on IPR protection, investment, and market access, with a possible expansion into telecommunications to take place latter on.

In the interim, the Mission has been collaborating with USAID/G-CAP in the implementation of the labor-management relations portion of the project, to include hosting a workshop recently attended by vice-ministers and representatives from organized labor and the private sector throughout the region.

At this juncture, we are exploring modalities to tie in PROALCA's activities with our own,

allowing formal participation by Central American labor ministries in the Alternative Dispute Resolution (ADR) training of trainers we are planning to provide to the CTTC through the services of the Federal Mediation and Conciliation Service.

E. Environmental Compliance

There are no outstanding issues related to the implementation of requirements under 22 CFR 216.

Part V: Special Issues

Sustainability

Currently, USAID is the only donor institution assisting the GOP in the Panama Canal Watershed and is also the key player in the reversion of the Canal and military properties. USAID is scheduled to terminate activities on September 30, 2000. USAID is concerned that important gains achieved by that date may unravel if certain conditions are not in place. First, there must be high level GOP support for the protection of the Panama Canal Watershed, which makes the Canal operable. The Canal is Panama's most important economic asset. This support must be in the form of GOP political will to protect the PCW by providing adequate resources. This is an especially difficult task since, to the uninitiated, the PCW does not appear to need any sustainable development interventions at all. Supplied by annual rainfall, some may argue that, left alone, the PCW will take care of itself. This is simply not true.

Over the past two years the administrative and technical capacity of INRENARE has been improved. It will improve further during the following 2-3 years. However, at the end of the next three years, INRENARE will be far from becoming a viable institution capable of complying with all of its responsibilities in and outside of the PCW, given current trends in operating resources. Other donors must begin to focus significant levels of resources on the Canal Watershed. The single most important activity that will assure its protection is reforestation. USAID has initiated reforestation activities in the Watershed. However, USAID lacks the level of resources and the time to assure completion of the job. Other donors must continue and expand reforestation efforts.

Another area in which other donor resources and involvement will be required is related to the conversion of military bases into higher productive areas. By the end of the next three years, while important progress will have been made, this task will also be incomplete. Similar experiences in the U.S. and elsewhere, indicate that this is a long-term endeavor.

To assure that important gains are not lost as a result of USAID close out, the Mission needs assistance by senior USG decision makers to secure the highest level of GOP commitment and support, as well as to foster the engagement of other donors with adequate resources to continue important environmental activities within the Canal Watershed. Also, additional assistance will be needed to continue with the remaining conversion of military installations to private use.

OYB			
OBJECTIVES	FY97 (000)	FY98 (000)	FY99 (000)
Strategic Objective No. 1 Total - (Unrestricted environment funds): funds: Capacity and Commitment of Panama and the international Community established to assure sustainable management of the Panama Canal Watershed (PCW).	2,740	2,300	3,900
Special Objective Total - (Unrestricted economic growth funds): funds: To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.	-0-	1,000	2,500
TOTAL	2,740	3,300	6,400

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ALTERNATIVE FY98/99 RESERVE ALLOCATION SCENARIOS

OBJECTIVES	CUTS	FY98 \$3.3 (000)	FY99 \$6.4 (000)
Strategic Objective No. 1 Total - (Unrestricted environment funds):		2,300	3,900
Capacity and Commitment of Panama and the international community established to assure sustainable management of the Panama Canal Watershed (PCW).	-10%	(230)	(390)
	-25%	(575)	(975)
Special Objective Total - (Unrestricted economic growth funds):		1,000	2,500
To facilitate the smooth transfer of the Panama Canal, as provided in the 1977 Treaties, and the productive use of the reverted properties.	-10%	(100)	(250)
	-20%	(200)	(500)

USAID FY 1997 Budget Request by Program/Country
(\$000)

27-Mar-97
08:11 AM

Country/Program: PANAMA

S.O. #, Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 96	FY 1997 Request								Est Expend. FY 97	Est Total cost life of SO	Mortgage at end of 1997	
				FY 1997 Total Request	Basic Education for Chldrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ				D/G
SO 1: Improve Management and Protection of the Panama Canal Watershed															
	Bilateral		12,354	2,650	0	0	0	0	0	0	2,650	0	7,261	36,159	4,336
	Field Spt			90	0	0	0	0	0	0	90	0	90	90	
	Total		12,354	2,740	0	0	0	0	0	0	2,740	0	7,351	36,249	4,336
SO 2: (Type in approved full title of SO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
SO 3: (Type in approved full title of SO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
SO 4: (Type in approved full title of SO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 1 (Type in approved full title of SO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 2 (Type in approved full title of SO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
SP0 1 Facilitate Transfer of Canal and Productive Use of Reverted Areas															
	Bilateral		3,432	0	0	0	0	0	0	0	0	0	2,251	9,940	985
	Field Spt		0	0	0	0	0	0	0	0	0	0	60	60	
	Total		3,432	0	0	0	0	0	0	0	0	0	2,311	10,000	985
SP0 2 (Type in approved full title of SPO here)															
	Bilateral			0	0	0	0	0	0	0	0	0			
	Field Spt			0	0	0	0	0	0	0	0	0			
	Total		0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral			15,786	2,650	0	0	0	0	0	0	2,650	0	9,572	46,099	5,321
Total Field Support				90	0	0	0	0	0	0	90	0	150	150	0
TOTAL PROGRAM			15,786	2,740	0	0	0	0	0	0	2,740	0	9,662	46,249	5,321

FY 97 Budget Request by Appropriation - (\$000's)	
Development Assistance	2,740
Development Fund for Africa	0
Economic Support Funds	0
SEED	0
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

**USAID FY 1998 Budget Request by Program/Country
(\$000)**

27-Mar-97
08:11 AM

Country/Program: PANAMA

S.O. # , Title	Approp Acct	Bilateral/ Field Spt	Est. SO Pipeline at end of FY 97	FY 1998 Request									Est Expend. FY 98	Est Total cost life of SO	Mortgage at end of 1998	
				FY 1998 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ	D/G				
SO 1: Improve Management and Protection of the Panama Canal Watershed																
		Bilateral	7,733	2,725	0	0	0	0	0	0	0	2,725	0	5,874	37,359	2,731
		Field Spt		90	0	0	0	0	0	0	0	90	0	90	90	0
		Total	7,733	2,815	0	0	0	0	0	0	0	2,815	0	5,964	37,449	2,731
SO 2: (Type in approved full title of SO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 3: (Type in approved full title of SO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 4: (Type in approved full title of SO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 1 (Type in approved full title of SO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 2 (Type in approved full title of SO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SPO 1 Facilitate Transfer of Canal and Productive Use of Reverted Areas																
		Bilateral	1,121	425	0	425	0	0	0	0	0	0	0	891	9,940	500
		Field Spt		60	0	60	0	0	0	0	0	0	0	60	60	0
		Total	1,121	485	0	485	0	0	0	0	0	0	951	10,000	500	
SPO 2 (Type in approved full title of SPO here)																
		Bilateral		0	0	0	0	0	0	0	0	0	0			
		Field Spt		0	0	0	0	0	0	0	0	0	0			
		Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral			8,854	3,150	0	425	0	0	0	0	0	2,725	0	6,765	47,299	3,231
Total Field Support				150	0	60	0	0	0	0	0	90	0	150	150	0
TOTAL PROGRAM			8,854	3,300	0	485	0	0	0	0	0	2,815	0	6,915	47,449	3,231

FY 98 Budget Request by Appropriation - (\$000's)	
Development Assistance	3,300
Development Fund for Africa	0
Economic Support Funds	0
SEED	0
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

USAID FY 1999 Budget Request by Program/Country
(\$000)

27-Mar-97
08:11 AM

Country/Program: PANAMA

S.O. #	Title	Est. SO Pipeline at end of FY 98	FY 1999 Request										Est. Total cost of SO	Mortgage at end of 1999		
			Approp Acct	Bilateral/Field Spt	FY 1999 Total Request	Basic Education for Childrn	Other Economic Growth	Population	Child Survival	HIV/AIDS	Other Health	Environ			D/G	Est. Expend. FY 99
SO 1: Improve Management and Protection of the Panama Canal Watershed.																
	Bilateral	4,574	3,900	0	0	0	0	0	0	0	0	3,900	0	5,702	40,149	1,731
	Field Spt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	4,574	3,900	0	0	0	0	0	0	0	0	3,900	0	5,702	40,149	1,731
SO 2: (Type in approved full title of SO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 3: (Type in approved full title of SO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SO 4: (Type in approved full title of SO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 1 (Type in approved full title of SO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SSO 2 (Type in approved full title of SO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SPO 1 Facilitate Transfer of Canal and Productive Use of the Reverted Areas.																
	Bilateral	655	2,500	0	2,500	0	0	0	0	0	0	0	0	1,250	10,500	0
	Field Spt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	655	2,500	0	2,500	0	0	0	0	0	0	0	0	1,250	10,500	0
SPO 2 (Type in approved full title of SPO here)																
	Bilateral		0	0	0	0	0	0	0	0	0	0	0			
	Field Spt		0	0	0	0	0	0	0	0	0	0	0			
	Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Bilateral		5,229	6,400	0	2,500	0	0	0	0	0	0	3,900	0	6,952	50,649	1,731
Total Field Support		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PROGRAM		5,229	6,400	0	2,500	0	0	0	0	0	0	3,900	0	6,952	50,649	1,731

FY 99 Budget Request by Appropriation - (\$000's)	
Development Assistance	6,400
Development Fund for Africa	0
Economic Support Funds	0
SEED	0
FSA	0
PL 480 Title II	0
PL 480 Title III	0
Micro & Small Ent. Dev. Credit Program	0
Housing Investment Guarantee Program	0
Enhanced Credit Program	0
Disaster Assistance	0

OVERSEAS MISSION BUDGET REQUEST

OE-25525.wk4

Org. Title: USAID/PANAMA
 Org. No: 525
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
11.1 Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1 Base Pay & pymt. for annual leave balances - FNDH			0.0			0.0			0.0			0.0
Subtotal OC 11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.3 Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3 Base Pay & pymt. for annual leave balances - FNDH			0.0			0.0			0.0			0.0
Subtotal OC 11.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.5 Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5 USDH			0.0			0.0			0.0			0.0
11.5 FNDH			0.0			0.0			0.0			0.0
Subtotal OC 11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.8 Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8 USPSC Salaries			0.0			0.0			0.0			0.0
11.8 FN PSC Salaries	600.0		600.0	620.0		620.0	600.0		600.0			0.0
11.8 IPA Details-In PASAs RSSAs Salaries			0.0			0.0			0.0			0.0
Subtotal OC 11.8	600.0	0.0	600.0	620.0	0.0	620.0	600.0	0.0	600.0	0.0	0.0	0.0
12.1 Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Educational Allowances	11.4		11.4	34.2		34.2	34.2		34.2			0.0
12.1 Cost of Living Allowances			0.0			0.0			0.0			0.0
12.1 Home Service Transfer Allowances			0.0			0.0			0.0			0.0
12.1 Quarters Allowances			0.0			0.0			0.0			0.0
12.1 Other Misc. USDH Benefits	8.8		8.8	10.8		10.8	11.0		11.0			0.0
12.1 FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FNDH			0.0			0.0			0.0			0.0
12.1 Other FNDH Benefits			0.0			0.0			0.0			0.0
12.1 US PSC Benefits			0.0			0.0			0.0			0.0
12.1 FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1 Payments to the FSN Separation Fund - FN PSC	30.0		30.0	10.4		10.4	8.5		8.5			0.0
12.1 Other FN PSC Benefits	8.0		8.0	13.0		13.0	11.0		11.0			0.0
12.1 IPA/Detail-In/PASA/RSSA Benefits			0.0			0.0			0.0			0.0
Subtotal OC 12.1	58.2	0.0	58.2	68.4	0.0	68.4	64.7	0.0	64.7	0.0	0.0	0.0
13.0 Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FNDH			0.0			0.0			0.0			0.0
13.0 Other Benefits for Former Personnel - FNDH			0.0			0.0			0.0			0.0
13.0 FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13.0 Severance Payments for FN PSCs	20.0		20.0			0.0	45.0		45.0			0.0
13.0 Other Benefits for Former Personnel - FN PSCs			0.0			0.0			0.0			0.0
Subtotal OC 13.0	20.0	0.0	20.0	0.0	0.0	0.0	45.0	0.0	45.0	0.0	0.0	0.0

OVERSEAS MISSION BUDGET REQUEST

Org. Title: USAID/PANAMA
 Org. No: 525
 OC

- 21.0 Travel and transportation of persons
- 21.0 Training Travel
- 21.0 Mandatory/Statutory Travel
- 21.0 Post Assignment Travel - to field
- 21.0 Assignment to Washington Travel
- 21.0 Home Leave Travel
- 21.0 R & R Travel
- 21.0 Education Travel
- 21.0 Evacuation Travel
- 21.0 Retirement Travel
- 21.0 Pre-Employment Invitational Travel
- 21.0 Other Mandatory Statutory Travel
- 21.0 Operational Travel
- 21.0 Site Visits - Headquarters Personnel
- 21.0 Site Visits - Mission Personnel
- 21.0 Conferences Seminars Meetings Retreats
- 21.0 Assessment Travel
- 21.0 Impact Evaluation Travel
- 21.0 Disaster Travel (to respond to specific disasters)
- 21.0 Recruitment Travel
- 21.0 Other Operational Travel

Subtotal OC 21.0

- 22.0 Transportation of things
- 22.0 Post assignment freight
- 22.0 Home Leave Freight
- 22.0 Retirement Freight
- 22.0 Transportation Freight for Office Furniture Equip.
- 22.0 Transportation Freight for Res. Furniture Equip.

Subtotal OC 22.0

- 23.2 Rental payments to others
- 23.2 Rental Payments to Others - Office Space
- 23.2 Rental Payments to Others - Warehouse Space
- 23.2 Rental Payments to Others - Residences

Subtotal OC 23.2

- 23.3 Communications, utilities, and miscellaneous charges
- 23.3 Office Utilities
- 23.3 Residential Utilities
- 23.3 Telephone Costs
- 23.3 ADP Software Leases
- 23.3 ADP Hardware Lease
- 23.3 Commercial Time Sharing
- 23.3 Postal Fees (Other than APO Mail)
- 23.3 Other Mail Service Costs
- 23.3 Courier Services

Subtotal OC 23.3

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.0		23.0	23.0	20.0		20.0	20.0		20.0			0.0
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
2.3		2.3	2.3			0.0			0.0			0.0
1.0		1.0	1.0			0.0			0.0			0.0
6.0		6.0	6.0	3.0		3.0	6.0		6.0			0.0
2.5		2.5	2.5	5.0		5.0	3.0		3.0			0.0
1.5		1.5	1.5	2.0		2.0	2.0		2.0			0.0
2.0		2.0	2.0	2.0		2.0	2.0		2.0			0.0
		0.0	0.0			0.0			0.0			0.0
		0.0	0.0			0.0			0.0			0.0
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
3.0		3.0	3.0	4.0		4.0	5.0		5.0			0.0
4.0		4.0	4.0	5.0		5.0	5.0		5.0			0.0
7.2		7.2	7.2	10.0		10.0	10.0		10.0			0.0
		0.0	0.0			0.0			0.0			0.0
		0.0	0.0			0.0			0.0			0.0
		0.0	0.0			0.0			0.0			0.0
		0.0	0.0			0.0			0.0			0.0
15.0		15.0	15.0	15.0		15.0	15.0		15.0			0.0
67.5	0.0	67.5	66.0	0.0	66.0	68.0	0.0	68.0	0.0	0.0	0.0	0.0
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
15.8		15.8			0.0				0.0			0.0
2.0		2.0	2.0	2.0		2.0	2.0		2.0			0.0
		0.0	0.0			0.0			0.0			0.0
3.0		3.0	2.0	2.0		2.0	1.0		1.0			0.0
2.0		2.0	2.0	2.0		2.0	1.0		1.0			0.0
22.8	0.0	22.8	6.0	0.0	6.0	4.0	0.0	4.0	0.0	0.0	0.0	0.0
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
110.0		110.0	108.9		108.9	113.0		113.0				0.0
16.2		16.2	16.2	16.2		16.2	17.8		17.8			0.0
100.0		100.0	101.8		101.8	103.3		103.3				0.0
226.2	0.0	226.2	226.9	0.0	226.9	234.1	0.0	234.1	0.0	0.0	0.0	0.0
Do not enter data on this line				Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
40.0		40.0	40.0		40.0	40.0		40.0				0.0
45.0		45.0	40.0		40.0	40.0		40.0				0.0
43.5		43.5	50.0		50.0	50.0		50.0				0.0
		0.0			0.0			0.0				0.0
		0.0			0.0			0.0				0.0
5.0		5.0			0.0			0.0				0.0
		0.0			0.0			0.0				0.0
		0.0			0.0			0.0				0.0
		0.0			0.0			0.0				0.0
		0.0			0.0			0.0				0.0
8.0		8.0	10.0		10.0	10.0		10.0				0.0
141.5	0.0	141.5	140.0	0.0	140.0	140.0	0.0	140.0	0.0	0.0	0.0	0.0

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OVERSEAS MISSION BUDGET REQUEST

OE-25525.wk4

Org. Title: USAID/PANAMA
 Org. No: 525
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total									
24.0 Printing and Reproduction	18.0		18.0	18.4		18.4	16.0		16.0			0.0
Subtotal OC 24.0	18.0	0.0	18.0	18.4	0.0	18.4	16.0	0.0	16.0	0.0	0.0	0.0
25.1 Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1 Studies, Analyses, & Evaluations			0.0			0.0			0.0			0.0
25.1 Management & Professional Support Services			0.0			0.0			0.0			0.0
25.1 Engineering & Technical Services			0.0			0.0			0.0			0.0
Subtotal OC 25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.2 Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2 Office Security Guards	15.0		15.0	15.0		15.0	15.0		15.0			0.0
25.2 Residential Security Guard Services			0.0			0.0			0.0			0.0
25.2 Official Residential Expenses			0.0			0.0			0.0			0.0
25.2 Representation Allowances	0.6		0.6	0.6		0.6	0.6		0.6			0.0
25.2 Non-Federal Audits			0.0			0.0			0.0			0.0
25.2 Grievances Investigations			0.0			0.0			0.0			0.0
25.2 Insurance and Vehicle Registration Fees	4.0		4.0	4.5		4.5	4.5		4.5			0.0
25.2 Vehicle Rental	0.0		0.0			0.0			0.0			0.0
25.2 Manpower Contracts	5.0		5.0	4.0		4.0	4.0		4.0			0.0
25.2 Records Declassification & Other Records Services			0.0			0.0			0.0			0.0
25.2 Recruiting activities			0.0			0.0			0.0			0.0
25.2 Penalty Interest Payments	0.5		0.5	0.2		0.2	0.2		0.2			0.0
25.2 Other Miscellaneous Services	76.0		76.0	85.0		85.0	83.0		83.0			0.0
25.2 Staff training contracts	2.0		2.0	5.0		5.0	5.0		5.0			0.0
25.2 ADP related contracts	10.0		10.0	10.0		10.0			0.0			0.0
Subtotal OC 25.2	113.1	0.0	113.1	124.3	0.0	124.3	112.3	0.0	112.3	0.0	0.0	0.0
25.3 Purchase of goods and services from Government accounts	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3 ICASS	55.0		55.0	55.0		55.0	55.0		55.0			0.0
25.3 All Other Services from Other Gov't. accounts			0.0			0.0			0.0			0.0
Subtotal OC 25.3	55.0	0.0	55.0	55.0	0.0	55.0	55.0	0.0	55.0	0.0	0.0	0.0
25.4 Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4 Office building Maintenance	77.0		77.0	77.0		77.0	77.0		77.0			0.0
25.4 Residential Building Maintenance	6.0		6.0	4.0		4.0	5.0		5.0			0.0
Subtotal OC 25.4	83.0	0.0	83.0	81.0	0.0	81.0	82.0	0.0	82.0	0.0	0.0	0.0
25.6 Medical Care			0.0			0.0			0.0			0.0
Subtotal OC 25.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
25.7 Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7 ADP and telephone operation and maintenance costs	91.6		91.6	85.0		85.0	85.0		85.0			0.0
25.7 Storage Services			0.0			0.0			0.0			0.0
25.7 Office Furniture Equip. Repair and Maintenance	15.0		15.0	15.0		15.0	15.0		15.0			0.0
25.7 Vehicle Repair and Maintenance	17.0		17.0	15.0		15.0	15.0		15.0			0.0
25.7 Residential Furniture Equip. Repair and Maintenance	8.0		8.0	10.0		10.0	10.0		10.0			0.0
Subtotal OC 25.7	131.6	0.0	131.6	125.0	0.0	125.0	125.0	0.0	125.0	0.0	0.0	0.0

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OVERSEAS MISSION BUDGET REQUEST

OE-25525.wk4

Org. Title: **USAID/PANAMA**
 Org. No: **525**
 OC

	FY 97			FY 98			Requested FY 99			Targeted FY 99		
	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.8 Subsistence and support of persons (by contract or Gov't.)			0.0			0.0			0.0			0.0
Subtotal OC 25.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
26.0 Supplies and materials	58.0		58.0	58.0		58.0	56.0		56.0			0.0
Subtotal OC 26.0	58.0	0.0	58.0	58.0	0.0	58.0	56.0	0.0	56.0	0.0	0.0	0.0
31.0 Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31.0 Purchase of Residential Furniture Equip.	15.0		15.0	10.0		10.0	5.0		5.0			0.0
31.0 Purchase of Office Furniture Equip.	16.5		16.5	10.0		10.0	5.0		5.0			0.0
31.0 Purchase of Vehicles	28.0		28.0	28.0		28.0	0.0		0.0			0.0
31.0 Purchase of Printing Graphics Equipment			0.0	10.0		10.0			0.0			0.0
31.0 ADP Hardware purchases	56.8		56.8	50.0		50.0	30.0		30.0			0.0
31.0 ADP Software purchases	10.0		10.0	10.0		10.0	10.0		10.0			0.0
Subtotal OC 31.0	126.3	0.0	126.3	118.0	0.0	118.0	50.0	0.0	50.0	0.0	0.0	0.0
32.0 Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32.0 Purchase of Land & Buildings (& construction of bldgs.)			0.0			0.0			0.0			0.0
32.0 Purchase of fixed equipment for buildings			0.0			0.0			0.0			0.0
32.0 Building Renovations Alterations - Office			0.0			0.0			0.0			0.0
32.0 Building Renovations Alterations - Residential			0.0			0.0			0.0			0.0
Subtotal OC 32.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
42.0 Claims and indemnities			0.0			0.0			0.0			0.0
Subtotal OC 42.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL BUDGET	1,721.2	0.0	1,721.2	1,707.0	0.0	1,707.0	1,652.1	0.0	1,652.1	0.0	0.0	0.0

The following line is to be used to show your estimate of FY 98 and FY 99 Program Funded ICASS costs.
 Enter dollars in thousands - same format as above.

	FY 98 Est.	FY 99 Est.
ICASS - Program Funded	11.0	11.0

**Workforce Resources
FY 1997 Position Allocation of Staff Ceilings**

Organization: USAID/PANAMA

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con-troller	EXO	Con-tracts	Legal	Program	Other		
USDH	0.5			1			1.5	1		1			0.5		2.5	4
USPSC (OE/TF) Internationally Recruited							0								0	0
USPSC (OE/TF) Locally Recruited							0								0	0
USPSC (Program Funded)	0.5			0.5			1								0	1
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited							0	1	3	11			3	1	19	19
FSN/TCN Non-Direct Hire (Program Funded)	7			5			12							4	4	16
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)							0								0	0
Total Staff by Objective	8	0	0	6.5	0	0	14.5	2	3	12	0	0	3.5	5	25.5	40
TAACs*																
Fellows*																

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Totals by Staffing Category - FY 1997 Ceiling

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH	0.5	0	0	1	0	0	1.5	1	0	1	0	0	0.5	0	2.5	4
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
USPSC (Program Funded)	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
Total USPSCs	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	1	3	11	0	0	3	1	19	19
FSN/TCN Non Direct Hire (Program Funded)	7	0	0	5	0	0	12	0	0	0	0	0	0	4	4	16
Total FSN/TCN Non Direct Hire	7	0	0	5	0	0	12	1	3	11	0	0	3	5	23	35
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	1	3	11	0	0	3	1	19	19
Total FSN/TCN (Program Funded)	7	0	0	5	0	0	12	0	0	0	0	0	0	4	4	16
Total FSN/TCN Staff	7	0	0	5	0	0	12	1	3	11	0	0	3	5	23	35
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE/TF Staff (includes USDH)	0.5	0	0	1	0	0	1.5	2	3	12	0	0	3.5	1	21.5	23
Total Program Funded Staff	7.5	0	0	5.5	0	0	13	0	0	0	0	0	0	4	4	17
Grand Total All Staff	8	0	0	6.5	0	0	14.5	2	3	12	0	0	3.5	5	25.5	40

Notes:
 • TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Workforce Resources FY 1998 Position Allocation of Staff Ceilings

Organization: USAID/Panama

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH	0.5			1			1.5	1		1			0.5		2.5	4
USPSC (OE/TF) Internationally Recruited							0								0	0
USPSC (OE/TF) Locally Recruited							0								0	0
USPSC (Program Funded)	0.5			0.5			1								0	1
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited							0	1	3	11			3	1	19	19
FSN/TCN Non-Direct Hire (Program Funded)	7			4			11							2	2	13
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)							0								0	0
Total Staff by Objective	8	0	0	5.5	0	0	13.5	2	3	12	0	0	3.5	3	23.5	37
TAACs*																
Fellows*																

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Totals by Staffing Category - FY 1998 Ceiling

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con-troller	EXO	Con-tracts	Legal	Program	Other		
USDH	0.5	0	0	1	0	0	1.5	1	0	1	0	0	0.5	0	2.5	4
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
USPSC (Program Funded)	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
Total USPSCs	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	1	3	11	0	0	3	1	19	19
FSN/TCN Non Direct Hire (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Non Direct Hire	7	0	0	4	0	0	11	1	3	11	0	0	3	3	21	32
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	1	3	11	0	0	3	1	19	19
Total FSN/TCN (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Staff	7	0	0	4	0	0	11	1	3	11	0	0	3	3	21	32
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE/TF Staff (includes USDH)	0.5	0	0	1	0	0	1.5	2	3	12	0	0	3.5	1	21.5	23
Total Program Funded Staff	7.5	0	0	4.5	0	0	12	0	0	0	0	0	0	2	2	14
Grand Total All Staff	8	0	0	5.5	0	0	13.5	2	3	12	0	0	3.5	3	23.5	37

Notes:
 * TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

FY 1999 Position Allocation of Staff Target Levels

Organization: USAID/Panama

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH	0.5			1			1.5	1		1			0.5		2.5	4
USPSC (OE/TF) Internationally Recruited							0								0	0
USPSC (OE/TF) Locally Recruited							0								0	0
USPSC (Program Funded)	0.5			0.5			1								0	1
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited							0	1	2	10			3	1	17	17
FSN/TCN Non-Direct Hire (Program Funded)	7			4			11							2	2	13
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)							0								0	0
Total Staff by Objective	8	0	0	5.5	0	0	13.5	2	2	11	0	0	3.5	3	21.5	35
TAACs*																
Fellows*																

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Totals by Staffing Category - FY 1999 Target

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Controller	EXO	Contracts	Legal	Program	Other		
USDH	0.5	0	0	1	0	0	1.5	1	0	1	0	0	0.5	0	2.5	4
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
USPSC (Program Funded)	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
Total USPSCs	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	1	2	10	0	0	3	1	17	17
FSN/TCN Non Direct Hire (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Non Direct Hire	7	0	0	4	0	0	11	1	2	10	0	0	3	3	19	30
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	1	2	10	0	0	3	1	17	17
Total FSN/TCN (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Staff	7	0	0	4	0	0	11	1	2	10	0	0	3	3	19	30
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE/TF Staff (includes USDH)	0.5	0	0	1	0	0	1.5	2	2	11	0	0	3.5	1	19.5	21
Total Program Funded Staff	7.5	0	0	4.5	0	0	12	0	0	0	0	0	0	2	2	14
Grand Total All Staff	8	0	0	5.5	0	0	13.5	2	2	11	0	0	3.5	3	21.5	35

Notes:
 ~ TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Workforce Resources

FY 1999 Position Allocation of Staff Target Levels vs. Request Level

Organization: USAID/Panama

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con- troller	EXO	Con- tracts	Legal	Program	Other		
USDH	0.5			1			1.5	1		1			0.5		2.5	4
USPSC (OE/TF) Internationally Recruited							0								0	0
USPSC (OE/TF) Locally Recruited							0								0	0
USPSC (Program Funded)	0.5			0.5			1								0	1
FSN/TCN Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Direct Hire (OE/TF) Locally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Internationally Recruited							0								0	0
FSN/TCN Non-Direct Hire (OE/TF) Locally Recruited							0	1	2	10		3	1	17	17	
FSN/TCN Non-Direct Hire (Program Funded)	7			4			11						2	2	13	
Other (RSSA, PASA, IPA) (OE/TF Funded)							0								0	0
Other (RSSA, PASA, IPA) (Program Funded)							0								0	0
Total Staff by Objective	8	0	0	5.5	0	0	13.5	2	2	11	0	0	3.5	3	21.5	35
TAACs*																
Fellows*																

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Totals by Staffing Category - FY 1999 Request

Staff	Strategic Objective 1: (title)	Strategic Objective 2: (title)	Strategic Objective 3: (title)	Special Objective 1: (title)	Special Objective 2: (title)	Special Objective 3: (title)	Subtotal S.O. Staff	Support Offices							Subtotal Support Staff	Grand Total Staff
								Mission Mgt.	Con-troller	EXO	Con-tracts	Legal	Program	Other		
USDH	0.5	0	0	1	0	0	1.5	1	0	1	0	0	0.5	0	2.5	4
USPSC (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
USPSC (Program Funded)	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
Total USPSCs	0.5	0	0	0.5	0	0	1	0	0	0	0	0	0	0	0	1
FSN/TCN Direct Hire (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FSN/TCN Non Direct Hire (OE/TF)	0	0	0	0	0	0	0	1	2	10	0	0	3	1	17	17
FSN/TCN Non Direct Hire (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Non Direct Hire	7	0	0	4	0	0	11	1	2	10	0	0	3	3	19	30
Total FSN/TCN (OE/TF)	0	0	0	0	0	0	0	1	2	10	0	0	3	1	17	17
Total FSN/TCN (Program Funded)	7	0	0	4	0	0	11	0	0	0	0	0	0	2	2	13
Total FSN/TCN Staff	7	0	0	4	0	0	11	1	2	10	0	0	3	3	19	30
Total Other (RSSA, PASA, IPA) (OE/TF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other (RSSA, PASA, IPA) (Program Funded)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total FSN/TCN Staff	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE/TF Staff (includes USDH)	0.5	0	0	1	0	0	1.5	2	2	11	0	0	3.5	1	19.5	21
Total Program Funded Staff	7.5	0	0	4.5	0	0	11	0	0	0	0	0	0	2	2	2
Grand Total All Staff	8	0	0	5.5	0	0	13.5	2	2	11	0	0	3.5	3	21.5	35

Notes:

* TAACs and Fellows count against G ceilings only and thus are "below the line" for field operating units. Service in the capacity of TAACs should be reported as TAACs regardless of the hiring mechanism. They should not be reported under PSCs, PASAs, RSSAs, etc.

The data in the table reflects positions, NOT, on-board strength or FTEs. You can divide the positions of people working on more than one SO, but do not subdivide in units of less than a half (0.5).

Provide separate tables for FY 97, 98, and 99.

Orgno.: 525
 Org. Title: USAID/PANAMA

Foreign National Voluntary Separation Account

Action	FY 97			FY 98			FY 99		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits	30.0	7.3	37.3	10.4	8.1	18.5	8.5	8.9	17.4
Withdrawals	0.5	2.3	2.8	2.0	4.0	6.0	2.0	4.0	6.0

Local Currency Trust Funds - Regular (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

Local Currency Trust Funds - Real Property (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations	0.0	0.0	0.0
Deposits	0.0	0.0	0.0
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

United States Department of State
Washington, D.C. 20520

TO: The Deputy Secretary
FROM: ARA - Jeffrey Davidow
SUBJECT: Panama Canal Watershed -- Update

Summary

As part of ongoing Panama Canal Treaty Implementation activities, the USG is taking steps to ensure that the Panamanian Government has legal, technical, political and financial structures in place to ensure the continuing health of the Panama Canal Watershed (PCW).

Discussion

Following is a description of USG/Panamanian activities completed, in progress, or planned for enhancing the protection and management of the PCW.

-- USAID has focused most of its remaining Panama resources on assisting the GOP's Institute for Renewable Resources (INRENARE) and NGO organizations to improve protection of the parks which contain the critical areas in the upper-Alajuela watershed and along the banks of the canal. Enforcement activity to control illegal activity has improved markedly during the last year.

-- USAID made a grant to the Smithsonian Tropical Research Institute and INRENARE to monitor key PCW indicators. Preliminary data is expected shortly.

-- USAID has drafted an Action Plan to support the GOP in the sustainable management and protection of PCW.

-- USAID set up a 25 million dollar trust-fund, managed by the Nature Conservancy (TNC) to provide funding to INRENARE and NGO's for environmental activities in Panama. U.S.\$ 3.2 million in interest has been generated and approximately 65% will be devoted to activities in the PCW and will continue after AID closes its Panama office in 2000.

-- USAID has offered assistance to the GOP in the development of

-- USAID has offered assistance to the GOP in the development of a National Environmental Action Plan to be designed by the public and private sectors which would have as its "Center Piece" the PCW.

-- ARA instructed Ambassador Hughes to raise our concerns about the Watershed with President Perez Balladares to ensure the highest level attention. He has done so. President Perez Balladares told Ambassador Hughes that he fully understands the importance of preserving and properly managing the watershed.

-- Ambassador Hughes has set up an interagency committee at the Embassy to monitor progress in PCW protection and management.

-- Ambassador Hughes plans to meet again with President Perez Balladares and will include the Administrator of the Canal and the Director of the Smithsonian Tropical Research Institute to discuss canal issues in general and the PCW in particular.

-- Under Secretary Davis approved a circular 175 negotiating authority for a possible post-1999 U.S. military presence which contains a strong statement on the importance of the PCW and instructs the negotiator, Ambassador Negroponte, to take advantage of the opportunity of the negotiations to stress the importance of managing and protecting the Canal Watershed.

-- The Panama Canal Commission (PCC) continues its long term monitoring of hydrological resources in the PCW.

-- The PCC assisted the Panamanians in drafting an organizational law for its Panamanian successor organization the Panama Canal Authority (PCA). The law would give the PCA authority over any activity in the PCW which would affect the Canal's water supply. Under the legislation, the PCA would organize and chair an interagency GOP committee to coordinate management of PCW activities. The bill is currently being debated in the Legislative Assembly and is expected to pass soon with little modification.

-- The Joint Environmental Committee overflowed the watershed during its February 1997 meeting in Panama. The U.S. co-chairman Gary Hartshorn (Director of the Organization of Tropical Studies at Duke University) noted that the critical upper-Chagres watershed area appears to be recovering from past slash and burn practices. He said most of the slash and burn plots he saw have been abandoned, only a few are currently being cultivated, and no new ones were being prepared. USAID noted that the director of the Upper Charges Park which contains this part of the Watershed is very competent and has undertaken an aggressive campaign to enforce park regulations.

-- The Panama Canal Consultative Committee passed a resolution

enforce park regulations.

-- The Panama Canal Consultative Committee passed a resolution at its January 1977 meeting calling on U.S. Businesses engaged in activities which put green house gases into the atmosphere, such as power plants, to fund reforestation and other related activities in the PCW under a carbon sequestration program set up by the Rio Convention on bio-diversity. U.S. members of the Consultative Committee are working with the Nature Conservancy to identify donors.

Attachments:

1. USAID Action Plan for PAW
2. AA Demarche Cable on PAW
3. Embassy Panama Response
4. PAW Articles in pending PA Organic Law
5. JCT co-chairman comments on PAW overflight
6. Canal Consultative Commission resolution on PAW

ANNEX 2

Training Activity under CLASP II Fiscal Year 1998-1999

I. The Process

The training activity is used as a catalyzer and as a synergistic process for building a team of committed, goal oriented partners throughout the entire process from the diagnosis of needs through planning, implementation and follow-on.

A. Developing a Partnership and Team of key partners for the work within the PCW

Activities are conducted in a "step-by-step process". A "learning-by-doing" methodology is applied throughout all phases of the process. The training strategy is developed as the learning-to-work-as-partners approach unfolds. Team actions evolve around the entire training program process--diagnosis of needs, design, implementation and follow-on activities.

1. Results for the year:

- Key partners were identified to include governmental and non-governmental institutions.
- Level of participation achieved:
- Partners contributed to refocusing training to respond to PCW needs.
- Joint tours to isolated communities were conducted to promote scholarship contest.
- Joint responsibility in the participant selection process.

2. Remarks:

- This initial level of effort was required by the direction of USAID. At this stage, USAID expects leadership from outside. Other leaders within the group will emerge through the group development process.
- It is important to highlight the fact that, among the institutions, integrated efforts are not a common practice. The cultural context contemplates a tradition of conflict rather than coordination. Participatory practices are not the rule but the exception. There is a lack of trust and confidence among key players. Negative competition for resources; a duplication of efforts; constant isolated actions, etc. lead towards wasteful use of the already very limited resources.

B. Customer Service

B. Customer Service

Training is focused to address those needs identified at the level of technical personnel working at governmental and non-governmental institutions with responsibilities for the PCW area--our partners--as well as the community level. Training design and implementation responds to the problems and the needs of the people affected. External elements/efforts have confirmed the positive choices made on training themes such as the training program developed in "Solid Waste Management (FY 94-95) and Agroforestry (FY 95-96). Examples follow:

1. Agroforestry:

- The ARI (Administración de la Región Interoceánica) and INRENARE--both government institutions;--and TechnoServe (a PVO), will be incorporating the assistance of former training participants (both formal and informal) into their projects. Land is being redistributed to small farmers. In order to prevent constant immigration/migration due to slash-and-burn practices, agroforestry is being presented as an alternative. Agroforestry technology is officially being adopted by the government as a viable alternative to prevent further environmental deterioration and increment productive practices of the sector involved--basically the "campesinos." It is expected to contribute to stopping the migratory practices towards and within the PCW.
- A Special Meeting was sponsored by the UN to group representatives from a diversity of sectors representing the local society at the national level. The group presented, among the final recommendations for the development of the interoceanic region, the need to work with the communities in the PCW area in the protection of soils through mechanisms considered sustainable, environmentally sound production technologies.

It was further noted that the development strategy was to include "the person as the center and the objective in the social and economic development of the interoceanic region..."

2. Solid Waste Management:

- There is only one landfill in the country which follows technical requirements for safe and sound environment protection practices. Waste generation is incrementing at a rate seven times faster than population growth. Communities nearby the watershed-- which are expected to have a rapid urban growth--are claiming land which is being reverted back to Panama's jurisdiction under the Panama Canal treaties. In addition, increased business and population growth in the PCW area, with

inadequate waste disposal and lack of environmental protection practices are accelerating contamination and pollution of rivers and lakes, soil erosion ,etc.

II. Impact of the Training Programs addressing PCW needs

A. Solid Waste Management (FY 94-95)

Three months of training, 44 participants from the public and private sector. Training at the time was focused with a nationwide perspective. Present follow-on projections will address efforts which impact on the PCW.

1. Objective: To implant a "seed" country wide in the creation of awareness addressing an identified critical problem of waste pollution. Longer term actions will lead to concrete solutions promoted by participants specially through the development of small related business initiatives. Participants were selected because of their leadership roles and entrepreneurial potential.
2. Present Results:
 - a. Creating Public Awareness of the solid waste problems and solutions:
 - Approximately 77 percent of the participants have made presentations on the subject and have become involved with schools, guilds, municipalities, private companies, etc. Public awareness has been increased through community and international fairs.
 - One participant has achieved national impact through training workshops for teachers nationwide with the sponsorship of the Ministry of Education and UNESCO. Some of her participants have reported community actions related to the implementation of the training received. The same participant has reached the international community of teachers--approximately 6,000--at an international conference presenting the use of waste products in preparing didactic materials for rural schools and science labs. The proposals were published as part of the conference.
 - b. Technical Assessment to Municipalities leading to project designs and first steps towards implementation of adequate waste disposal landfills and recollection.

- Two larger municipalities are jointly working with the assessment conducted by six of the participants. Two rural communities are receiving assessments from two of the participants.
 - c. Impact on a locally businesses:
 - Two participants became leaders in their company's effort to improve waste disposal practices in order to eliminate hazardous contaminants and establish environmentally sound waste disposal practices and procedures. These companies play a key economic role in two of the nine provinces in the country.
 - d. Projects:
 - At the level of one of the large municipalities, a project was designed by a group of four participants. The project contemplates relocation of an inadequately located dump site. Conversion of the old dump site into a forested, park area and a business proposal for recollection of the municipalities waste products.
 - One participant joined a PVO and established contacts for financing a US\$350,000 project for the reutilization of residual waters.
3. Projections to address waste disposal problems within the PCW:
- a. One participant is developing a training program for young leaders in the communities within the PCW area.
 - b. Eight participants for the province of Panama are developing a joint project addressing a waste disposal issue within the communities of the PCW.

B. Agroforestry:

A group of 57 participants--farmers and technicians both from the public and private sectors--were selected for an intensive 4.5 months training in agroforestry. Leadership and community involvement were crucial elements in the selection process.

1. Preliminary Results:

- The contracting of a local NGO, contributed to the systematization of a local, hands-on training program in agroforestry. It is projected that the

NGO will gain relevance in this area and will be able to strengthen its outreach capability by the exposure and experience gained. It will be able to undertake follow-on activities with the group, specially in the PCW and eventually contribute to establishing a network of agroforesters nationwide.

- It is premature for the period of this R-4 to confirm actual progress. Nevertheless, at the time of the presentation of this report some changes and initiatives have been initiated at the individual and group level.

FREE MARKET DEVELOPMENT ADVISORS PROGRAM (FMDAP)

The Free Market Development Advisors Program is a USAID/Washington initiative that provides U.S. know-how as technical support in business management subjects to the private sector and appropriate governmental agencies in USAID-assisted countries. A small number of advisors is carefully selected from MBA-granting institutions half-way through their degree program, on the basis of their maturity, dedication to assisting the developing world and cultural and language adaptability to each host country situation, for a term of service of ten months. To ensure proper candidate selection and back-stopping, USAID-Washington has contracted with the Institute of International Education (IIE), renowned for its management of the Fulbright Scholarship Program.

This year, USAID/Panama drew upon the FMDAP initiative for the first time, and, given the very positive feed-back we received from the experiences of other Missions, we found positions for a total of seven advisors - exactly one-half of the entire FMDAP contingent for the year - to assist us in our Strategic and Special Objectives; over the next few months we will develop scopes of work and assignments for the next "batch" of FMDAP advisors.

Below we have listed the host country institutional assignments and accomplishments of each of the seven advisors.

The Transition Commission for the Transfer of Panama Canal (CTTC) - One Advisor -

- assisting the Executive Directorate of the CTTC in the management and monitoring of the transition process, particularly in defining the role of the CTTC (after writing the law that will create the ACP); that assisting in the prioritization of the main tasks that the CTTC must accomplish over the next 1,000 days until Canal transfer; very instrumental in backstopping IESC volunteer in designing a public information program for the CTTC, to include working on implementation of some of volunteer's suggestions; assisting in preparing a personnel manual and tracking other proposed changes in regulations.

Comptroller General of the Republic (CGR)/RAF Consultant Team

Comptroller General of the Republic (CGR)/RAF Consultant Team

- Two Advisors

- in anticipation of the reversion of the Panama Canal, working with the RAF Consultant Team at the CGR in setting up environmental accounting systems for GOP entities; researching the practice of environmental accounting in several countries around the world, to provide the RAF team with sufficient materials to assess the programs investigated, and choose the most suitable components from which to structure an environmental accounting program for the GOP; countries studied were chosen because they: (a) already have environmental accounting programs; and, (b) they have released information about their program; upon completion of research phase, advisor will work on specific proposals on how Panama should proceed to implement sound and prudent environmental accounting system.
- working with the RAF Team in developing environmental audit standards, advisor is developing a document that outlines the conceptual bases and methodologies of environmental auditing; document is based on analyses of the information collected regarding environmental auditing concepts and methodologies employed by various countries and includes a definition of environmental auditing and its position in the world today, as well as discussion regarding the United Nation's Agenda 21 (sustainable development), the legal basis of environmental auditing, the role of environmental impact assessments, educational programs, etc.; upon completion of this assignment, advisor expects to have prepared a handbook to be used as a guideline to conduct environmental audits within the Panamanian private and public sectors, bringing USAID one step closer to accomplishing its Strategic Objective: environmental auditing strengthens civilian government institutions and assists in protecting the canal watershed and natural resources.

Fundación ANDE

- Two Advisors

- assisting in the development of appropriate policies and regulations for the development of the capital market in Panama, insofar as this relates to encouraging investments in the reverted areas; worked closely with ex-commissioner of the SEC to review the GOP draft bill for the new framework law for the securities market; instrumental in translating SEC

expert's report and taking the lead on the key follow-on activities, including considerable research concerning the development of capital markets in other countries and how Panama could benefit from such experiences; assignment will lead to creating public awareness and support for the new framework law, through workshops, training sessions and dissemination of researched material.

- assisting in the development of world-class policies, regulations and practices on Intellectual Property Rights (IPR); to date advisor has concentrated on broad-based research efforts in conjunction with Intellectual Property offices in the U.S., other Latin American countries and Panama; research has focused on a comparison of standards through the world and here in Latin America in terms of IPR, in addition to an analysis of the benefits that would accrue to the Panamanian business community and society at large as a result of stricter protection through regulation and enforcement of new Panamanian legislation (Law No. 35) dealing with IPR; has put together a committee of business and government figures interested in IPR in Panama to begin an information campaign directed at industrialist, businessmen, GOP officials, judges, district attorneys, technical judicial police (PTJ), and lawyers dealing with IPR issues.

Asociación Nacional para la Conservación de la Natualeza (ANCON)

- *One Advisor*

- given ANCON's mission to preserve, educate, and study the natural environment of the Canal Watershed and Panama in general, advisor is assisting in improvements in ANCON's marketing and income generation capability; providing technical assistance in the following areas: cash flow and internal rate of return analysis of sustainable development reforestation projects, methodology to set hourly rates for scientists on consulting contracts, the design of a cash flow tracking system allowing the operations manager to determine the profit/loss of ANCON's four field station eco-tourism facilities; developing and implementing the first marketing plan for field station operations; analyzing the financial aspects of ANCON magazine and to present ideas on how the organization can use this media to generate additional revenues from the general public.

INRENARE/Smithsonian Institute (STRI)

- *One Advisor*

- working with the Smithsonian team to develop the Panama Canal Watershed Monitoring System; assignment focuses on the socio-economic aspects of the system; has worked on population analyses within the Watershed using as basis the Census Bureau information, beginning with the 1950 census, formatting this as a master list, allowing for easy historical analysis of demographic trends and population growth and movement within the watershed; based on this information, and a graduate thesis work (digitizing coordinates of populated areas), advisor has created two working maps which reflect the 1990 census; once analysis is complete, USAID and its partner institutions can use this information to better manage and plan for population growth; this includes long-range planning such as setting aside funds for sewage and solid waste disposal systems and water purification plants (among other infrastructure) where they will be needed most, and implementing sustainable development strategies that will protect areas currently endangered and those areas felt to be threatened.

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ANNEX 4

Scheduled transfer dates set for installations that are being turned over to Panama.

(From The Panama Spillway, November 15, 1996)

U.S. military installations on the isthmus of Panama are being transferred to the Republic of Panama under the terms of the Panama Canal Treaty of 1977 and related agreements. The transfers are being made in accordance with the Panama Canal Treaty Implementation Plan, which was approved by the U.S. Secretary of Defense in 1992 and superseded all previous plans. A list of installations to be turned over to Panama in the future is provided below, along with the scheduled transfer dates.

Arraijan tank farm	January 15, 1997
Curundu flats housing area	July 31, 1997
Balboa Elementary School closes in	August 1997
Albrook Air Force Station	September 30, 1997
Gorgas Army Community Hospital	November 14, 1997
East Corozal (except the veterinary clinic, bank and training center)	December 5, 1997
Quarry Heights and Morgan Avenue hosing area	January 16, 1998
Fort Amador's Bryan Hall	January 16, 1998
Herrick Heights and Ancon communications	January 16, 1998
Panama Canal College	July 15, 1998
Remainder of Empire Range	June 1999
Marine Barracks complex	1999
Curundu Middle School	1999
Rodman Naval Station	1999
Galeta Island communications facility	1999
Semaphone Hill site	1999
Rodman ammunition supply point #1	1999
Cocoli housing area	1999
Communications sites at Ancon Hill, Fort Davis Cerro Gordo	1999
East Corozal training center, bank and veterinary clinic	1999
Fort Sherman	1999
Pina training area	1999
Fort Kobbe	1999
Corozal commissary	1999
Curundu laundry installations	1999
Howard Air Force Base	1999
Balboa West range	1999
Farfan housing area	1999
Chiva Chiva antenna farm	1999
Fort Clayton	1999
Building 1501, Balboa/Pier 18	1999
West Corozal	1999

112

SUMMIT OF THE AMERICAS

Summit Principle: To Guarantee sustainable Development and Conserve Our Natural Environment for Future Generations

USAID supports the GOP and private organizations in the protection of natural resources with emphasis on the Canal Watershed. Most of this assistance is provided through the Natural Resources Management Project (MARENA) but additional resources have been focused through the Municipal Development Project and the CLASP-II training activity. All three projects support the Summit Initiatives and the CONCAUSA Accords. The following description of USAID/Panama activities are keyed to the Matrix developed for the CONCAUSA Action Plan.

I. Conservation of Biodiversity:

1. Support the consolidation of the national systems of protected areas (SNAP):

Of the 326,000 hectares in the Panama Canal Watershed, over 180,000 have been declared legally protected areas in five national parks. INRENARE cannot at present effectively protect and manage these and other parks. USAID support is helping to improve INRENARE's management and operations through training of personnel, construction of guard stations and park housing facilities for forest guards and procurement of equipment to increase park/reserve protection. USAID also helps survey and demarcate the principal national parks in the Canal Watershed.

2. Support the development of national strategies and preparation of biodiversity inventories:

Through the MARENA Project, USAID is providing funding for a joint INRENARE-Smithsonian Tropical Research Institute initiative to establish a long term monitoring system for the Canal Watershed. The system measures changes in plant and animal populations, forest cover, water sedimentation and pollution rates to determine the biological health of the Watershed and to allow decision makers to formulate rational policies. The Environmental Trust Fund supports biological inventories and agro-forestry research in buffer areas within the Watershed, and in coordination with GEF funds supports a bio-diversity protection and education project in the Darien.

3. Support opportunities to strengthen national mechanisms for external conservation:

USAID supports INRENARE and the NGO community through the Environmental Trust Fund as described in paragraph 4 below. In 1996, 57 participants, including GOP extension agents, other representatives of the public sector, representatives of indigenous groups and representatives of community based organizations received training in agro-forestry. In 1995, 44 participants received training in solid waste management.

4. Promote the participation of indigenous populations in conservation and sustainable development of biodiversity:

USAID meets on a regular basis with the three major indigenous groups in the country (Embera-Wounaan, Kuna, Ngobe Bugle). USAID will continue to include representatives of indigenous communities as participants and trainers in all environmental training activities. USAID has also assisted USARSO and the U.S. Embassy in establishing contacts with indigenous organizations and to include indigenous organizations when considering projects within the recognized reservations of these groups.

5. Support the conservation and sustainable use of Coral reefs and other marine ecosystems:

The current USAID/Panama program does not focus on marine ecosystems. However, efforts in coastal zone management are being addressed through the regional PROARCA project and Mission staff will continue to monitor and track these activities.

6. Support the improvement and the coordination of the Geographic Information System at the national and local level:

USAID has financed Geographic Information System equipment and training for INRENARE and ARI. Additional training in GIS operation will be provided through the grant to the Smithsonian Tropical Research Institute for biological monitoring. USAID/Panama is also working with the Regional Mission in Guatemala to coordinate information on the Central American Biological Corridor through the PROARCA project.

7. Facilitate improved access to networks of information on diversity that exist in the U.S.

The Smithsonian Tropical Research Institute is a key partner in protection of the Canal Watershed and the center of the research network. The CLASP II training program will expose Panamanians to U.S. centers of environmental research.

8. Support the institutional strengthening of governmental and nongovernmental organizations that have as their responsibilities the administration and management of biodiversity.

USAID helps INRENARE improve management and operations, train personnel, construct guard facilities and procure equipment to increase park protection. The Environmental Trust Fund helps environmental NGOs strengthen their abilities and increase field activity.

9. Support the elaboration and development of educational programs, formal and informal, related to the environment and sustainable development.

The Environmental Trust Fund and CLASP II program fund specific projects by NGO's and local community leaders.

10. Obtain the support of IFIs for the development of natural resources and biodiversity.

The Mission coordinates with the Inter-American Bank through formal monthly meetings and regular informal contact. USAID officials are in frequent contact with World Bank representatives and the UNDP. The IDB is currently assisting the GOP in the development of Environmental Impact Analysis for large road projects.

11. Give training to professionals interested in the conservation of biodiversity and management of natural resources.

USAID provides training to INRENARE staff as part of MARENA project and to NGOs and communities through the Environmental Trust Fund. The CLASP II project is refocused to concentrate entirely on natural resources management.

12. Support the development and implementation of forest fire prevention programs.

Through the Sister Forest Program, the Texas Department of Forests and Grasslands, and the National Park Service PASA has conducted training programs in fire fighting. Regional programs are providing additional training in this area.

13. Work with the Central America Countries in the analysis of national policies that effect natural resources:

USAID/Panama has worked with the Regional Mission in Guatemala under the RENARM project to address these policies. This coordination is expected to continue under the regional PROARCA activity. PROARACA has three components; 1) costal zone management and protection, 2) national park and protected areas management, 3) environmental policy and pollution. Strengthening of host country capability to carry out environmental impact analysis for road construction, mining, hydro-electric development and other large scale investments remains a top priority.

14. Support national programs of reforestation and forestry management:

The Environmental Trust Fund has provided funds for the reforestation of land in the Canal Watershed and buffer areas. USAID funds are being used to revise national park management plans which will include reforestation efforts in five watershed national parks. USAID funds will also be used to reforest land in national parks and buffer areas and Mission personnel are monitoring the work of ARI in the development of reforestation plans for reverted areas.

15. Develop associations between the U.S. National Forests and Central American Counterparts:

Such a relationship has been established with the Texas Department of Forests and Grasslands.

16. Support a monitoring system to monitor deforestation, develop forestry inventories, monitor coastal zones, land use and marine currents and climate:

A comprehensive monitoring system will be established by the Smithsonian Tropical Research Institute which will address these issues in the Canal Watershed. USAID/Panama activities do not focus on coastal zones nor marine areas. However, the regional PROARCA project will assist in the management of coastal zone issues.

16a. Provide training on the analysis of satellite information and support the establishment of networks for satellite images in Central America and the United States:

Training provided through the purchase and use of GIS equipment and the establishment of the Smithsonian biological monitoring system of the Canal Watershed. The U.S. Department of Agriculture is working closely with the STRI to monitor screw worm infestation in the Darien area of Panama.

17. Support the development of improved methodologies and pilot activities in the management of buffer zones and protected areas:

Support provided through the Ecological Trust Fund where improved methodologies and pilot activities are sought and funded.

18. Support regional programs that investigate the global changes in biodiversity:

USAID/Panama is supporting the efforts of the Regional Mission and Central Bureau in this area. The Smithsonian Institution and the Audubon Society work closely with USAID as well.

STRENGTHENING CIVIL SOCIETY

Through the Mission's Democracy/Governance Strategic Objective, USAID has strengthened civilian government in Panama over the past five years, essentially through the concentrated efforts in judicial reform under the Improved Administration of Justice Project. The Mission will continue to consolidate and extend those gains we have made, providing assistance and training to selected Panamanian institutions and non-governmental organizations (NGOs) which are vital to establishing longer-term civil stability, within the framework of our newly articulated Strategic and Special Objective.

Critical to the competent management and transfer of responsibility for Panama Canal operations is a strong, vibrant, and participating Civil Society. Panamanians continue to build a democratic society, but despite their efforts, this continues to be a difficult task. The last few years have seen major reforms to the judicial system, increased access to the political process, the beginnings of privatization, increased free trade, a review of the agrarian reform policies and the facilitation of individual and communal land titles.

The current environment in Panama for work with NGOs is optimal. Civil society is really beginning to take hold. The second national level elections have recently taken place and people believe in civil government, NGOs are beginning to play a very important role in all aspects of society, including health, education, and development. The GOP is beginning to establish linkages with the NGO sector, even including them in policy level discussions. To date, the Mission has utilized its NGO partners to structure relationships which will support development issues important to urban and rural poor and contribute to the emergence of self-sufficient organizations with sustainable activities. The Mission could strengthen its partnership role with the emerging NGO sector, assisting in their strengthening and to improve access of marginalized Panamanians and their organizations to a range of development services responding to their particular social, economic and community needs.

The Mission has restructured its activities to focus on the total inclusion of organizations other than the GOP. As mentioned in the Strategic Objective section, we will emphasize working with the NGO sector in the MARENA project. Currently the Mission is developing a reforestation fund for the Panama Canal Watershed (PCW) which will provide training and technical assistance, resources for reforestation, and also a small component for sustainable development/alternative income-generating activities. In line with this restructuring, the Mission has put together two working groups: one group focuses on natural resource issues and the protection of the Panama Canal Watershed (PCW), and the other group deals with reversion/transition issues. A small group was formed of members of both groups to discuss issues which overlap. While we would welcome active civil society participation even now, the Mission has broadened its partner-base to involve civil society in "discussions only" because, up to this point, the GOP has not officially invited civil society into the transition or reversion process.

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USAID/Panama plans to invite these three "task forces" to become formal partners for both our strategic objectives. For the protection and conservation of the PCW, we are ahead of the game, since NGOs and community organizations currently support USAID initiatives.

The Mission also has a workshop/seminar planned to discuss the Strategic Objective and the Special Objective with a small number of representatives from the Private Sector, NGOs and Community Based Organizations.

As with MARENA activities and our private sector and municipal development focus, the Mission is in the process of redefining its role as a donor. The Mission is discussing with co-financing and fund-raising with our partners to support Civil Society development activities, combining both the Strategic Objective and the Special Objective, i.e., the transfer process of the Panama Canal, the reversion of USG properties and the sustainable management and protection of the PCW. In the latter instance, the Mission is involved in on-going discussions with the Panamanian-American Chamber of Commerce, COLABANCO, Banco Continental, Tierras Feliz and Golden Forest.

Through regular meetings with the Private Sector and Civil Society NGOS, community organizations and universities, the Mission has established a task force to discuss the transition of the Panama Canal, reversion of USG properties and the conservation and protection of the Panama Canal Watershed. Members of this group include: the Universidad Nacional de Panama, Asociacion de Empleados Kunas, Fundacion Dobbo Yala, Smithsonian Institute for Tropical Research, COLABANCO, Banco de Desarrollo Agropecuario, Fundacion NATURA, CARITAS, Fundacion Panama, Congreso General Kuna, Congreso General Embera, Tierras Nativas, Cooperativa de Ahorro y Credito de la Union Nacional de la Pequena y Mediana Empresa (CACPYMER) and the Asociacion de Empresarios Extensionistas de Panama (ASEMEP). Collaboration with the InterAmerican Foundation (IAF) has been ongoing for more than three years. Various organizations that the Mission supports have been supported by the IAF through financial donations and technical assistance.

There are two overarching issues which are unique to Panama and USAID projects:

1. The conflict between development and preservation of Protected Areas and National Parks.
2. Whether there is a role for civil society in the transition of the Panama Canal and the reversion of Military and Canal properties.

When assessing what issues and how to address them, USAID does need to conduct capacity building, not only with NGOS, but more so with the GOP, specifically INRENARE, the

Transition Commission and the Inter-Oceanic Regional Authority (ARI). The enabling environment in which civil society and the GOP need to work currently does not exist. There is insufficient communication and little interaction. Before the transition and reversion processes become truly transparent, the enabling environment has to improve.

USAID will use four indicators to measure results. The indicators are:

- reach/linkages - number of organizations or networks with which the GOP has linkages;
- vision - the degree to which the GOP and civil society jointly identify new opportunities and situations which motivate action;
- democratic practice - degree of participation of non-governmental organizations in decision-making; and,
- laws/policy - the number of legal measures influenced by civil society at the municipal, regional or national level.

These indicators will be reviewed, measured and discussed every six months with partners. Partners will provide both oral and written comments pertaining to indicators and achieving results. Results will assist in modifications or adjustments to strategies. It is important that from the beginning of these activities that partners understand that modifications might be necessary. This will allow the process to be truly participatory and transparent.

Furthermore, the Mission has a keen interest in the Participatory Rural Evaluation methodology (REP). This process is initiated before the project design phase and includes as beneficiaries, the GOP, NGOs and others interested in supporting development projects, and those who at some point in time could have a role in supporting the project, organization and/or community. This process is ongoing throughout the project and contains periodic assessment/evaluation sessions with all involved entities. The goal is to track the tangible as well as the intangible results utilizing indicators agreed upon by all involved organizations and individuals. Indicators include Standard of Living, Personal Capacity, Organizational Capability, Organizational Culture, Policy Environment, and Community Norms.

EXCESS PROPERTY PROGRAM

In 1990, USAID/Panama launched an excess property program for humanitarian relief purposes through the distribution of supplies and equipment from DOD installations and The Panama Canal Commission. The program, expanded in 1995 to embrace developmental assistance as well, has provided \$35 million in commodities (valued at acquisition cost) from its inception in FY 91 through the end of CY 96. Commodities, range from vehicles through construction materials to food stuffs. For the most part, these items have benefited local government entities and NGO's operating in all areas of Panama. Current projections are that an additional \$40 million in commodities will be distributed through FY 2000.

LEGALLY PROTECTED AREAS WITHIN THE
PANAMA CANAL WATERSHED (PCW)

SOBERANIA NATIONAL PARK	1980/22,104 Ha.
METROPOLITAN NATURAL PARK	1985/267 Ha.
CHAGRES NATIONAL PARK	1984/137,400 Ha.
ALTOS DE CAMPANA NATIONAL PARK	1977/446 Ha.
LAGO GATUN RECREATIONAL AREA	1985/348 Ha.
CAMINO DE CRUCES NATIONAL PARK	1992/4,000 Ha.
	<hr/>
TOTAL	186,536 Ha.

108

ENVIRONMENTAL MANAGEMENT AND PROTECTION
OF THE
PANAMA CANAL WATERSHED (PCW)

The fresh water resources which power the Panama Canal flow from three man-made lakes -- Alajuela, Gatun and Miraflores -- fed by five rivers. All are replenished by tropical rainfall within a watershed which is about 326,000 hectares and which lies just to the north and west of the expanding urban populations of Panama City and its surrounding areas.

The cities of Panama City and Colon, and their surrounding areas, depend upon that same fresh water source for potable water, hydro-electric power and urban industrial uses.

Massive deforestation of the Panama Canal Watershed (PCW), over the past forty years, has led to increased erosion, sedimentation and substantially reduced runoff retention of PCW rivers and lakes. Although forest cover does not appear to affect rainfall within the PCW, it contributes to significant erosion and sedimentation throughout the Watershed. It is difficult to accurately project future rates of forest cover, erosion and sedimentation or to determine the time period during which sedimentation will begin to seriously impede Canal operations.

The Smithsonian Tropical Research Institute (STRI) will continue to monitor and study this issue, with USAID funding, in cooperation with the Government of Panama and the Panama Canal Commission. In the meantime, prudence dictates a coordinated long-term environmental effort to manage and protect the remaining forests of the Watershed and to safeguard its rivers and lakes.

1. BACKGROUND

The raison d'etre for the U.S. economic assistance program to Panama is to facilitate the implementation of the Panama Canal Treaties of 1977. In targeting its assistance, USAID determined that the long term viability of the Panama Canal could be jeopardized by continuing deforestation of and encroachments into the Panama Canal Watershed (PCW). The environmental protection and management of the PCW have significant implications for Panama's future development. Moreover, the Panama Canal is important to world trade and to the economic growth of the western hemisphere. As such, when budget stringency forced USAID to focus and concentrate its program in Panama, the environmental protection and management of the PCW was identified as USAID's only Strategic Objective. USAID is assisting the Government of

protection and management of the PCW was identified as USAID's only Strategic Objective. USAID is assisting the Government of Panama (GOP) (1) in facilitating (a) the transfer of Panama Canal operations to Panamanian control, and (b) the productive uses of the U.S. properties which are reverting to Panama as a Special Objective; and (2) in implementing the U.S. foreign excess property program. However, USAID's major focus remains on the environmental protection and management of the PCW.

As the date approaches for transfer of the Canal to Panamanian ownership and control, it is important to reassure Canal clients that long term Canal operations will be effectively maintained. The September 1997 Universal Congress of the Panama Canal, to be held in Panama City, offers an early opportunity to discuss such assurances.

Environmental protection of the Panama Canal Watershed (PCW) is central to the effective long term operation and maintenance of the Panama Canal. Each ship that transits the Panama Canal displaces 52 million gallons of fresh water which is then flushed to the sea. At capacity (approximately 40 ships transit every 24 hours), Canal operations consume over 2 billion gallons of fresh water a day. Therefore, each day, the Canal uses as much fresh water as would a city of 11 million people.

In addition, the PCW supplies the potable and industrial water needs of the nearly 2 million people who live in Panama City, Colon and environs. It also supplies them with hydro-electric power. If these urban populations continue to grow at the projected rate of 6 percent a year, they will double in size within the next 12 years, with a commensurate increase in water consumption.

With the number of ship transits now approaching the Canal's capacity, with current widening of the Gaillard Cut to permit two way traffic and with long term GOP plans to add a third set of locks; water requirements for Canal operations should increase markedly. (The former Administrator of the Panama Canal Commission, Gilberto Guardia, thoroughly discussed this issue in his August 1995 speech to the American Society of Hydraulic Engineers in Houston, Texas.)

2. THE PROBLEM

Population -- In 1950, only 30,000 people lived within the PCW. The surrounding populations numbered fewer than 400,000. By 1990, nearly 130,000 people lived within the PCW, with a total population of more than a million in the surrounding areas, including the urban districts of Panama City and Colon. The population living within the PCW, carry out extensive slash-and-burn agriculture, cattle ranching, mining, construction and other

activities. The surrounding populations, including the urban districts of Panama City and Colon, now exceed 1.5 million. The urban population continues to increase at the rate of 6 percent a year, largely because of immigration from deforested and impoverished rural areas of central Panama.

Water Resources -- Lake Alajuela is the reservoir for Chagres River water, accumulating water supplies during the rainy season from May to December and releasing quantities for Canal operations and urban populations during the dry season "deficit" period from January to May. The Chagres River is by far the most important of the five rivers supplying the Canal. Significant deforestation and erosion continue throughout its lower watershed. Extraction of rocks and gravel from its river bed by private sector construction firms increases siltation and further undermines its long term carrying capacity.

Sedimentation in the PCW lakes is already well documented. In early 1996, consultants under contract to the Inter-American Development Bank (IDB) analyzed erosion and sedimentation rates within the PCW for the time period 1987 - 1994. They concluded that, due to erosion and sedimentation, the Lake Alajuela sub-watershed had lost 7.9 percent of its carrying capacity by 1994, and the Lake Gatun sub-watershed had lost 12 percent.

Forest Cover -- Forest cover within the PCW has been substantially reduced. In 1950, over 80 percent of the PCW enjoyed thick forest cover which helped control erosion and sedimentation in its river valleys and lakes. Over the past 40 years, massive deforestation brought about by human encroachment reduced the forest cover substantially from 80% in 1950 to 40% in 1995 within the 363,000 hectare PCW. Today, deforestation continues within the PCW, but at a substantially reduced rate -- about 400 hectares a year. However, according to Panamanian specialists working in land use planning, in order to control soil erosion in the PCW, almost all of the remaining forest cover must be left alone.

The bulk of the remaining forest within the PCW lies in the upper Chagres river valley and along the banks of the Canal itself. The Canal's east bank forests are legally protected as national parks. However, all of this forest faces constant threat from continuing, largely uncontrolled, human encroachment.

The loss of forest cover in close proximity to the Canal itself could have profound effects on future Canal operations. Historically, the U.S. military bases, the PCC and other U.S. owned properties have served as vital buffer zones to this encroachment.

3. ROLE OF THE U.S. MILITARY BASES

Over the past eighty years, the Panama Canal Commission and the U.S. Military have provided effective management and protection for the Canal Operating Areas and for the former Canal Zone which extended five miles east and five miles west of the Canal from the Atlantic to the Pacific. The new GOP Panama Canal Authority (PCA) will assume responsibility for the Canal and its operating areas on December 31, 1999.

In the interim, in compliance with the Panama Canal Treaties of 1977, the U.S. is transferring all of the U.S. military installations to the GOP. On both banks of the Canal, the U.S. bases contain a significant amount of mature primary and secondary tropical forest. Approximately 20 percent of all primary and secondary forests are within the perimeters of the U.S. military installations.

A sizeable section of the PCW on the Canal's west bank (the Empire Firing Range) still remains under U.S. military control. This area contains about 10 percent of the PCW's remaining primary and secondary tropical forest. It will "revert" to the GOP in 1999. The Fort Clayton U.S. Army Base also reverts to the GOP that year. Fort Clayton acts as a buffer zone protecting the east bank national park, "Camino de Cruces," whose forests are under immediate threat from new road construction, inadequate solid waste disposal, illegal logging and the uncontrolled spread of human settlements.

Two large U.S. military bases at the northern limits of Lake Gatun (Fort Davis and Fort Espinar) were transferred to the GOP in late 1995 and are being prepared for industrial and residential use. Albrook and Howard Airforce Bases, Rodman Naval Air Station, Fort Sherman and other U.S. military facilities lie just outside the limits of the PCW, and historically, have served as buffer zones for the PCW.

The Inter-American Development Bank (IDB) is financing GOP zoning and planning efforts for the long term productive development of these properties. The proximity of these developments to the PCW raises a number of environmental concerns (increased water use, waste disposal, land invasions).

The environmental protection and security afforded by the U.S. military bases have been indispensable in the past. In line with the Panama Canal Treaties of 1977, the GOP now must assume this role. This is feasible, only if the GOP devotes sufficient financial, management and personnel resources to secure, patrol and control access effectively to environmentally sensitive areas along the Canal's forested banks and national parks, and especially in the Canal operating areas where Canal navigational aids would otherwise be vulnerable to theft and vandalism.

Historically, the GOP has not devoted such resources to protecting the PCW.

Future GOP measures probably will include contracting of private sector security services to control the former U.S. military bases until they are developed for industrial and commercial use. Inter-Oceanic Regional Authority (ARI) has already financed management and security contracts for Forts Amador, Davis and Espinar which reverted to the GOP which are estimated at a cost of \$200,000 per facility per month. However necessary these arrangements, they are expensive. We remain deeply concerned that the GOP will devote sufficient resources to this purpose.

Within the national parks themselves, the GOP Institute for the Management of Renewable Natural Resources (INRENARE) forest guard patrols are not of themselves an effective law enforcement mechanism. INRENARE guards are unarmed and unauthorized to make arrests. They must rely on local magistrates and the Panamanian National Police to apprehend poachers, loggers and others engaged in environmental destruction. In the absence of a comprehensive national environmental law, such destruction, in fact, is not a crime. It is, at most, a misdemeanor, for which magistrates may levy light fines.

4. TOWARD A SOLUTION

In 1995, with support from USAID and the U.S. Bureau of Land Management, the GOP Institute for the Management of Renewable Natural Resources (INRENARE) developed an action plan reflecting the consensus of a Panamanian technical committee drawn from key GOP ministries, the Inter-Oceanic Authority (ARI), the legislative assembly, Panamanian universities and non-governmental organizations, and the Panama Canal Commission.

The document, "La Cuenca Hidrografica del Canal de Panama: Prioridades y Acciones Recomendadas para su Manejo Integral," contains a comprehensive set of recommendations for immediate and long term policy development. It was prepared in recognition that the PCW is critical to the long term viability of the Canal.

Based on these recommendations, the following actions would seem to be appropriate and practical in the short term for USG, IDB and other donor support:

4.1. Secure Highest Level US/GOP Commitment to 1996 Action Plan prepared by GOP Inter-Institutional Technical Committee for the Protection of the PCW.
(NSC/SecState/PCC/President of Panama/GOP Cabinet)

The specific recommendation is for the GOP to declare the Panama Canal Watershed a "protected area" with restrictions on uncontrolled immigration and development.

A larger issue involves GOP development and approval of a National Environmental Action Plan, with protection of the PCW as its centerpiece. In addition, GOP enactment of a comprehensive Environmental Law would establish incentives and sanctions relating to a broad range of environmental issues, including protection of forests and waterways.

A special issue involves completion of the Environmental Impact Analysis and development of mitigation actions for the new highway now under construction between Panama City and Colon. The highway will directly affect national parks within the PCW. The Inter-American Development Bank (IDB) has taken the lead on this issue, but the USG should stay fully engaged in monitoring highway construction and implementation of mitigation actions.

4.2. Establish Monitoring Systems within the PCW to measure rates of deforestation, erosion, sedimentation, water quantity and quality, and changes in biodiversity.

**(USAID/Smithsonian/PCC/the Panama Canal Authority
"ACP"/INRENARE/GOP Inter-Oceanic Authority)**

In 1995, Panamanian environmental organizations and the Smithsonian Tropical Research Institute (STRI), with USAID support, developed an environmental assessment of the PCW ("Evaluacion Ecologica de la Cuenca Hidrografica del Canal de Panama"). Using 1990 - 1992 satellite imagery, aerial photographs and on the ground scientific observation, they developed color maps illustrating deforestation and land use patterns throughout the PCW.

In 1996, USAID financed the updating of this information, utilizing aerial photographs for 1993, 1994 and 1995. The data clearly showed continuing deforestation around Lake Alajuela and Lake Gatun, and in the upper reaches of the Chagres river valley.

In late March, 1996, USAID signed a \$1.5 million grant agreement with the Smithsonian Tropical Research Institute (STRI) and the GOP Institute for the Management of Renewable Natural Resources (INRENARE) for the establishment of long term systems within the watershed to monitor continuously deforestation, erosion, sedimentation, water quantity and quality, demographic change and biodiversity.

The STRI/INRENARE monitoring program will provide relevant information to the GOP Inter-Oceanic Authority (ARI), the new GOP Panama Canal Authority and other governmental and non governmental organizations to assist them in implementing

integrated/coordinated environmental protection and sustainable development programs in the PCW.

**4.3. Protect Existing National Parks within the PCW by Demarcating Park Boundaries; Training, Housing and Equipping Park Guards; and Auditing Park Assets.
(USAID/PCC/ACP/INRENARE/GOP Controller General)**

INRENARE, with USAID support, has completed demarcation of four national parks (Altos de Campana, Soberania, Camino de Cruces and Gatun) within the PCW. Demarcation of Chagres National Park is now underway.

USAID has financed procurement of vehicles, equipment and uniforms for INRENARE park personnel within the PCW. USAID just has begun to finance construction of INRENARE offices, guard residences, boat ramps and ranger stations in PCW national parks. Construction of these facilities should be completed by the end of 1997. The GOP contribution to this effort thus far has been \$23.174 million.

USAID has provided technical assistance to INRENARE's central offices to improve fiscal management, accounting and decentralization of decision making and project implementation.

USAID also has provided support to INRENARE which does not have, and possibly will never have, the institutional manpower to protect the national parks. Current park staff is far below the requirement. Although USAID has provided commodities, no future resources are budgeted for this purpose. Moreover, the current USAID budget does not provide for the necessary training, construction and possible future demarcation.

It is important to note that additional support is needed to ensure the long term protection and management of parks within the PCW and the PCW itself. FIDECO can provide some assistance, but can not meet the entire requirement.

**4.4. Protect Existing National Parks and Buffer Zones within the PCW through Environmental Education and Community Participation in and around the Parks.
(USAID/PCC/ACP/INRENARE/NGO's/Municipalities)**

In 1995, USAID, The Nature Conservancy and the GOP established a \$25 million Ecological Trust Fund (FIDECO) to provide financing for non-governmental organizations as well as GOP efforts to protect the PCW and other priority areas in Panama. Fund assets are invested in U.S. capital markets by J.P. Morgan and Associates under the Trusteeship of The Nature Conservancy to generate new resources in perpetuity for environmental protection in Panama.

Over a dozen FIDECO grants during the first year of operations have increased Panamanian NGO capacity to provide environmental education, technical assistance and small grants for community surveillance, reforestation and other environmental protection efforts in the PCW. These grants support Rural Participatory Evaluation methodology to involve rural communities in the development process from the planning stage through implementation and evaluation of project activities.

USAID's Municipal Development Project provides technical assistance and training to the local governments within and around the PCW in order to enlist their efforts in PCW protection and especially in encouraging community reforestation.

ARI and INRENARE, with USAID support, are developing pilot community based reforestation projects involving 15 communities within the PCW. The USAID Caribbean and Latin American Scholarship Program (CLASP) II Training Program, in coordination with Panamanian NGOs, has developed an agroforestry training program for 50 small farmers and mid-level technicians. USAID continues to promote GOP/NGO development of a comprehensive reforestation plan to cover the entire watershed.

4.5. Legally Establish Inter-Oceanic Park for entire West Bank of Canal, Demarcate Park Boundaries, Install and Equip Park Guards, Enlist Active Support of Local Communities. (GOP President and National Assembly/ARI/INRENARE/US EMBASSY/USAID/IDB/NGO's/Municipalities)

Establishment of this protected area is problematic, since the GOP Inter-Oceanic Authority (ARI) is currently considering industrial development in many areas of the west bank of the Canal once they have reverted. On the east bank of the Canal, ARI is also considering development of a container storage base which would seriously impact on Camino de Cruces National Park.

The USG should strongly encourage comprehensive Environmental Impact Analyses for any industrial development in the Canal operating areas, national parks or other forested areas in close proximity to the Canal.

4.6. Develop Environmentally Responsible Zoning and Land Use Plans for the U.S. Military Bases (the "Reverted Areas") within and adjacent to the PCW. (GOP ARI/IDB/USAID/Municipalities)

U.S. technical assistance furnished by the IDB is currently completing two essential planning documents for the reverted areas: 1) The General Development Plan for Land Use, Conservation and Development; and, 2) The Regional Development Plan for the Inter-Oceanic Region.

USG agencies, the GOP Inter-institutional Technical Committee for

Protection of the PCW and other interested parties should carefully review these plans in draft before they are formally approved by the GOP later this year.

USAID has provided ARI with technical assistance, training and equipment to facilitate the reversion process. Modest support will continue through USAID's Economic Policy Reform Project.

**4.7. Continue Support the Current GOP Transition Commission for the Transfer of the Canal (CTTC), which is temporary body whose functions will be assumed by the GOP Panama Canal Authority (ACP) in the 2000. The ACP will be responsible for the Management, Operation and Administration of the Canal.
(CTTC/PCC/ACP/USAID/IDB)**

USAID assisted the GOP in developing an initial Transition Plan for the transfer of the Canal, and the Framework Draft Bill to create the ACP. Among other things, it recommended a constitutional amendment to establish the ACP which will replace the Panama Canal Commission (PCC) on December 31, 1999.

The Framework Draft Bill (Ley Organica) which operationalizes the ACP is expected to pass the GOP Legislative Assembly in 1997. Currently, USAID is providing technical assistance and commodities to support the CTTC's operations. The CTTC, and later the ACP, will continue to require technical assistance and commodity support.

**4.8. Promote Private Sector Reforestation, Sustainable Agroforestry and Environmentally Responsible Livestock Management on Private Lands within the PCW.
(USAID/Peace Corps/NGOs/Municipalities/INRENARE/ARI)**

Recent legislation, drafted with USAID assistance, provides tax incentives for private sector reforestation throughout Panama. Several profit-seeking firms have formed to take advantage of this opportunity. Discussions are underway with private sector firms and associations to develop ways to promote greater private sector investment in reforestation of the PCW.

ARI has designated 3,500 hectares of reverted lands for private concession reforestation. INRENARE is utilizing the services of reforestation companies for technical assistance to community based reforestation projects and the production of tree seedlings for reforestation.

About 35 percent of the PCW has been deforested in order to provide pasture for cattle ranches. USAID is working with Panamanian NGOs, the GOP Agricultural Development Bank, INRENARE, the Ministry of Agriculture and the private sector to test improved livestock management practices which are compatible with reforestation.

**4.9. Develop Improved Solid Waste Management within the PCW with particular attention to Sanitary Landfills.
(USAID/IDB/ARI and other GOP Ministries/INRENARE/Municipalities)**

USAID is working with the municipalities of Arraijan and Capira (on the western limits of the PCW) to develop innovative methodologies for improving solid waste disposal and for managing sanitary landfills. Assistance will be extended to the municipalities of Chorrerra and Puerto Bello and eventually to the major municipalities of Panama City and Colon.

USAID training programs instructed 50 Panamanians in modern waste management systems and procedures. Training focused on handling of industrial, commercial and agricultural waste as well as recycling and environmental education.

**4.10. Develop Comprehensive Environmental Impact Analysis and Mitigation Procedures for the new Panama - Colon Highway.
(GOP/IDB/USAID/NGOs)**

A Panamanian NGO, with IDB support, has begun to prepare a comprehensive environmental impact analysis. However, the analysis process should be more open and transparent. Communities which will be impacted directly or indirectly by the road construction should participate in the process. Careful consideration must be given to the road's impact on Soberania, Chagres and Camino de Cruces national parks which contain most of the remaining forest on the east bank of the Canal.

5.0. RESOURCE REQUIREMENTS

The entire USAID/Panama project portfolio addresses the single strategic objective of PCW protection. However, most project funds have either been committed or expended.

5.1 USAID/Panama estimates an additional \$8 million will be required after FY 1996 to assist the GOP maintain Canal Watershed protection through the year 2000 (see detailed breakdown on pages 20 and 21).

5.2 In the interim, the USG should strongly encourage the Inter-American Development Bank to target substantial amounts (preliminary estimate -- \$30 million) of its proposed \$800 million loan portfolio for Panama on environmental protection of the PCW. IDB assistance would build on experience gained through USAID-supported pilot projects and would be especially important in continuing support for GOP drafting of a comprehensive environmental law, increasing national park protection, improving solid waste management and promoting community reforestation beyond the year 2000. An illustrative break out of IDB resources might be as follows:

1997 - 2000 -- (\$5 million)

- Drafting of Environmental Law (\$500,000);
- Analysis and Reorganization of INRENARE PCW Management and personnel systems (\$1,500,000);
- Systematic Planning for Sanitary Landfills within the PCW (\$1,000,000); and
- Establishment of Comprehensive Community Reforestation Program Financed through Revolving Small Loan Fund (\$2,000,000).

Post 2000 -- (\$25 million)

- Institutional Support for INRENARE Park Protection Programs, funding for vehicles, guard training and equipment, maintenance of capital infrastructure within the national parks of the PCW (\$10 million);
- Construction and Management of Improved Systems for Solid Waste Management within the Watershed (\$10 million); and
- Continued Monitoring of Deforestation, Erosion, Sedimentation, Water Quantity and Quality and Demographic Change within the PCW (\$5 million).

5.3 Other principal users of the Canal -- including Germany, France, Japan and all Pacific rim exporting nations -- should contribute financial and technical resources to PCW protection.

ONGOING ACTIVITIES

A. WATERSHED

1. Established monitoring system to measure deforestation, erosion, sedimentation and changes in biodiversity.
2. Equipment purchase for monitoring reforestation and forest plantations.
3. Study on Forest Cover for PCW 1993, 1994, 1995.
4. Technical assistance to develop a hazardous Substance Management guide.
5. Technical assistance to develop water quality and environmental standards.
6. Technical assistance in financial management of USAID and FIDECO resources.
7. Technical assistance to assess and evaluate Environmental Impact Studies.

B. National Parks

1. Demarcation of National Park Chagres.
2. Purchase of uniforms and equipment for park rangers.
3. Purchase office equipment to support field activities.
4. Purchase of communication equipment.
5. Purchase of vehicles (trucks and motorcycles) for park guards and park directors.
6. Revision of park management plans (5 parks in PCW).
7. Construction of offices, residences, boat ramps, ranger stations and public services for PCW National Parks.

C. Ecological Trust Fund

1. Financed 34 small projects (limit US\$5,000) in the PCW.
2. Received and evaluated 106 proposals for the first cycle of the Ecological Trust Fund.
3. Approved 13 projects (7 within the PCW) in the programmatic areas of investigation, reforestation, sustainable agriculture, agroforestry, conservation of biodiversity, planning and management of national parks, conservation of watersheds.
4. Disbursed resources to INRENARE. Disbursements included resources to the 5 National Parks within the PCW. Resources were utilized for protection, maintenance and improvements.
6. Established 4 co-financing agreements, including 1 with the National Agrarian Bank to work with cattle producers in the PCW.
7. Designed and implemented 35 training activities with grantees.

D. Reforestation

1. Developed a Mission strategy paper for integrated reforestation.
2. GOP and NGOs have designed community Based Reforestation projects for the PCW.
3. INRENARE and NATURA have initiated a pilot reforestation/agroforestry project for the Campana National park buffer zone.
4. ARI and INRENARE are developing a reforestation project for 15 communities within the PCW.
5. CLASP II is developing a reforestation training program for 50 small farmers and technicians living and working in the PCW (for FY'97).
6. ARI has consigned 1,100 hectares of reverted land for private reforestation.

135

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PAGE 01 STATE 072658 082241Z
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AID/PPC/PC:VCUSUMANO (DRAFT) AID/G/ENV/DLEIBSON (DRAFT)

ADDITIONAL CLEARANCE

AID/M/B:BGREENE (DRAFT)

STATE/ARA/CEN : HSIMON (DRAFT)

AID/GC/LAC:AADAMS (INFO)

PEACE CORPS:RARONHIME (INFO)

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E.O. 12958: N/A

TAGS:

SUBJECT: FY 96-98 PANAMA R4

1. SUMMARY. DURING PROGRAM WEEK FOR PANAMA, MARCH 7-15,
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PAGE 02 STATE 072658 082241Z

1996, USAID/PANAMA WAS COMPLIMENTED FOR PRODUCING A SUPERIOR R4. PROGRESS TOWARD THE PERFORMANCE OF STRATEGIC OBJECTIVES WAS CONSIDERED EXCELLENT, AND USAID/PANAMA'S PLANS FOR ACCOMPLISHING TARGETS DEEMED TO BE SOUND. THE PRINCIPAL ISSUE DISCUSSED WAS THE DISCREPANCY BETWEEN THE MISSION'S RESOURCE REQUEST AND THE BUREAU'S BUDGET ALLOCATION. HOWEVER, SINCE THE MISSION MAINTAINS THAT IT WILL ATTAIN TARGETS WITH THE BUDGET ALLOCATED, IT WAS CONCLUDED THAT THE BUREAU, AT THIS TIME, WILL HOLD THE LINE ON THE AMOUNT ORIGINALLY BUDGETED. THE MISSION AND LAC/W WILL CONTINUE TO EMPHASIZE SUSTAINED COORDINATION WITH THE INTER-AMERICAN DEVELOPMENT BANK (IDB), WITH PARTICULAR EMPHASIS ON BUILDING A BRIDGE BETWEEN USAID'S AND IDB'S ADMINISTRATION OF JUSTICE PROGRAMS; AND, FURTHER

DISCUSSION WITH THE DEPARTMENT OF STATE ON U.S. POLICY IN PANAMA AND ITS IMPLICATIONS FOR USAID'S PLANNED EXIT IN 1999. END SUMMARY.

2. THE DAEC REVIEW OF THE PANAMA R4 FOR FY 96-98 WAS CHAIRED BY DAA/LAC ERIC ZALLMAN. AMONG THOSE ATTENDING

WERE REPRESENTATIVES OF VARIOUS LAC, G, M AND PPC OFFICES. STATE/ARA AS WELL AS PEACE CORPS WERE REPRESENTED AT THE MEETING. MISSION DIRECTOR DAVID MUTCHLER REPRESENTED USAID/PANAMA. IN HIS OPENING STATEMENT, THE DAA/LAC COMPLIMENTED THE MISSION ON A WELL-PREPARED, WELL-ORGANIZED R4, NOTING IN PARTICULAR THE COMPREHENSIVENESS OF THE REPORT WHICH REFLECTS THE MISSION'S STRONG PERFORMANCE OVER THE LAST YEAR.

3. IN HIS INTRODUCTORY REMARKS, THE MISSION DIRECTOR NOTED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 072658 082241Z
THE TREMENDOUS ACCOMPLISHMENTS REALIZED WITHIN THE PAST SIX YEARS BY THE GOVERNMENT OF PANAMA (GOP), WITH SUSTAINED U.S. SUPPORT, PARTICULARLY IN THE AREA OF GOVERNANCE AND RESTORING DEMOCRACY. HE NOTED THAT THE MISSION'S DIALOGUE WITH GOP COUNTERPARTS CONTINUES TO BE VERY CONSTRUCTIVE AND WELL-FOCUSSED. HE EMPHASIZED THAT USAID CONCERN FOR THE NEXT THREE YEARS WILL BE TO ENSURE THAT SUCCESSES ALREADY ACHIEVED ARE NOT DERAILED, WHILE THE MISSION FOCUSSES ITS PROGRAM IN SUPPORT OF U.S. FOREIGN POLICY OBJECTIVES AIMED AT SUCCESSFUL IMPLEMENTATION OF THE PANAMA CANAL TREATIES. IN THIS VEIN, THE MISSION WILL CONTINUE TO STRESS THREE PARTICULAR THEMES: IMPROVING THE MANAGEMENT AND PROTECTION OF THE CANAL WATERSHED AREA AND RELATED TRAINING OF PANAMANIAN; SUSTAINED DIALOGUE WITH THE INTER-AMERICAN DEVELOPMENT BANK (IDB); AND PREPARATION OF PANAMA FOR THE TRANSFER OF THE CANAL AND THE REVERTED PROPERTIES.

A. THE MISSION DIRECTOR STRESSED THAT FRESH WATER RESOURCES WERE VITAL TO THE FUNCTIONING OF THE CANAL. EVERY SHIP THAT PASSES THROUGH THE LOCKS CONSUMES 52 MILLION GALLONS OF FRESH WATER, OR OVER TWO BILLION GALLONS OF WATER PER DAY. ADDITIONALLY, OVER ONE MILLION PEOPLE DEPEND ON THE CANAL FOR POTABLE WATER. HE DISCUSSED THE DRAMATIC DECLINE IN FOREST COVER IN THE WATERSHED, AND INDICATED THAT, AT THIS TIME, NO ACCURATE DATA EXISTS ON THE RATE OF SILTATION OCCURRING IN THE CANAL. IN THIS LIGHT, USAID AND THE GOP ARE SERIOUSLY GRAPPLING WITH IMPROVING THE MANAGEMENT AND PROTECTION OF THE CANAL WATERSHED. THE MISSION DIRECTOR PLACED PARTICULAR EMPHASIS ON THE ROLE AND BENEFITS OF MONITORING UNCLASSIFIED

137

UNCLASSIFIED

PAGE 04 STATE 072658 082241Z
ACTIVITIES. ASSERTING THAT "YOU CANNOT MANAGE WHAT YOU CANNOT MEASURE," HE NOTED THAT IF WE DO NOTHING ELSE BUT ESTABLISH AN EFFECTIVE MONITORING SYSTEM WHICH MEASURES FOREST COVER, DEMOGRAPHICS, BIODIVERSITLY AND SILTATION, WE WILL HAVE MADE A CONTRIBUTION WHICH IS CRITICAL TO THE FUTURE OF PANAMA'S DEVELOPMENT. NOTWITHSTANDING THE CUMULATIVE EFFECT MONITORING ACTIVITIES MAY HAVE ON ENVIRONMENTAL MANAGEMENT, PER SE, THE MISSION DIRECTOR

NOTED ALSO THEIR SPREAD EFFECT ON EFFECTIVE GOVERNANCE AS AN ADDED BENEFIT.

B. HE ALSO DISCUSSED THE IMPORTANCE OF USAID GRANT FUNDING IN FACILITATING THE DEVELOPMENT OF ACTIVITIES IN CRITICAL AREAS, WHICH LATER CAN BE FUNDED BY 1DB. SUSTAINED DIALOGUE WITH THE 1DB IS FUNDAMENTAL IN ORDER TO PROTECT EARLIER USAID INVESTMENTS. THANKS IN PART TO THE EXCELLENT DIALOGUE AND COORDINATION BETWEEN THE 1DB AND USAID, THE 1DB IS TAKING STEPS TO BRIDGE THE FUNDING GAP THAT WILL EXIST AFTER USAID CLOSES ITS PROGRAM IN PANAMA.

C. THE MISSION DIRECTOR INDICATED THAT, IN THE NEXT FOUR YEARS, THE GOP WILL BE TAKING OVER TEN MAJOR U.S. MILITARY BASES. WHILE THIS PRESENTS A TREMENDOUS OPPORTUNITY, THE PANAMANIANIS WILL HAVE TO FIND WAYS TO REPLACE THE \$250 MILLION TO \$370 MILLION IN INCOME AND SOME 14,000 JOBS LOST. HE CONTINUED BY SUMMARIZING THE FINDING OF A RECENT GENERAL ACCOUNTING OFFICE (GAO) REPORT THAT, IN AREAS IN THE U.S. WHICH HAD BASES CLOSING, AFTER FIVE YEARS ONLY FIVE PERCENT OF THE JOBS LOST HAVE BEEN REPLACED. PANAMA IS FACING A MAJOR CHALLENGE. IN PREPARING FOR THE

UNCLASSIFIED

UNCLASSIFIED

PAGE 05 STATE 072658 082241Z
TRANSFER OF REVERTED PROPERTIES, THE MISSION DIRECTOR NOTED THAT USAID IS WORKING CLOSELY WITH THE GOP TO: ASSIST THE INTER-OCEANIC REGIONAL AUTHORITY (ARI) IN ITS EFFORTS TO ATTRACT INTERNATIONAL INVESTMENT IN THE REVERTED PROPERTIES AND ADDRESS THE GOP ACTIONS AND REQUIREMENTS THAT HAVE BEEN IDENTIFIED IN THE PANAMA CANAL COMMISSION (PCC) MILESTONE REPORT. HE REMARKED THAT THE SUCCESSFUL UTILIZATION OF THE REVERTED PROPERTIES ARE ESSENTIAL TO THE ECONOMIC FUTURE OF PANAMA, ALTHOUGH SIGNIFICANT INCOME GENERATION CURRENTLY ATTACHED TO BASE FACILITIES WILL BE LOST. PANAMA MUST CREATE NEW ECONOMIC OPPORTUNITIES BY RETOOLING REVERTED PROPERTIES TO STIMULATE PRIVATE SECTOR INVESTMENT AND EMPLOYMENT. HE CAUTIONED, HOWEVER, THAT USAID ASSISTANCE IN THIS AREA WILL ONLY CONTINUE TO THE EXTENT BUDGET ALLOWS.

138

4. THE DAEC THEN PROCEEDED TO A DISCUSSION OF THE ISSUE OF PROGRAM FUNDS. SUGGESTIONS AND GUIDANCE WERE PROVIDED, AS NOTED IN THE FOLLOWING PARAGRAPHS:

ADEQUACY OF PROGRAM FUNDS. WITHIN THE R4, IT WAS NOTED THAT THE LEVEL OF PROGRAM FUNDS DEVOTED TO PANAMA ARE LOW, PARTICULARLY GIVEN THE IMPORTANCE OF USAID'S MANDATE TO SUPPORT THE U.S. FOREIGN POLICY GOAL OF SUCCESSFUL IMPLEMENTATION OF THE PANAMA CANAL TREATIES. WITHIN THE R4, THE MISSION REQUESTED \$4.7 MILLION MORE THAN THE BUREAU ALLOCATED FOR FYS 1997 AND 1998. IT WAS ALSO NOTED

THAT THE MISSION STATED THAT THE SO COULD BE ACHIEVED WITHOUT ADDITIONAL FUNDING.

UNCLASSIFIED

UNCLASSIFIED

PAGE 06 STATE 072658 082241Z
NEVERTHELESS, SHOULD ADDITIONAL PROGRAM FUNDING BECOME AVAILABLE, THE MISSION WAS ASKED TO SPECIFY WHICH ACTIVITIES WOULD BE CONSIDERED PRIORITIES. THE MISSION DIRECTOR NOTED TWO AREAS. FIRST, REFORESTATION IN THE CANAL WATERSHED WOULD REQUIRE ADDITIONAL FUNDS TO ACHIEVE LEVELS OF FOREST COVER THAT EXISTED IN THE 1950S. SILTATION AS A RESULT OF DEFORESTATION WAS DISCUSSED AS A SERIOUS PROBLEM. IT WAS NOTED THAT A SUSTAINABLE APPROACH TO REFORESTATION IS MORE EXPENSIVE THAN A SIMPLE CAMPAIGN TO PLANT TREES. A SUSTAINABLE APPROACH HIGHLIGHTS COMMUNITY PARTICIPATION AND ADDRESSES THE ECONOMIC INCENTIVES AND HARMFUL IMPACTS OF PRACTICES IN THE CANAL WATERSHED SUCH AS CATTLE GRAZING. DAA/LAC PROPOSED THAT THE MISSION ASCERTAIN THE RESULTS OF CURRENT RESEARCH WITH A VIEW TOWARD DEVELOPING SUSTAINABLE APPROACHES TO THESE PROBLEMS. RSD/ENV NOTED THAT ANY FUTURE STRATEGY SHOULD EMPHASIZE THAT WATERSHED PROTECTION IS PRIMARILY AN ECONOMIC PROBLEM WITH ENVIRONMENTAL DIMENSIONS, AND THAT IT IS CRITICAL TO ENSURE THAT THE RECURRENT COSTS OF WATERSHED PROTECTION ALSO ARE ADDRESSED, EITHER BY THE PRIVATE SECTOR, THE GOP OR OTHER DONORS.

SECOND, THE MISSION DIRECTOR NOTED THAT WITH ADDITIONAL FUNDS USAID COULD PROVIDE MORE TECHNICAL ASSISTANCE TO THE GOP'S INTER-OCEANIC REGIONAL AUTHORITY (ARI), PARTICULARLY IN THE AREA OF FEASIBILITY STUDIES ON THE USES OF REVERTED PROPERTIES, AND THE PANAMA CANAL TRANSITION COMMISSION. THE DAA NOTED THAT THE HEAD OF ARI HAD HIGH PRAISE FOR THE WORK DONE BY THE MISSION AND APPRECIATED THE FAST AND RESPONSIVE SUPPORT. ALTHOUGH OTHER DONORS SUCH AS JAPAN AND TAIWAN HAVE EXPRESSED AN INTEREST IN DEVELOPING

UNCLASSIFIED

UNCLASSIFIED

139

PAGE 07 STATE 072658 082241Z
PRODUCTIVE ENTERPRISES IN THE REVERTED AREAS, THE MISSION DIRECTOR ARGUED THAT THEIR EFFORTS WILL PRIMARILY BENEFIT THEIR OWN COUNTRY'S BUSINESSES AND NOT THE U.S. PRIVATE SECTOR.

THE DAA/LAC CONCLUDED THAT THE PRIORITIES DESCRIBED BY THE MISSION DIRECTOR WERE CONSISTENT WITH THOSE OF THE BUREAU; HOWEVER, GIVEN RESOURCE CONSTRAINTS AND THE FACT THAT THE MISSION CAN ATTAIN ITS TARGETS WITHIN THE ALLOCATED BUDGET, THE BUREAU WILL HOLD THE LINE ON THE MISSION'S BUDGET AT THIS TIME.

5. WITH REGARD TO DAEC CONCERNS, THE FOLLOWING FOUR POINTS WERE ADDRESSED:

A. DONOR COORDINATION AND USAID'S CLOSE OUT. CONCERN WAS EXPRESSED IN THE R4 REVIEW THAT MUCH EFFORT NEEDS TO BE DEVOTED IN BOTH PANAMA AND WASHINGTON TO ENGAGING THE INTER-AMERICAN DEVELOPMENT BANK (IDB) AND OTHER DONORS TO TAKE ON SELECTED ACTIVITIES, GIVEN USAID'S PROPOSED CLOSE OUT AT THE END OF 1999. THE MOST URGENT AREA FOR ASSISTANCE IS IN THE ADMINISTRATION OF JUSTICE. USAID'S EFFORTS WILL CEASE IN THIS AREA AT THE END OF 1996 AND PUBLIC CONFIDENCE IN THE JUSTICE SYSTEM OVER THE LAST YEAR HAS ERODED SHARPLY. DAA/LAC RESPONDED THAT EFFORTS TO ENGAGE THE IDB WERE ALREADY UNDERWAY.

IN A MEETING HELD DURING PROGRAM WEEK WITH IDB COUNTERPARTS, DAA/LAC, PANAMA'S MISSION DIRECTOR AND THE DESK OFFICER AGREED TO FOUR AREAS OF FOLLOW-ON: FIRST, THE IDB WILL ACCELERATE THE DESIGN AND APPROVAL OF ITS
UNCLASSIFIED

UNCLASSIFIED

PAGE 08 STATE 072658 082241Z
ADMINISTRATION OF JUSTICE PROGRAM SO AS TO BUILD A BRIDGE BETWEEN USAID'S AND IDB'S ACTIVITIES; SECOND, THE IDB'S FINANCIAL MANAGEMENT REFORM, TAX ADMINISTRATION REFORM, AND ECONOMIC POLICY DEVELOPMENT ACTIVITIES WILL BE ADDRESSED AS PART OF IDB'S PLAN TO MODERNIZE THE PANAMANIAN PUBLIC SECTOR, MAKING IT A SHOWPIECE FOR THE REST OF LATIN AMERICA (NOTE: THESE ACTIVITIES ARE UNDER DESIGN, AND PLANS ARE FOR THEM TO BE APPROVED AND READY FOR IMPLEMENTATION PRIOR TO THE USAID PROJECT COMPLETION DATES); THIRD, ALTHOUGH IDB DID NOT HAVE FUNDING DESIGNATED FOR WATERSHED MANAGEMENT EFFORTS, IT WAS AGREED THAT USAID WOULD DEVELOP MODELS OF WATERSHED MANAGEMENT THAT WOULD SERVE AS A STARTING POINT FOR AN IDB FOLLOW ON; FOURTH, TO SUPPORT THE PROPERTIES REVERSION PROCESS, USAID AND IDB AGREE TO CONTINUE SHARING INFORMATION ON THE IDB-SPONSORED GENERAL AND MASTER PLANS FOR THE REVERTED PROPERTIES, DUE TO BE COMPLETED WITHIN TWO MONTHS.

140

B. HOUSING INVESTMENT GUARANTY (HG). A CONCERN WAS RAISED THAT PANAMA'S HOUSING GUARANTY PROGRAM MAY NOT BE POSSIBLE TO SUSTAIN. CURRENT HOUSE AUTHORIZATION BILL LANGUAGE RESCINDS THE HG PROGRAM AND, IF PASSED AND NOT VETOED, WOULD FORCE USAID TO ABROGATE ITS PANAMA HOUSING INVESTMENT AGREEMENT. EVEN IF THE PROGRAM IS NOT RESCINDED IN THE AUTHORIZATION LEGISLATION, A DRAFT USAID POLICY NOW WITH THE REGIONAL ASSISTANT ADMINISTRATOR FOR CLEARANCE WOULD DISCONTINUE IMPLEMENTATION OF PRE-CREDIT REFORM HG'S, EXCEPT IN CASES OF U.S. NATIONAL INTEREST. THE MISSION EXPRESSED CONCERN THAT DISCONTINUING THE HG PROGRAM WOULD HAVE A NEGATIVE IMPACT ON THE IMPLEMENTATION OF THE PANAMA CANAL TREATIES AND, SPECIFICALLY, THAT

UNCLASSIFIED

UNCLASSIFIED

PAGE 09 STATE 072658 082241Z
ABROGATING THE AGREEMENT AT A TIME WHEN EXTENSION OF BASE RIGHTS IS BEING DISCUSSED WITH THE GOP WOULD SEND THE WRONG SIGNAL. THE DAA/LAC CONCURRED WITH THE MISSION'S

ASSESSMENT AND STATED THAT THE BUREAU WOULD SUPPORT AN EXCEPTION TO THE DRAFT POLICY ON THE GROUNDS THAT PANAMA IS A NATIONAL INTEREST CASE. NEVERTHELESS, IF THE PROGRAM IS RESCINDED WITHIN AUTHORIZATION LEGISLATION OR, PERHAPS, AS PART OF A CONTINUING RESOLUTION, THERE WILL BE NO RECOURSE.

C. HUGH SIMON, DEPUTY DIRECTOR, STATE-ARA/CEM, INDICATED THAT STATE IS CONCERNED ABOUT USAID'S PLANS TO CLOSE THE PANAMA PROGRAM IN SEPTEMBER 1999. HE CONTINUED THAT, GIVEN THE IMPORTANCE OF THE CANAL, STATE PLANS TO MEET ON AN INTER-AGENCY BASIS TO DISCUSS THE CONTINUATION OF A USAID PRESENCE IN PANAMA POST-1999. HE STATED THAT: (1) THE CANAL IS AN IMPORTANT INTERNATIONAL WATERWAY AND THAT PROTECTING THE WATERSHED IS VITAL. WHILE IT IS TRUE THAT OTHER SOURCES OF FUNDING MAY BECOME AVAILABLE, STATE'S POSITION IS THAT IT IS IMPORTANT THAT A USAID PRESENCE CONTINUE; (2) WE NEED TO TAKE ANOTHER LOOK AT TERMINATING OUR ASSISTANCE TO THE JUSTICE SECTOR, PARTICULARLY IN LIGHT OF OUR EFFORTS TO CAPTURE AND CONVICT INDIVIDUALS FOR MONEY LAUNDERING AND DRUG TRAFFICKING; AND (3) THE REVERSION IS NOT MOVING AS SPEEDILY AS THE U.S. GOVERNMENT OR THE GOVERNMENT OF PANAMA WOULD LIKE. IT IS IMPORTANT THAT PANAMANIAN BE ABLE TO ATTRACT AND KEEP U.S. BUSINESSES INVOLVED THERE. WHILE IT IS NOT CLEAR FROM WHERE THE MONEY WOULD COME, STATE CONSIDERS THAT A USAID PRESENCE POST-1999 IN PANAMA IS IN THE U.S. FOREIGN POLICY

UNCLASSIFIED

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PAGE 10 STATE 072658 082241Z

141

INTEREST. THE DAA/LAC INDICATED THAT WE LOOK FORWARD TO FURTHER DISCUSSIONS WITH STATE ON THIS MATTER.

D. THE MISSION WAS ADVISED NOT TO PROCEED WITH THE FIELD SUPPORT ACTIVITY, THE FREE MARKET DEVELOPMENT ADVISOR PROGRAM, FOR THE SMALL-TO-MEDIUM BUSINESS DEVELOPMENT ACTIVITY.

6. CLARIFICATION ON REG. 216. LAC/RSD/E TEAM AND PANAMA MISSION HAVE DISCUSSED REG. 216 REQUIREMENTS. THE ENVIRONMENT TEAM AND MISSION AGREE TO REVIEW THE MISSION'S PROGRAM AND DETERMINE NEEDS FOR ENVIRONMENTAL EXAMINATION. THE TEAM AND THE MISSION AGREE THAT ACTIONS WILL LIKELY NEED TO BE TAKEN TO COMPLY WITH REG. 216 AND THAT THE LAC/RSD/E TEAM WILL WORK WITH THE MISSION TO IDENTIFY AND ADDRESS THESE NEEDS.
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142